

# **A Tort Law Framework for Copyright Authorisation**

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Submitted in total fulfillment of the requirements of the degree of  
Doctorate of Philosophy (PhD)

Faculty of Law and Business  
Thomas More Academy of Law

Australian Catholic University

**June 2016**



## **Statement of Sources**

I, Kylie Pappalardo, declare –

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Signed

Kylie Pappalardo



*For Nic.*

## **Acknowledgements**

This research was funded by an Australian Postgraduate Award from the Commonwealth Government. I also received financial support from the Australian Catholic University and the ARC Centre of Excellence for Creative Industries and Innovation.

I owe a great deal to my supervisors, Professor Brian Fitzgerald, Professor Julie Cohen and Dr. John Gilchrist, not only for their wonderful academic guidance but for their tremendous personal support. Thank you for your sage advice, your attention to detail and, especially, your kindness. Thank you for challenging me. Your mentorship has made all the difference.

Thank you as well to Dan Hunter, Laura Simpson-Reeves and members of the QUT Law and Justice PhD Writing Group for thoughtful comments on earlier iterations of this thesis.

For my family and friends, who were endlessly patient with my frequent absences from normal life and my stress-induced forgetfulness, and who supported me tirelessly throughout it all. Mum, Dad, Kirsty and Martine, I love you. Heart-felt gratitude to Kristyn Middleton, Lara Miller, Celeste Bennett, Lauren Skarott and Laura Simpson-Reeves for always having my back and always making me laugh.

I owe special thanks to two extraordinary women. Ellyse Fenton, for your honesty and vulnerability in allowing yourself to be seen, even in the struggle. You gave me hope during the most difficult times of this process. Susana Frioni, for being my guide and teaching me to breathe again. Namaste.

Finally, to Nic Suzor, whose encouragement, love and generosity made this possible. Who believed in me when I did not believe in myself, and who always makes everything right again.



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## **Abstract**

The law relating to authorisation liability for copyright infringement in Australia is unclear and unruly. As courts attempt to extend the law to reach new and disruptive intermediaries online, concepts designed to limit the scope of liability to only those at fault - such as the requirement that a person have the 'power to prevent' infringement - have begun to lose their meaning. Further, copyright owners seek measures from intermediaries that go well beyond the remedies available at law - they want users disconnected from the internet, websites blocked, and content filtered. These measures can have serious ramifications for the ways in which individuals are able to engage online, including for purposes of self-expression, community building, and creativity.

In this thesis, I argue that the problems with copyright authorisation can be addressed using a tort law framework. I draw specifically from negligence law's focus on personal responsibility and its principles of causation to argue that intermediaries should only be under a duty to take reasonable steps to prevent acts of primary infringement where they have causally contributed to the risk of infringement or where they have real and actual control over the primary infringers and their actions. Concepts of fault, responsibility, causal contribution, risk and control are analysed in the context of negligence cases dealing with the duty to rescue and the duty to control third parties to prevent harm to another. I argue that this approach is more principled, and therefore more robust, than simply relying on the terms 'sanction, approve, countenance' to find authorisation liability under copyright law. I also argue that a negligence framework provides greater flexibility to consider how copyright regulation impacts upon the interests of users in the online environment.

## **Preface**

The law discussed in this thesis is current as to 31 December 2014. Significant developments that occurred after this date have been included where possible.

# Chapter 1

## **Introduction: An unclear and unbounded authorisation law**

This thesis argues that intermediary liability for copyright infringement should be focused on the intermediary's actual responsibility for primary infringement and not simply its ability to assist copyright owners in doing something about infringement. After more than a decade of chasing the Napsters and The Pirate Bays of the world, copyright owners have achieved only limited success in regulating copyright infringement online. Increasing frustration has led copyright lobbyists to exert political pressure to change the rhetoric of enforcement. In particular, the agenda of copyright owners for the greater part of the last decade has been to seek mechanisms to coopt ISPs into enforcing copyright. Rightsholders argue that ISPs are in a position of power in the online environment – they provide the access points by which people are able to connect to each other and share copyrighted content. ISPs know (in general terms) that infringement occurs over their networks and they have the ability to do something about it, whether by sending warning notices or disconnecting internet accounts. The massive scale of copyright infringement, rightsholders argue, converts this ability to do something into a moral imperative. In this situation, to know that infringement is happening and to do nothing is to be culpable.

The Australian Government, by and large, has bought into this narrative. In 2014, they released a discussion paper in which they emphasised: “Everyone has a role to play in reducing online copyright infringement.”<sup>1</sup> In that discussion paper, the Government considered radically restructuring Australian intermediary copyright liability law to reflect the proposition that everyone has a role in fighting infringement. The law governing intermediary liability in Australia focuses on whether or not the defendant ‘authorised’ the acts of primary infringement.<sup>2</sup>

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<sup>1</sup> Attorney General, Senator the Hon. George Brandis QC and Minister for Communications, the Hon. Malcolm Turnbull MP, Online Copyright Infringement, Joint Media Release, 30 July 2014, <http://www.attorneygeneral.gov.au/Mediareleases/Pages/2014/ThirdQuarter/30July2014-OnlineCopyrightInfringement.aspx>.

<sup>2</sup> Sections 36(1) and 101(1) of the *Copyright Act 1968* (Cth) provide that copyright is infringed by a person who, not being the owner of the copyright and without the licence of the owner of the copyright, does *or authorizes the doing of*, in Australia, an act comprised in the copyright. Acts comprised in the copyright include the rights of reproduction, communication, adaptation, public performance and publication: see sections 31, 85-88. Section 36 applies to literary, dramatic, musical

‘Authorise’ has been defined to mean “sanction, approve, countenance”,<sup>3</sup> and courts must generally consider several factors in determining liability, including the defendant’s relationship with the primary infringer, whether the defendant had the power to prevent the primary infringement, and what reasonable steps the defendant might have taken to exercise this power.<sup>4</sup> In the 2014 discussion paper, the Australian Government proposed removing the element of control, which has long been a central feature of Australian authorisation law, from the legislated list of factors that a court must consider when determining intermediary liability.<sup>5</sup> This would have had the effect of compelling intermediaries like ISPs to act even where they had no real power to prevent infringement.

But this narrative of collective responsibility is deeply flawed. In this thesis, I seek to demonstrate that the push for greater online copyright enforcement is not based on responsibility at all, in any sense of the word grounded in sound legal theory and precedent. Rather, this is capacity masquerading as responsibility. The tension between capacity and responsibility is an overarching theme of this thesis. I investigate the ways in which the two concepts are merged and confused in online copyright regulation, and how we might go about separating them. Ultimately, I argue that responsibility, not merely the capacity to do something, must be our touchstone for intermediary copyright liability. My research focuses on the imposition of liability and the bounds of liability as a *prima facie* matter; I do not explore non-liability methods of regulation in this thesis.

## 1. Research question

This thesis considers the question: What is the appropriate scope of authorisation liability for copyright infringement in the online environment? Or more specifically: How can we determine the appropriate scope of the authorisation liability of online intermediaries in a way that is *principled* and that *considers the interests of internet users*?

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and artistic works; section 101 applies to sound recordings, cinematograph films, broadcasts and published editions.

<sup>3</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J), 207 (Jacobs J) (with McTiernan ACJ concurring).

<sup>4</sup> *Copyright Act 1968* (Cth), ss. 36(1A) and 101(1A).

<sup>5</sup> Australian Government, Online Copyright Infringement Discussion Paper, July 2014.



In answering this question, I provide a normative framework based on responsibility theory as developed through negligence law. I use principles of causation to assess *when* a duty to act to prevent infringement ought to be imposed on internet intermediaries, and I utilise the concept of reasonableness to determine *what* the content of that duty should be. This two-part inquiry helps to better conceptualise the circumstances in which intermediaries can be properly held legally responsible for third party copyright infringement. In short, I tie an intermediary's liability to fault, not capacity or efficiency. My framework is also informed by user rights theory in copyright law, to ensure that measures required of intermediaries to deter or prevent infringement do not unreasonably impact upon the ways in which users engage online with creative content and each other.

There are some limits to my inquiry. First, I focus on *online* intermediaries and infringement that occurs on the internet. My framework has application to offline intermediaries as well, but it was developed with online intermediaries in mind. Second, my focus is on Australian law and legal developments up to 31 December 2014, and on 'liability' properly defined – not on the later schemes that are designed to impose standalone obligations on ISPs. Consequently, I focus on the authorisation doctrine in the Australian Copyright Act.<sup>6</sup> I use the term 'authorisation liability' throughout this thesis, sometimes where the more general term 'intermediary liability' could be substituted. I have chosen to concentrate on Australia not only because it is my home jurisdiction, but because Australia provides a particularly compelling snapshot of global copyright enforcement efforts. Australians are frequently accused of being amongst the highest infringing downloaders in the world,<sup>7</sup> and there are ongoing debates about the relatively high prices and low levels of service faced by Australian consumers in accessing lawful copyright content, as compared to consumers in other western countries.<sup>8</sup> Australia has also been an important target of copyright enforcement measures during the last decade, including

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<sup>6</sup> *Copyright Act 1968* (Cth), s. 36(1) and s. 101(1). See above, note 2.

<sup>7</sup> See, Australian Government, Online Copyright Infringement Discussion Paper, July 2014, 1; House Standing Committee on Infrastructure and Communications, 'At what cost? IT Pricing and the Australia Tax' (Parliament of Australia, 29 July 2013) [http://www.aph.gov.au/parliamentary\\_business/committees/house\\_of\\_representatives\\_committees?url=ic/itpricing/report.htm](http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=ic/itpricing/report.htm).

<sup>8</sup> House Standing Committee on Infrastructure and Communications, 'At what cost? IT Pricing and the Australia Tax' (Parliament of Australia, 29 July 2013) [http://www.aph.gov.au/parliamentary\\_business/committees/house\\_of\\_representatives\\_committees?url=ic/itpricing/report.htm](http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=ic/itpricing/report.htm).

through high profile lawsuits largely financed by the US copyright industries.<sup>9</sup> The expansive scope of Australia's authorisation doctrine has served as an enabling force for copyright owners to seek remedies and pursue scaled-up regulation in this jurisdiction. Because of these factors, Australia is being used as one jurisdiction in which policy is 'laundered' in a global effort to ratchet up enforcement provisions. Readers from other common law jurisdictions, especially the United States and the United Kingdom, may find that elements of my framework would transition well to their domestic law. I make no claims about the transferability of my proposed framework, though I would be very pleased if international readers found it useful as a guide. For coherence and to keep the thesis within reasonable bounds, I have not considered continental European law in this thesis.

Third, my research draws heavily from principles developed in Australian common law in the area of negligence. As will be explained in this thesis, there are important correlations and similarities between negligence law and intermediary copyright liability that make lessons drawn from negligence law both interesting and apt. Wendy Gordon has suggested that negligence law has "several important lessons for students of copyright".<sup>10</sup> Specifically, I explore the parallels that arise between the 'rescue' and 'control of third party' cases in negligence and authorisation liability cases in copyright. My analysis is limited to negligence law and does not extend to other areas of tort law such as the trespass torts. Except where I state otherwise, when I use the term 'tort law' in this thesis I am referring to negligence law.

Finally, I am interested only in whether and why online intermediaries should be held responsible for authorising copyright infringement as a matter of first principle. I therefore deal primarily with authorisation liability at the point of determination. I

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<sup>9</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 222 FCR 465 (suit against the operators of the filesharing network, Kazaa); *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012); *Dallas Buyers Club LLC v iiNet Ltd* [2015] FCA 317. See Robert D McCallum, 'Diplomatic Cable 08CANBERRA1197, FILM/TV INDUSTRY FILES COPYRIGHT CASE AGAINST AUSSIE ISP', *Wikileaks*, 30 November 2008, <https://wikileaks.org/cable/2008/11/08CANBERRA1197.html>. Referring to the iiNet case, the US Ambassador to Australia writes: "Despite the lead role of AFACT and the inclusion of Australian companies Village Roadshow and the Seven Network, this is an MPAA/American studios production. ... MPAA was the mover behind AFACT's case (AFACT is essentially MPAA's Australian subcontractor; MPAA/MPA have no independent, formal presence here), acting on behalf of the six American studios involved. MPAA prefers that its leading role not be made public. AFACT and MPAA worked hard to get Village Roadshow and the Seven Network to agree to be the public Australian faces on the case to make it clear there are Australian equities at stake, and this isn't just Hollywood 'bullying some poor little Australian ISP'."

<sup>10</sup> Wendy J. Gordon, 'Copyright as Tort Law's Mirror Image: 'Harms', 'Benefits', and the Uses and Limits of Analogy' (2003) 34 *McGeorge Law Review* 533, 536-40; Wendy J. Gordon, 'Of Harms and Benefits: Torts, Restitution, and Intellectual Property' (1992) 21(2) *Journal of Legal Studies* 449.

only briefly consider the safe harbour provisions of the Copyright Act,<sup>11</sup> which may operate to protect particular intermediaries from the imposition of certain legal remedies where those intermediaries, though responsible at first instance, have followed legislative procedures to relieve them of liability. While I acknowledge that the safe harbours are part of the complex matrix of factors relating to an intermediary's liability for copyright infringement, the provisions in Australia's Copyright Act have a rather limited application in the rapidly evolving environment of the internet, where new types of intermediaries are emerging all the time. The Australian provisions apply to "carriage service providers" which, as defined, essentially mean internet service providers.<sup>12</sup> For this reason, the scope of the safe harbours within Australian law differs markedly from the reach of the safe harbour provisions in the U.S. Copyright Act.<sup>13</sup> There is little scope to apply the safe harbour provisions to non-traditional intermediaries, such as operators of filesharing networks, digital lockers or cloud computing services. For reasons that will become apparent in subsequent chapters, I do not view the availability of safe harbour protections as critical to the question of whether ISPs are liable for copyright infringements committed by their subscribers. In this thesis, I also do not consider non-liability based schemes for cooperation between the technology and content industries, except to the extent that they impact upon an intermediary's duty to act. Australia has very recently introduced a new provision into the *Copyright Act 1968* to permit website blocking at an ISP level where an injunction is granted by a court.<sup>14</sup> These schemes provide fertile ground for future research, but in the interests of scope and coherence of argument I do not examine them in this thesis. Instead, I concentrate on the use of liability as a core motivator to compel intermediaries to act in particular ways, often against the interests of their user base. Despite what might come later – safe harbours, three strikes, website blocking – we need to get the basics right: when will a person *actually* be liable for the acts of another? If we cannot get

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<sup>11</sup> *Copyright Act 1968* (Cth), ss. 116AA – 116AI.

<sup>12</sup> *Copyright Act 1968* (Cth), s. 10; *Telecommunications Act 1997* (Cth), s. 87. See further, Damien O'Brien and Brian Fitzgerald, 'Digital copyright law in a YouTube world' (2006) 9(6&7) *Internet Law Bulletin* 71; Matthew Rimmer, 'Robbery under arms: Copyright law and the Australia-United States Free Trade Agreement' (2006) 11(3) *First Monday* <http://firstmonday.org/ojs/index.php/fm/article/view/1316/1236>.

<sup>13</sup> See Damien O'Brien and Brian Fitzgerald, 'Digital copyright law in a YouTube world' (2006) 9(6&7) *Internet Law Bulletin* 71.

<sup>14</sup> *Copyright Act 1968* (Cth), s. 115A. This is similar to a provision in the UK *Copyright, Designs and Patents Act 1988* (s. 97A), which was successfully used to require the ISP, British Telecom, to block access to Newzbin sites in *Twentieth Century Fox Film Corp. v. British Telecommunications PLC* [2011] EWHC 1981 (Ch).

this initial question right, then there is little hope that the rest of intermediary copyright regulation will make sense. The bounds of authorisation liability matter. Liability is not the end question of internet governance, but it is the first and it is important, and this thesis addresses it squarely.

## 2. General context

Once a rather obscure part of our copyright law, authorisation liability for copyright infringement has acquired unprecedented significance in modern times. The scope of authorisation liability has been greatly extended over the last three decades, largely in line with the proliferation of digital technologies.<sup>15</sup> Major copyright holders, chiefly the movie and recording industries, have increasingly relied on intermediary liability laws in their efforts to quell the flood of copyright infringement in the digital environment.

Authorisation law was once concerned primarily with unlicensed copyright performances in theatres and other places of public entertainment.<sup>16</sup> Early English and Australian case law discussed whether a venue proprietor could justifiably remain indifferent to contracted performers who had failed to obtain the necessary copyright clearances for the public performance of musical works.<sup>17</sup> As copying technologies developed, rightsholders sought to extend the authorisation doctrine to producers and distributors of these new technologies. Copyright owners had an early success in Australia when they sued a university that had made photocopying machines available, unsupervised, in its library.<sup>18</sup> Less fruitful were suits involving cassette recording devices and blank tapes, both because these technologies had

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<sup>15</sup> For a detailed description of the legal and technological history of the early peer-to-peer file-sharing movement, see Rebecca Giblin, *Code Wars* (Edward Elgar, 2011).

<sup>16</sup> See, for example, *Falcon v. Famous Players Film Company* [1926] 2 KB 474; *Performing Right Society Limited v Ciry Theatrical Syndicate Limited* [1924] 1 KB 1; *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481.

<sup>17</sup> *Performing Right Society Limited v Ciry Theatrical Syndicate Limited* [1924] 1 KB 1; *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481. For a related U.S. decision (discussing the doctrine of contributory infringement), see *Gershwin Publishing Corporation v. Columbia Artists Management, Inc.*, 433 F.2d 1159 (2d Cir. 1971).

<sup>18</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193. See case summary at 3.1 below.

lawful uses and because the defendant manufacturers and vendors had no control over what users did with the technologies once purchased.<sup>19</sup>

The landscape shifted dramatically with the internet and the evolution of file-sharing websites and protocols. For copyright holders, the internet has proved a mixed blessing – as well as bringing opportunities for new forms of creativity, greater dissemination of copyrighted works and enhanced connections with potential audiences, it has also destabilized existing business models and enabled users to copy and share works with greater ease, creating protection and enforcement challenges. The distributed nature of the internet can make it difficult for rightsholders to identify, locate and, where necessary, bring legal action against individual infringers. As Randall C. Picker has said, “[C]hasing individual consumers is ... a teaspoon solution to an ocean problem.”<sup>20</sup> Rightsholders have repeatedly argued that online intermediaries are in the best economic position to detect and prevent copyright infringement in this distributed and often anonymised environment.<sup>21</sup> They advocate a least-cost avoider approach in asserting that intermediaries can discourage infringement most efficiently,<sup>22</sup> usually by monitoring their systems to detect infringement and then reporting instances of infringement to copyright owners, blocking or suspending primary infringers from accessing the intermediary’s system, or redesigning the system or technology to make infringement more difficult.<sup>23</sup>

In addition to efficiency arguments, copyright owners make emotive claims that intermediaries and users harmfully “free ride” on the creative efforts of authors.<sup>24</sup> It

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<sup>19</sup> *WEA International Inc. v. Hanimex Corporation Ltd* (1987) 77 ALR 456; *C.B.S. Songs Ltd v Amstrad Consumer Electronics PLC* [1988] 1 A.C. 1013; *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) 112 ALR 53.

<sup>20</sup> Randal C. Picker, ‘Copyright as Entry Policy: The Case of Digital Distribution’ (2002) 47 *Antitrust Bulletin* 423, 442, quoted by Chief Justice Posner in *In Re Aimster Copyright Litigation*, 334 F.3d 643, 645 (7<sup>th</sup> Cir. 2003).

<sup>21</sup> Jack L Goldsmith and Tim Wu, *Who Controls the Internet?: Illusions of a Borderless World* (Oxford University Press US, 2006).

<sup>22</sup> Douglas Lichtman and William Landes, ‘Indirect Liability for Copyright Infringement: An Economic Perspective’ (2003) 16(2) *Harvard Journal of Law & Technology* 395, 405-6, 401-10.

<sup>23</sup> See, for example, Ronald J. Mann and Seth R. Belzley, ‘The Promise of Internet Intermediary Liability’ (2005) 47 *William & Mary Law Review* 239, esp. at 265-6; Mark MacCarthy, ‘What Payment Intermediaries Are Doing About Online Liability and Why It Matters’ (2010) 25 *Berkeley Technology Law Journal* 1037, 1039, 1053 (discussing and critiquing this position as advanced by others).

<sup>24</sup> See, for example, the Recording Industry Association of America (RIAA) website: “It’s commonly known as ‘piracy’, but that’s too benign of a term to adequately describe the toll that music theft takes on the enormous cast of industry players working behind the scenes to bring music to your ears. That cast includes songwriters, recording artists, audio engineers, computer technicians, talent scouts and marketing specialists, producers, publishers and countless others. While downloading one song may

assists their position that some online intermediaries appear to be “bad actors” – deliberately designing their products and services to be decentralized and thus make copyright detection and enforcement more difficult.<sup>25</sup> Partly due to the strength of these claims, in the early 2000s, copyright owners won a host of intermediary liability suits against websites and file-sharing services.<sup>26</sup>

Over the years, however, copyright owners have found the process of suing infringing websites to be like a game of ‘whack-a-mole’ – when one site is shut down, another pops up again.<sup>27</sup> As a result, they have engaged in lobbying efforts and inventive law suits to target a wider range of intermediaries. Courts and legislators have thus found themselves considering the liability of intermediaries that are increasingly removed from the primary acts of infringement. Whereas at one time a defendant intermediary was likely to have a close personal or contractual relationship with the primary infringer,<sup>28</sup> this is no longer necessarily the case in the digital environment. In fact, copyright owners continue to push for liability in

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not feel that serious of a crime, the accumulative impact of millions of songs downloaded illegally – and without any compensation to all the people who helped to create that song and bring it to fans – is devastating.”: Recording Industry Association of America, *Who Music Theft Hurts* (webpage), [http://www.riaa.com/physicalpiracy.php?content\\_selector=piracy\\_details\\_online](http://www.riaa.com/physicalpiracy.php?content_selector=piracy_details_online) (accessed 22 January 2015); Australian Screen Association website: “Freeloading – content theft, illegal downloading, file-sharing or piracy is accessing and distributing other people’s creative content without their permission. Freeloading exploits those that create, invest and distribute the creative content that we all love and enjoy.”: Australian Screen Association, *Content Protection* (webpage), <http://www.screenassociation.com.au/contentProtection.php> (accessed 23 January 2015); Australian Screen Association and others, Response to the Australian Government Discussion Paper: Online Copyright Infringement, 1 September 2014, 5-7, available at <http://www.screenassociation.com.au/resources.php>. For further commentary, see, Patricia Loughlan, ‘Pirates, Parasites, Reapers, Sowers, Fruits, Foxes...The Metaphors of Intellectual Property’ (2006) 28 *Sydney Law Review* 211; Patricia Loughlan, ‘You Wouldn’t Steal a Car... Intellectual Property and the Language of Theft’ (2007) 29 *European Intellectual Property Review* 401.

<sup>25</sup> See, for example, *Metro-Goldwyn-Mayer Studios Inc., v. Grokster Ltd.* 545 U.S. 913, 924-7, 938-9 (2005); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [178], [184], [191] (Wilcox J); *Cooper v Universal Music Pty Ltd* (2006) 237 ALR 714, 724 (Branson J), 745 (Kenny J). See also, Rebecca Giblin, ‘On Sony, Streamcast, and Smoking Guns’ (2007) 29(6) *European Intellectual Property Review* 215; Jane C. Ginsburg and Sam Ricketson, ‘Separating Sony Sheep from Grokster (and Kazaa) Goats: Reckoning future business plans of copyright-dependent technology entrepreneurs (2008) 19 *Australian Intellectual Property Journal* 10; Pamela Samuelson, ‘Three Reactions to MGM v. Grokster’ (2006) 13 *Michigan Telecommunications and Technology Law Review* 177.

<sup>26</sup> *A & M Records, Inc. v. Napster, Inc.* 239 F. 3d 1004 (9<sup>th</sup> Cir. 2001); *In re Aimster*, 334 F.3d 643 (7<sup>th</sup> Cir. 2003); *Metro-Goldwyn-Mayer Studios Inc., v. Grokster Ltd.* 545 U.S. 913 (2005); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242; *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714.

<sup>27</sup> Nate Anderson, ‘Rightsholders tire of takedown Whac-A-Mole, seek gov’t help’, *Ars Technica*, 4 May 2010, <http://arstechnica.com/tech-policy/2010/05/rightsholders-tire-of-takedown-whac-a-mole-seek-govt-help/>; Nick Bilton, ‘Internet Pirates Will Always Ain’, *The New York Times*, 4 August 2012, <http://www.nytimes.com/2012/08/05/sunday-review/internet-pirates-will-always-win.html>.

<sup>28</sup> *Evans v E. Hulston & Co Ltd.* [1924] All E.R. 224; *Falcon v. Famous Players Film Company* [1926] 2 KB 474; *Ash v Hutchinson & Co (Publishers) Ltd* [1936] 2 All ER 1496.

situations where intermediaries have only tenuous connections to the acts of infringement and the individual primary infringers. For example, in the United States, the Stop Online Piracy Act (SOPA) was introduced to the House of Representatives in October 2011, which purported to extend responsibilities for tackling online infringement to payment and advertising intermediaries. The Bill sought to require payment network providers (like PayPal, MasterCard and Visa) to take reasonable and expeditious measures to prevent, prohibit or suspend their services from completing payment transactions involving internet sites identified by copyright owners as facilitating infringement.<sup>29</sup> Similarly, internet advertising services would have been required to cease making advertisements available for or on infringing websites.<sup>30</sup> Following heavy opposition from technology companies, internet users and the general public, the Bill was ultimately abandoned and lapsed.<sup>31</sup>

In Australia, rightsholder movie studios brought action against iiNet, an internet service provider (ISP), claiming that iiNet had authorised infringement by providing the internet access necessary for users to download films over BitTorrent. The plaintiffs argued that iiNet should have taken action to prevent infringing behaviour, such as sending infringement warning notices to users or suspending or terminating the accounts of apparent repeat infringers.<sup>32</sup> In 2012, the High Court found that iiNet was not liable for authorisation because it lacked a sufficient power to prevent the acts of primary infringement, a requirement under the Copyright Act.<sup>33</sup> Following the High Court's decision, the Australian Government released a discussion paper proposing to extend authorisation liability by removing "the power to prevent [the infringing act]" from the statutory list of elements that courts must consider when determining authorisation.<sup>34</sup> This would have the effect of drastically broadening the scope of intermediary liability in Australia, particularly because control (or 'the

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<sup>29</sup> See <http://thomas.loc.gov/cgi-bin/query/z?c112:H.R.3261>: (accessed 12 November 2014).

<sup>30</sup> Ibid. SOPA would have not extended the reach of the ordinary intermediary liability laws in the United States, but would have made intermediaries with only remote connections to infringement responsible for enforcing copyright owners' rights.

<sup>31</sup> Kimberlee Weatherall, 'Evaluating SOPA' (2012) 62(4) *Telecommunications Journal of Australia* 59.1.

<sup>32</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012). This case is discussed further at 3.1 below and in Chapter Five.

<sup>33</sup> Ibid; *Copyright Act 1968* (Cth), s. 101(1A).

<sup>34</sup> Australian Government, 'Online Copyright Infringement Discussion Paper' 4 (July 2014) <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/FINAL%20-%20Online%20copyright%20infringement%20discussion%20paper%20-%20PDF.PDF>.

power to prevent’) has always been a pivotal feature of our authorisation doctrine.<sup>35</sup> Movement has stalled on the proposed legislative amendments, but the Government remains committed to tackling online copyright infringement and to placing pressure on ISPs to actively discourage infringement occurring over their networks.<sup>36</sup>

The powerful expansion of the scope of authorisation liability would not be so problematic if our laws were coherent. But, worryingly, they are not. In Australia, leading commentators have highlighted that our authorisation laws are in a sorry state. David Lindsay has described the authorisation doctrine as “unnecessarily complex and uncertain”<sup>37</sup> and has argued that attempts to clarify the law through partial codification have “conspicuously failed”.<sup>38</sup> Rebecca Giblin has noted that despite the “tremendous and growing significance” of the authorisation doctrine, efforts to apply it “have resulted in confusion, uncertainty and a considerable degree of internal inconsistency”.<sup>39</sup> David Brennan has stated “Australian copyright law is in a murky state when it comes to ISP authorisation liability. There is layer upon layer of uncertainty.”<sup>40</sup>

My aim, in this thesis, is to bring some clarity back to authorisation law by reframing the expectations we have of intermediaries to deter online infringement as relational responsibilities owed to copyright owners. In doing so, I move away from the efficiency-based approaches that currently dominate the discourse.<sup>41</sup> I am

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<sup>35</sup> See further, 3.2 below; see also, Isabella Alexander, Robert Burrell, Michael Handler, Emily Hudson and Kimberlee Weatherall, Submission in response to the Online Copyright Infringement Discussion Paper (1 September 2014) <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/OnlineCopyrightInfringement-IsabellaAlexanderEtAl.pdf>.

<sup>36</sup> Australian Government, ‘Online Copyright Infringement Discussion Paper’ 1, 3 (July 2014) <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/FINAL%20-%20Online%20copyright%20infringement%20discussion%20paper%20-%20PDF.PDF>; Mitchell Bingham, ‘Brandis calls time on online piracy’, *The Australian*, 28 October 2013, <http://www.theaustralian.com.au/media/digital/brandis-calls-time-on-online-piracy/story-fna03wxu-1226747867711#>. See Chapter Seven for the most recent developments on an Industry Code of Conduct for ISPs to send ‘education’ and infringement warning notices to subscribers.

<sup>37</sup> David Lindsay, ‘Internet intermediary liability: a comparative analysis in the context of the Digital Agenda reforms’ (2006) 1&2 *Copyright Reporter* 70, 77.

<sup>38</sup> David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.22.

<sup>39</sup> Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 156. See also at 149: “Despite its importance, however, the authorisation doctrine is in a shocking state”.

<sup>40</sup> David Brennan and Kimberlee Weatherall, ‘Topic of Interest: ISPs and the authorisation of the customers’ copyright exploitations’ (2009) 20 *Australian Intellectual Property Journal* 6, 8 (Brennan).

<sup>41</sup> For a recent example of the dominance of efficiency-based approaches, see the Australian Government ‘Online Infringement Discussion Paper’ (July 2014) at



unconvinced that a simple *capacity* to do something carries any normative weight. Instead, I have been influenced by responsibility theory in negligence law. Negligence law is concerned with interactions and relationships between persons.<sup>42</sup> Duties to act or refrain from acting under negligence law do not arise merely because a person has some capacity to protect another person from harm. Rather, duties are imposed where the nature of the relationship between the parties makes it appropriate for one party to be held responsible to the other, either because of the special vulnerability of a party or because one party has *caused* the injury to the other.<sup>43</sup> I argue that authorisation liability should be treated in a similar way.<sup>44</sup> Authorisation is a statutory tort.<sup>45</sup> Its chief concern – particularly in the online environment – is whether an intermediary *ought* to be held responsible for the infringing actions of its users. The nature of the relationships and interactions between copyright owners, primary infringers and alleged authorisers bears on this question, as does the intermediary’s role in causally contributing to the infringement. Ultimately, authorisation law, much like negligence law, asks whether an intermediary has a *duty* to protect copyright owners from third party infringement. It seeks to determine whether a relationship of care exists between the intermediary and the copyright owner.<sup>46</sup>

In this thesis, I argue that part of the reason why authorisation law is so incoherent is that our courts and legislature have fundamentally misunderstood the role of causation in the authorisation inquiry. Our current doctrine gives courts little guidance for distinguishing between the different causal roles of various

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<http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/FINAL%20-%20Online%20copyright%20infringement%20discussion%20paper%20-%20PDF.PDF>.

<sup>42</sup> Peter Cane, ‘Tort Law as Regulation’ (2002) 31 *Common Law World Review* 305, 306, 310; Arthur Ripstein, ‘The Division of Responsibility and the Law of Tort’ (2004) 72 *Fordham Law Review* 1811, 1813, 1820, 1821, 1843.

<sup>43</sup> For example, patients are in a position of vulnerability with respect to doctors, as are children with respect to parents, and consumers with respect to manufacturers of goods.

<sup>44</sup> Some scholars have made similar arguments in relation to copyright law more generally. See, for example, Avihay Dorfman and Assaf Jacob, ‘Copyright as Tort’ (2011) 12(1) *Theoretical Inquiries in Law* 59.

<sup>45</sup> See *Roadshow Films Pty Limited v iiNet Limited* [2012] HCA 16 (20 April 2012) [42] and [79] (French CJ, Crennan and Kiefel JJ); *WEA International v Hanimex* (1985) 77 ALR 456, 468 (Gummow J). Justice Gummow also stated, “It should be added that infringement of copyright statutes for long has been considered tortious”: 465. See also *Ash v Hutchinson & Co (Publishers)* [1936] Ch 489; [1936] 2 All ER 1496, 1507 (Greene LJ): “The right to do each of these acts is, in my judgment, a separate statutory right, and anyone who without the consent of the owner of the copyright does any of these acts commits a tort; if he does two of them, he commits two torts, and so on.”

<sup>46</sup> See *Roadshow Films Pty Limited v iiNet Limited* [2012] HCA 16 (20 April 2012) [114]-[115] (Gummow and Hayne JJ).

intermediaries. For example, it is clear that the provision of both internet access by ISPs like iiNet and file-sharing software by intermediaries like Napster contribute to the conditions that make it possible for users to infringe copyright online. We may understand, intuitively, that providing filesharing software is the more serious act – it is closer to the harm. But our authorisation law, which asks whether an intermediary has a ‘power to prevent’ infringement and whether it took any ‘reasonable steps’ to prevent infringement, does not provide courts with the legal tools to separate one from the other. It does not make clear why certain acts will have a causally significant role in copyright infringement and others will not. Articulating a principled framework for distinguishing intermediaries that causally contribute to third party copyright infringement (and which therefore may be vulnerable to an authorisation suit) from intermediaries that merely provide the background conditions to infringement is one of the objects of this thesis.

### **3. Legal context**

#### **3.1 Australian authorisation law**

Australian law provides that it is an infringement of copyright to authorise another to commit copyright infringement.<sup>47</sup> ‘Authorise’ has been held by the High Court of Australia to mean: “sanction, approve, countenance.”<sup>48</sup> The *Copyright Act 1968* (Cth) now provides for matters that a court must take into account when determining an authorisation case. These include the extent of the alleged authoriser’s power to prevent the infringement, the nature of any relationship between the alleged authoriser and the infringer, and whether the alleged authoriser took any reasonable steps to prevent the infringement including complying with any relevant industry codes of practice.<sup>49</sup>

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<sup>47</sup> *Copyright Act 1968* (Cth), s. 36(1) and s. 101(1). These sections provide that copyright is infringed by a person who, not being the owner of the copyright and without the licence of the owner of the copyright, does *or authorizes the doing of*, in Australia, an act comprised in the copyright. Acts comprised in the copyright include the rights of reproduction, communication, adaptation, public performance and publication: see sections 31, 85-88. Section 36 applies to literary, dramatic, musical and artistic works; section 101 applies to sound recordings, cinematograph films, broadcasts and published editions.

<sup>48</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J), 207 (Jacobs J) (with McTiernan ACJ concurring).

<sup>49</sup> *Copyright Act 1968* (Cth), s. 36(1A) and s. 101(1A).

## *UNSW v Moorhouse*

For a long time, the leading authorisation case in Australia was *University of New South Wales v Moorhouse* (“*Moorhouse*”).<sup>50</sup> In that case, the Australian Copyright Council arranged for a graduate of the University of New South Wales (UNSW) to photocopy an infringing portion of a book by Frank Moorhouse entitled, *The Americans, Baby*, on a photocopier in the UNSW library. It then brought a test case against UNSW, claiming that UNSW had authorised the infringing reproduction by making photocopying machines available in its library without exercising supervision over how the machines were used and without displaying proper notices as to copyright exceptions and limitations.<sup>51</sup> The High Court unanimously held that UNSW was liable for authorising infringement.

Justice Jacobs, with whom Acting Chief Justice McTiernan joined, held that ‘authorise’ could include an express or implied invitation given to others to do acts comprised in the copyright of a work or other subject matter.<sup>52</sup> His Honour considered that the question to be determined in *Moorhouse* was whether there was an implied invitation that the respondent, “in common with other users of the library, might make such use of the photocopying facilities as he saw fit.”<sup>53</sup> Justice Jacobs stated:

Assume that the owner places copying machines in the library which can be operated on payment of a fee whereby a profit accrues to the owner of the library. Is this not an invitation to any user to make such use of the machines as he sees fit and therefore an invitation which extends to the doing of acts comprised in the copyright of authors whose books are on the library shelves? And is not such an invitation an authorizing of acts done in response to the invitation? I would certainly answer "Yes". The invitation to use is on the face of it an unlimited invitation. Authorization is given to use the copying machine to copy library books. It can hardly be said that the authorization is limited to the copying only of those books or parts of books which in the particular circumstances may be copied without infringement of copyright. In such a case knowledge of the prior doing of acts comprised in the copyright would not need to be proved nor would other positive or particular acts of invitation or authorization need to be shown.<sup>54</sup>

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<sup>50</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193.

<sup>51</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 196 and 199 (Gibbs J).

<sup>52</sup> *Ibid*, 207-8 (Jacobs J).

<sup>53</sup> *Ibid*, 208 (Jacobs J).

<sup>54</sup> *Ibid*.

Despite finding that UNSW had not made any profit, nor did it intend to, from the fees payable for use of the machines, Justice Jacobs held the university liable for authorisation.<sup>55</sup> His Honour held that UNSW had extended an unqualified permission to library users that they could copy works and that this permission was implied from the provision of books and photocopy machines. The notices displayed on the photocopy machines as to legal exceptions were incorrect,<sup>56</sup> and together with the lack of supervision over the machines, they constituted “negative factors” that did not serve to qualify or limit the invitation explicitly extended to users to make use of the photocopy machines as they saw fit.<sup>57</sup>

Justice Gibbs delivered a separate judgment. His Honour adopted a statement that had been made in an earlier decision of an English Court that “inactivity or indifference, exhibited by acts of commission or omission, may reach a degree from which an authorisation or permission may be inferred.”<sup>58</sup> He highlighted, however, that there must be some actual or constructive knowledge of the act of primary infringement: “[T]he word ‘authorize’ connotes a mental element and it could not be inferred that a person had, by mere inactivity, authorized something to be done if he neither knew nor had reason to suspect that the act might be done.”<sup>59</sup> Justice Gibbs said:

It seems to me to follow from these statements of principle that a person who has under his control the means by which an infringement of copyright may be committed – such as a photocopying machine – and who makes it available to other persons, knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and omitting to take reasonable steps to limit its use to legitimate purposes, would authorize any infringement that resulted from its use.<sup>60</sup>

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<sup>55</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 209 (Jacobs J).

<sup>56</sup> The notices on the photocopier machines set out the statutory exception to infringement relevant to librarians, not the fair dealing exception relevant to students.

<sup>57</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 209-10 (Jacobs J).

<sup>58</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J), citing to *Performing Right Society Limited v Ciryil Theatrical Syndicate Limited* [1924] 1 KB 1, 9 (Banks LJ).

<sup>59</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J), referring to the dissenting judgments of Knox CJ and Isaacs J in *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481.

<sup>60</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J).

Justice Gibbs held that UNSW must have known that it was likely that a person using the library would make a copy of a substantial portion of any one of the books that were available in its library shelves.<sup>61</sup> His Honour found that it could not be assumed that people were only making copies in compliance with the law, such as under the fair dealing exception for research or study, at least in the absence of any effective measures to ensure that unlawful copying was forbidden.<sup>62</sup>

Justice Gibbs held that UNSW had not taken reasonable or effective precautions against infringement of copyright by use of the photocopy machines and was thus liable. The university's measures had included: making a copy of the *Copyright Act 1968* available near photocopy machines (Justice Gibbs did not think it realistic that lay people would read this); a short warning in a manual distributed to students when they first commenced use of the library, which merely directed readers to observe the warnings placed on the machines; very rudimentary supervision of the machines (no infringement of copyright was ever reported by the supervisors); and a (faulty) notice attached to each machine. Justice Gibbs concluded, "To place a clearly worded and accurate notice on each machine in a position where it could not be overlooked would be one measure which might be expected to have some value in informing users of the library of the limits which the University imposed on the permission which it gave them to use the machines. However, the notices in fact placed on the machines were ill adapted to that purpose."<sup>63</sup>

While Acting Chief Justice McTiernan agreed with Justice Jacobs in *Moorhouse*, it is Justice Gibbs's single judgment that has proved most influential in the ensuing years. In 2000, the *Copyright Act 1968* (Cth) was amended to insert the following subsection into sections 36 and 101:

(1A) In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in the copyright [in a work / subsisting by virtue of this Part],<sup>64</sup> without the licence of the owner of the copyright, the matters that must be taken into account include the following:

- (a) the extent (if any) of the person's power to prevent the doing of the act concerned;

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<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 203 (Gibbs J). The notices set out the statutory exception to infringement relevant to librarians, not the fair dealing exception relevant to students.

<sup>64</sup> Section 36 deals with works and s. 101 deals with subject matter other than works, including sound recording, cinematograph films, television and sound broadcasts, and published editions.

- (b) the nature of any relationship existing between the person and the person who did the act concerned;
- (c) whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

This subsection was designed to codify the principles laid down in *Moorhouse* by Justice Gibbs as relevant to a finding of authorisation.<sup>65</sup> The legislative amendments were intended to promote certainty within the law for communication and information technology industries providing online access to copyright material and for end users of copyright material online.<sup>66</sup> For reasons discussed below, however, the amendments did not in fact clarify the legal criteria for authorisation liability. If anything, they broadened the scope of the authorisation doctrine, introducing uncertainty into the law.

### **Post *Moorhouse***

In the years following *Moorhouse* there have been several authorisation cases in Australia, falling into three broad groups. In the first group, *WEA International Inc. v. Hanimex Corporation Ltd* (“*Hanimex*”)<sup>67</sup> and *Australian Tape Manufacturers Association v Commonwealth of Australia*<sup>68</sup> considered the legal implications of selling blank cassette tapes on which copyrighted music could be recorded. Chief Justice Mason and Justices Brennan, Deane and Gaudron in the *Australian Tape Manufacturers* case held that the sale of blank tapes did not constitute authorisation of infringement, “principally because the vendor had no control over the ultimate use of the blank tape.”<sup>69</sup> They said:

It follows that manufacture and sale of articles such as blank tapes or video recorders, which have lawful uses, do not constitute authorisation of infringement of copyright, even if the manufacturer

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<sup>65</sup> The Parliament of the Commonwealth of Australia, House of Representatives, Copyright Amendment (Digital Agenda) Bill 1999, Explanatory Memorandum [56] and [124], <http://www.comlaw.gov.au/Details/C2004B00540/Explanatory%20Memorandum/Text>. See also, David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.8 and 53.9.

<sup>66</sup> See *Copyright Amendment (Digital Agenda) Act 2000* (Cth), s. 3; The Parliament of the Commonwealth of Australia, House of Representatives, Copyright Amendment (Digital Agenda) Bill 1999, Explanatory Memorandum, Outline, <http://www.comlaw.gov.au/Details/C2004B00540/Explanatory%20Memorandum/Text>.

<sup>67</sup> *WEA International Inc. v. Hanimex Corporation Ltd* (1987) 77 ALR 456.

<sup>68</sup> *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) 112 ALR 53.

<sup>69</sup> *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) 112 ALR 53, 56-7 (Mason CJ, Brennan, Deane and Gaudron JJ).

or vendor knows that there is a likelihood that the articles will be used for an infringing purpose such as home taping of sound recordings, so long as the manufacturer or vendor has no control over the purchaser's use of the article.<sup>70</sup>

Their Honours stated that control was the “critical distinction” between cases involving blank tapes and cassette recorders and *Moorhouse*, where “the university had power to control what was done by way of copying and not only failed to take steps to prevent infringement but provided potential infringers with both the copyright material and the use of the university’s machines by which copies of it could be made.”<sup>71</sup> The *Australian Tape Manufacturers* case is important because it confirmed that control – later codified as ‘power to prevent’ in the *Copyright Act 1968* – is an essential feature of Australian authorisation law.

The second group concerned the unlicensed public performance of musical works in bars. *Australasian Performing Right Association Ltd v Jain* (“*APRA v Jain*”)<sup>72</sup> and *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (“*Metro on George*”)<sup>73</sup> fall into this group. In both cases, the venue proprietors were informed by the Australasian Performing Right Association (APRA) that performers were playing music at their venues without having first obtained a public performance licence from APRA. The proprietors ignored APRA’s letters and expressed indifference as to how performers were managing their own copyright clearances. APRA sued. In both cases, the defendants were found liable for authorisation on a reading of “sanction, approve, countenance” that placed particular weight on the broadest of those terms: ‘countenance’.<sup>74</sup> In *Metro on George*, for example, Justice Bennett stated,

This resulted in Metro turning “a blind eye” to the continued infringements, knowing or having reason to suspect that the promoters... were not taking out licences. In that sense, Metro tolerated or permitted, that is, countenanced, the unlicensed performances of works subject to copyright... This was part of a course of continuing conduct by Metro.<sup>75</sup>

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<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

<sup>72</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619.

<sup>73</sup> *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575.

<sup>74</sup> See *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, 627 (Sheppard, Foster and Hill JJ); *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 589 (Bennett J).

<sup>75</sup> *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 589 (Bennett J).

Thus, these cases found that indifference in the face of copyright infringement could amount to countenancing infringement and, as such, give rise to authorisation liability. Additionally, both cases found that control over the *premises* in which the infringing works were performed was sufficient to give the defendant proprietors a power to prevent the copyright infringements.<sup>76</sup>

The last group covers the ‘digital agenda’ cases.<sup>77</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (“*Sharman*”)<sup>78</sup> dealt with the distribution of peer-to-peer file-sharing software. *Cooper v Universal Music Australia Pty Ltd* (“*Cooper*”)<sup>79</sup> concerned a website, ‘MP3s4FREE’, which contained a list of hyperlinks that directed users to other websites where they could download infringing music files. In both cases, the courts held the defendants liable for authorisation. In *Sharman*, the court found that the defendant could have taken the step of pressuring users to upgrade their peer-to-peer software to a version that included a filter which would prevent copyrighted content being displayed in search results.<sup>80</sup> The court also held that the ability to implement a filter gave the defendant a power to prevent the acts of primary infringement, though it did not exercise this power.<sup>81</sup> In *Cooper*, the court was influenced by evidence that the defendant deliberately designed his website to facilitate the infringing downloading of sound recordings.<sup>82</sup> Their Honours considered the defendant’s financial benefit derived from the website to be relevant to the second statutory factor – the nature of the relationship between the alleged authoriser and the primary infringer – because it made the relationship into a commercial one.<sup>83</sup> They also held that the defendant had not taken any reasonable steps to prevent or avoid the infringements occurring as a

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<sup>76</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, 627 (Sheppard, Foster and Hill JJ); *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 593 (Bennett J).

<sup>77</sup> So-called because they followed the *Copyright Amendment (Digital Agenda) Act 2000* (Cth), which inserted sections 36(1A) and 101(1A) into the *Copyright Act 1968* (Cth).

<sup>78</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242.

<sup>79</sup> *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714.

<sup>80</sup> The filter would be based on keyword or metadata matches. The court found that the defendant could have persuaded users to upgrade by “driving them mad” with pop up boxes: *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [309] (Wilcox J). On the user rights implications of this, see Chapter Three.

<sup>81</sup> For a discussion of how the court stretched the meaning of control (or ‘power to prevent’) in this case, see part 3.2 (below) and Chapter Five.

<sup>82</sup> *Cooper v Universal Music Pty Ltd* (2006) 237 ALR 714, 720-1 (Branson J) (French J agreeing), 745 (Kenny J).

<sup>83</sup> *Ibid*, 724 (Branson J), 745 (Kenny J).



result of his website.<sup>84</sup> The digital agenda cases demonstrate some of the problems of legal interpretation associated with sections 36(1A) and 101(1A) of the *Copyright Act 1968*, inserted in 2000 to codify the law in *Moorhouse*. I discuss these problems of interpretation in detail below in part 3.2.

### ***Roadshow Films v iiNet***

In 2012, the High Court handed down its decision in *Roadshow Films Pty Ltd v iiNet Ltd* (“*iiNet*”),<sup>85</sup> which is now the highest authority in Australia on authorisation liability. The *iiNet* decision did not overturn any of the holdings in *Moorhouse* – in fact, the court was bound to consider the factors in section 101(1A) of the *Copyright Act 1968*, which originated with Justice Gibbs’s decision in *Moorhouse* – but the High Court did express caution that concepts including ‘control’, ‘indifference’ and ‘countenance’ should not be interpreted too broadly in authorisation cases.

The *iiNet* case considered whether iiNet, at the time Australia’s third largest ISP,<sup>86</sup> authorised its customers’ infringing communications of cinematograph films owned by the appellants over a BitTorrent peer-to-peer file-sharing system. iiNet provides general internet access to its customers under the terms of its Customer Relationship Agreement (“CRA”), which provided in clause 4.1 that subscribers must comply with all laws when using the internet service; in clause 4.2 that the subscriber must not use or attempt to use the service to infringe another person’s rights; and in clause 14.2 that iiNet may, without liability, immediately cancel, suspend or restrict the supply of the service if the subscriber breaches clause 4 or otherwise misuses the service.

The Australian Federation Against Copyright Theft (AFACT), an organisation that represents owners and exclusive licensees of copyright in films and TV programs, employed in August 2007 a company called DtecNet Software to gather evidence of alleged copyright infringement by Australian internet users.<sup>87</sup> From July 2008 to August 2009, AFACT began sending notices to iiNet every week (“the AFACT notices”). These notices alleged infringement by iiNet users by

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<sup>84</sup> *Ibid*, 724 (Branson J), 745-6 (Kenny J). See part 2.2 below regarding how the *Cooper* court dealt with the first statutory factor (the power to prevent infringement).

<sup>85</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012).

<sup>86</sup> iiNet is now Australia’s second largest ISP.

<sup>87</sup> See *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [28]-[29]. DtecNet used a computer program to gather and record information about peers in a BitTorrent swarm and then to connect that information to a user’s IP address.

“communication to the public of unauthorised copies of the motion pictures and television shows shared with other internet users via BitTorrent”.<sup>88</sup> Each notice contained a spreadsheet document that purported to contain information relevant to the infringing activities. iiNet, in response, claimed that it could not understand AFACT’s data and that the identification of an IP address could not pinpoint a particular iiNet user.<sup>89</sup> iiNet did not suspend or terminate any customer account in response to the AFACT notices. iiNet had suspended or terminated accounts under the CRA in the past (usually to do with spamming or customers not paying bills), but “the taking of those steps did not depend upon the accuracy of information provided by others”.<sup>90</sup> The appellants argued that iiNet’s technical and contractual relationship with its customers gave it an indirect power to control the use of its services and to prevent infringement. They claimed that “once iiNet had received credible information of past infringements sufficient to raise a reasonable suspicion that such acts of infringement were continuing, failure to enforce the terms of the CRA...amounted, at the very least, to ‘countenancing’ the primary infringements.”<sup>91</sup>

The High Court delivered its opinion in two joint judgments. Chief Justice French and Justices Crennan and Kiefel joined in one judgment (“the French judgment”) and Justices Gummow and Hayne joined in another judgment. Both judgments dismissed the appeal by AFACT (representing Roadshow Films and others) and awarded costs to iiNet.

The French judgment found that because the terms of the CRA indicated iiNet’s “express, formal and positive disapproval” of using internet access for infringing purposes, the appellants had to rely on the argument that iiNet’s inactivity after receiving the AFACT notices amounted to countenancing of primary infringement.<sup>92</sup> Turning to the factors set out in s. 101(1A) *Copyright Act 1968*, the French judgment held that even if iiNet’s inactivity after receiving the AFACT notices could be seen to “support” or “encourage” its users’ infringements, iiNet’s power to prevent infringement under s. 101(1A)(a) was limited. The only power it had was to attempt to prevent infringements indirectly by terminating its contractual relationships with

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<sup>88</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [30] (French CJ, Crennan and Kiefel JJ).

<sup>89</sup> *Ibid* [34] (French CJ, Crennan and Kiefel JJ), [96] (Gummow and Hayne JJ).

<sup>90</sup> *Ibid* [35] (French CJ, Crennan and Kiefel JJ).

<sup>91</sup> *Ibid* [58] (French CJ, Crennan and Kiefel JJ).

<sup>92</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [67] (French CJ, Crennan and Kiefel JJ).

customers.<sup>93</sup> Their Honours found that terminating internet access would not be a reasonable step under s. 101(1A)(c), in part because it would be ineffective – a customer could easily engage another ISP for internet access.<sup>94</sup> The French judgment further found that the information contained in the AFACT notices “did not provide iiNet with a reasonable basis for sending warning notices to individual customers containing threats to suspend or terminate those customers’ accounts”.<sup>95</sup> iiNet would need to “update the investigative exercise underlying the AFACT notices” before taking further steps, or risk exposing itself to liability for wrongful termination of customers’ accounts.<sup>96</sup> This, again, was not reasonable to expect of iiNet. Chief Justice French and Justices Crennan and Kiefel held that iiNet’s inactivity after receiving the AFACT notices “was not the indifference of a company unconcerned with infringements of the appellant’s rights. Rather, the true inference to be drawn is that iiNet was unwilling to act because of its assessment of the risks of taking steps based only on the information in the AFACT notices.”<sup>97</sup>

Similarly to the French judgment, Justices Gummow and Hayne found that iiNet had no power to prevent its customers from choosing to use BitTorrent software, nor could iiNet modify the BitTorrent software or remove the appellants’ films which were made available online.<sup>98</sup> iiNet’s only power was to terminate its contractual relationship with its customers. Their Honours found that it was unreasonable to expect iiNet to issue warnings or terminate accounts on the strength of the AFACT notices when AFACT had not fully disclosed the methods used to obtain the information in the notices.<sup>99</sup> Further, it was not actually clear that issuing warning notices to customers would prevent further infringements. Their Honours concluded:

In truth, the only indisputably practical course of action would be an exercise of contractual power to switch off and terminate further activity on suspect accounts. But this would not merely avoid further infringement; it would deny to the iiNet customers non-infringing uses of the iiNet facilities. And, in any event, in the absence of an effective protocol binding ISPs (and there is no such

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<sup>93</sup> Ibid [69]-[70] (French CJ, Crennan and Kiefel JJ).

<sup>94</sup> Ibid [73] (French CJ, Crennan and Kiefel JJ).

<sup>95</sup> Ibid [78] (French CJ, Crennan and Kiefel JJ).

<sup>96</sup> Ibid [74]-[75] (French CJ, Crennan and Kiefel JJ).

<sup>97</sup> Ibid [75]-[76] (French CJ, Crennan and Kiefel JJ).

<sup>98</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [112], [137] (Gummow and Hayne JJ).

<sup>99</sup> Ibid [138], [146] (Gummow and Hayne JJ).

protocol) the iiNet subscribers whose agreements were cancelled by iiNet would be free to take their business to another ISP.<sup>100</sup>

Justices Gummow and Hayne noted that the appellants' case was, in essence, that iiNet had authorised the primary infringements by "standing by" and "allowing [infringement] to happen without doing anything about it".<sup>101</sup> Their Honours held that the appellants had not established a case of authorisation based on iiNet's indifference to the acts of primary infringement. They said, "The progression urged by the appellants from the evidence to 'indifference' to 'countenancing', and so to 'authorisation', is too long a march."<sup>102</sup> Justices Gummow and Hayne found that the facts of *iiNet* were "well removed" from those in *Moorhouse* that led to a finding of liability based on indifference.<sup>103</sup> Their Honours noted that although the *Moorhouse* court held that indifference, exhibited by acts of commission or omission, may reach a degree from which authorisation can be inferred, there was a level of control in *Moorhouse* with respect to the photocopying machines, the books and the library premises, which simply did not exist in the circumstances of *iiNet*.<sup>104</sup>

### 3.2 Problems with the law

The High Court's decision in *Roadshow Films v iiNet* has been described by some Australian copyright academics as closing the door on ISP liability in this country, at least without legislative intervention.<sup>105</sup> But things are not so simple. The High Court may have attempted to narrow the reach of the authorisation doctrine, but it did not clarify it. Here I note some of the key uncertainties that persist in the law, including whether 'countenancing' and 'indifference' are still relevant to the authorisation doctrine now that that High Court has criticised reliance on these concepts and how we should interpret the 'power to prevent' factor under the law.

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<sup>100</sup> Ibid [139] (Gummow and Hayne JJ).

<sup>101</sup> Ibid [111] (Gummow and Hayne JJ).

<sup>102</sup> Ibid [143] (Gummow and Hayne JJ).

<sup>103</sup> Ibid [144] (Gummow and Hayne JJ).

<sup>104</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [128]-[130] (Gummow and Hayne JJ).

<sup>105</sup> See, for example, David Lindsay, 'ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*' (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.1, 53.17, 58.18, 53.21.

## What does authorisation mean?

The accepted legal meaning of ‘authorise’ is “sanction, approve, countenance”.<sup>106</sup> In the *iiNet* case, the High Court was critical of the fact that ‘authorise’ has been defined simply by reference to its dictionary synonyms, particularly since we do not have accepted legal definitions for any of those synonyms. Justices Gummow and Hayne said, “After a century, the selection of the term ‘authorise’ to identify the activity constituting secondary infringement continues to give rise to difficulty. But the difficulties, which reflect both technological developments and changes in business methods, are unlikely to be resolved merely by recourse to a dictionary.”<sup>107</sup> All judges were especially concerned by the inclusion of ‘countenance’ in the definition – the French judgment observed that ‘countenance’ has many meanings, including expressing moral support or encouragement, and that some of these meanings are not co-extensive with the meaning of ‘authorise’.<sup>108</sup> Justices Gummow and Hayne warned that it would be wrong to seek to expand the core notion of ‘authorise’ by taking the broadest dictionary meaning of the word ‘countenance’.<sup>109</sup>

These are important criticisms by the High Court. Unfortunately, the result is that we have a fundamental legal concept with no clear meaning. The case law tells us that ‘authorise’ is broader than “grant or purport to grant the right to do the infringing act”<sup>110</sup> and that it is narrower than the broadest dictionary definition of

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<sup>106</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J), 207 (Jacobs J) (with McTiernan ACJ concurring).

<sup>107</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [117] (Gummow and Hayne JJ); see also [68] (French CJ, Crennan and Kiefel JJ).

<sup>108</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [68] (French CJ, Crennan and Kiefel JJ), referring to *Amstrad Consumer Electronics plc v The British Phonographic Industry Ltd* [1986] FSR 159, *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013 and *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339.

<sup>109</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [125] (Gummow and Hayne JJ).

<sup>110</sup> *Ibid* [126]-[127] (Gummow and Hayne JJ). In *Evans v. E. Hulston & Co. Ltd.* [1924] All E.R. 224, one of the earliest authorisation cases, Justice Tomlin considered the meaning of ‘authorise’ in the *Copyright Act 1911* (Imp), rejecting the view that it only applied to circumstances where a person purported to grant authorisation to his servant or agent to engage in a copyright act. Justice Tomlin said, “In my judgment, this is to put too narrow a meaning on the word, which is defined in the Oxford Dictionary as meaning, in connection with the authorisation of acts, ‘to give formal approval to, to sanction, approve, countenance’.”: [1924] All E.R. 224, 225-6 (Tomlin J). Two years later, two Justices deciding *Falcon v. Famous Players Film Company* [1926] 2 KB 474 differed as to their interpretation of authorisation. Lord Justice Bankes held that ‘authorise’ meant “sanction, approve, countenance” (at 490-1), whereas Lord Justice Atkins held that ‘authorise’ meant “to grant or purport to grant to a third person the right to do the act complained of” (at 499). Rebecca Giblin has argued that much of the enduring confusion around the meaning of authorisation originally stems from this disagreement between the two judges in *Falcon v. Famous Players*: see Rebecca Giblin, *The uncertainties, baby: Hidden perils of Australia’s authorisation law* (2009) 20 *Australian Intellectual Property Journal* 148, 153. The matter was apparently settled in *University of New South Wales v*

‘countenance’. Between those two points, however, is a wide range. Despite its criticisms, the High Court in *iiNet* did not provide another definition for ‘authorise’ outside of the dictionary synonyms. As a number of legal commentators have noted, there is considerable uncertainty in Australian copyright law as to the precise meaning of ‘authorisation’.<sup>111</sup>

### What is the relevance of ‘indifference’?

Australian courts have long grappled with the question of whether a person who knows of primary infringement but is utterly indifferent to it can be held responsible for authorisation. *Performing Right Society Limited v Ciryil Theatrical Syndicate Limited* (“*Ciryil’s case*”)<sup>112</sup> was an English decision that has been influential in Australia. It concerned the infringement of two musical works by a theatre orchestra that played the works without a licence from the Performing Right Society. The Society had written to Phillip Michael Faraday, the managing director of the theatre syndicate, informing him of the unlicensed performances. Faraday responded (after some delay): “I engage an orchestra who provide their own music and if they are infringing any copyrights you must look to them and not to me. I do not care in the least what they play; it makes no difference to me”.<sup>113</sup> The court held that Faraday’s indifference in this case did not give rise to an inference of authorisation because the band was employed by the syndicate, not Faraday directly, and because there was no evidence that Faraday knew or had reason to suspect that the band would infringe copyright before the fact. Lord Justice Bankes considered that the indifference

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*Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, when the High Court of Australia adopted Lord Justice Bankes’s broad approach: at 200 (Gibbs J), 207 (Jacobs J) (with McTiernan ACJ concurring). There have, however, been dissenting voices over the years, such as Justice Gummow in *WEA International Inc. v Hanimex Corporation Ltd* (1987) 77 ALR 456, 466, 468 (“Uninstructed by authority, one might have thought that the existence of the common law principles provided some support against an overly expansive view of what constituted authorisation and in favour of a view which gave authorisation a discrete area of operation readily distinguishable from joint tortfeasance. ...It might be thought that authorisation was a statutory tort catching those who purport to have power or authority to license the activity of the primary infringer and that it was concerned with the appropriation of the right of the copyright owner to license the acts comprised in his or her copyright.”) Further, David Lindsay has argued that the current High Court, in its most recent decision in *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012), appears to prefer the narrower approach of Lord Justice Atkins, despite the weight of existing authority: see David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.16, 53.18-19.

<sup>111</sup> See further, Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 152-3, 157-8; David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.19, 53.21.

<sup>112</sup> *Performing Right Society Limited v Ciryil Theatrical Syndicate Limited* [1924] 1 KB 1.

<sup>113</sup> *Ibid.*, 5.

expressed by Faraday in his letter was “the indifference of one who did not consider it his business to interfere, who had no desire to see another person’s copyright infringed, but whose view was that copyright and infringement were matters for the conductor or bandmaster to consider.”<sup>114</sup> His Honour held that “indifference from which permission or authorization is to be inferred is of a very different character.”<sup>115</sup>

A similar set of facts arose in *Corporation of the City of Adelaide v Australasian Performing Right Association (“Adelaide Corp”)*,<sup>116</sup> one of the early so-called “town hall” cases. The facts were that in 1927, J.C. Williamson Ltd. applied to the appellant to hire a town hall for four separate nights to perform vocal concerts. It came to the respondent’s attention that one of the songs to be performed was “I Heard You Singing”, for which there was no licence. The respondent wrote to the appellant notifying it that if the appellant permitted the town hall to be used for the performance of this song, the appellant would be liable for copyright infringement. The Town Clerk acknowledged receipt of this letter, but did nothing else. The performances went on as planned, including performance of the song at issue. The respondent brought suit. Justice Higgins considered that the Corporation had “remained neutral” in the face of infringement allegations and that this was not enough to impute permission or liability. He said, “The problems involved in the letter of 7<sup>th</sup> October called for consideration and caution; and the Corporation had not the function of policing the provisions of the ‘Copyright Act’ on behalf of alleged owners of copyright.”<sup>117</sup> Justice Higgins was especially critical of the lower court (from which the Corporation had appealed), which had stated,

The defendant’s attitude was that it was not concerned to interfere; but in adopting this attitude we think that it failed to realize that there is at least some obligation to withhold countenance or support to what is commonly called ‘piracy’...The Town Clerk was in a position to enforce any protest he might see fit to make, and the plaintiff company, complaining of the omission of this step which the defendant might reasonably have taken, is entitled to the benefit

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<sup>114</sup> *Performing Right Society Limited v Caryl Theatrical Syndicate Limited* [1924] 1 KB 1, 10 (Bankes LJ).

<sup>115</sup> *Ibid.*

<sup>116</sup> *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481.

<sup>117</sup> *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481, 497 (Higgins J).

of any doubt there might be as to whether it would have proved effective.<sup>118</sup>

Justice Higgins considered this to be an “unjustifiable shifting of the burden of proof”.<sup>119</sup> He noted that it was for the plaintiff to prove that the defendant had permitted the infringing performance, “not for the defendant to intimate to Williamson that it was not permitting.”<sup>120</sup>

There are two more recent Australian cases – *APRA v Jain*<sup>121</sup> and *Metro on George*<sup>122</sup> – which directly conflict with *Cirylys’s case* and *Adelaide Corp.*, despite having similar factual backgrounds. In *APRA v Jain*, Jain was the CEO of Valamo Pty Ltd, which was the proprietor of the Old Windsor Tavern. The Australasian Performing Right Association (APRA) owned the public performance copyright in several musical works that were performed at the Old Windsor Tavern without a licence. Jain knew that music would be performed at the tavern but did not concern himself with the actual pieces of music to be performed. The court held that Jain would have known that music played at the tavern was likely to be part of APRA’s repertoire and that he had the power to control what music was played at the tavern and to determine whether a licence would need to be acquired, yet he did nothing.<sup>123</sup> Instead, “[h]e allowed a situation to develop in which bands went on playing the appellant’s music night after night.”<sup>124</sup> Thus, the Court held that Jain had authorised the infringing performances.

In *Metro on George*, the respondent operated a prominent live music venue in Sydney. The respondent required all promoters to enter into a contract for hire of the venue, in which the hirer warranted that all performances would comply with the *Copyright Act* and the licence requirements of APRA. In July 2002, APRA sent a letter to the respondent, warning that music was being performed in its venue without licence. The court held that prior to receipt of this letter, the respondent was indifferent to the occurrence of unlicensed performances at Metro on George, and that after receipt of the letter, the respondent was on notice that the warranty clause

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<sup>118</sup> Ibid 501 (Higgins J).

<sup>119</sup> Ibid 502 (Higgins J).

<sup>120</sup> Ibid.

<sup>121</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619.

<sup>122</sup> *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575.

<sup>123</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, 627 (Sheppard, Foster and Hill JJ).

<sup>124</sup> Ibid.



in its contract was being ignored by promoters. Justice Bennett held that Metro had turned “a blind eye” to the continued infringements and in doing so, countenanced the infringements.<sup>125</sup>

Although a significant amount of time had passed between the earlier cases and *APRA v Jain* and *Metro on George*, there were no legal developments in that time which would clearly point to the need for different legal conclusions. The only apparent explanation for the divergence is that judicial opinion had shifted over the years as to the appropriate scope of authorisation liability and the significance of the word ‘countenance’ in the definition of ‘to authorise’. In *Roadshow Films v iiNet*, the court preferred the view of indifference expressed in the earlier case law. In fact, Justices Gummow and Hayne adopted the language of Justice Bankes in *Ciryl’s case* in stating that iiNet’s indifference was “the indifference of somebody who did not consider it his business to interfere, who had no desire to see another person’s copyright infringed, but whose view was that copyright and infringement were matters in this case not for him, but for the owners of the copyright”.<sup>126</sup> The High Court did not, however, address the conflict between *Ciryl’s case* and *APRA v Jain* and *Metro on George*, nor did it express an opinion as to the continued relevance or authority of those later cases. The result is that it is still unclear whether an intermediary’s ‘indifference’ to copyright infringement will be enough to establish authorisation liability in some cases.<sup>127</sup>

### **What is needed for a ‘power to prevent’ infringement?**

The *Copyright Act 1968* (Cth) directs courts, in determining authorisation liability, to have regard to “the extent (if any) of the person’s power to prevent the doing of the act concerned.”<sup>128</sup> ‘Power to prevent’ is essentially a proxy for ‘control’, which has always played a role in Australian authorisation case law.<sup>129</sup> Yet ‘power to

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<sup>125</sup> *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 589 (Bennett J).

<sup>126</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [144] (Gummow and Hayne JJ), referring to *Performing Right Society Limited v Ciryl Theatrical Syndicate Limited* [1924] 1 KB 1, 10 (Bankes LJ).

<sup>127</sup> See also, David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.20.

<sup>128</sup> *Copyright Act 1968* (Cth), ss. 36(1A)(a) and 101(1A)(a).

<sup>129</sup> See Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 158, 159; *University of New South Wales v Moorhouse* (1975) 133 CLR 1, 12 (Gibbs J); *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) 112 ALR 53, 56-7 (Mason CJ, Brennan, Deane and Gaudron JJ).

prevent’ operates at a more abstract level than control over the particular infringing act; as Justice Gummow has said, “‘Power’ is a slippery work to put in a statute like this.”<sup>130</sup>

In the arms race that is online copyright enforcement, courts have widened the ambit of ‘power to prevent’ in an effort to catch ‘bad actor’ intermediaries that have specifically set up their systems to avoid appearances of control.<sup>131</sup> For example, in *Cooper*, the defendant operated a website that allowed users to post hyperlinks to other websites from which infringing content could be downloaded. Justice Branson found that Cooper did not have control over how links were added to his site, because users were able to add hyperlinks directly. She also found that Cooper could not prevent users from following the links on his website while the website was active. Her Honour considered that Cooper had made a “deliberate choice” to relinquish control when setting up his website.<sup>132</sup> However, Justice Branson found that Cooper had a power to prevent infringement under s.101(1A)(a) because he could have chosen not to create and maintain the website in the first place.<sup>133</sup> Clearly, this is a broad interpretation of ‘power to prevent’.<sup>134</sup>

In *Roadshow Films v iiNet*, the High Court pushed back against this wide interpretation of ‘power to prevent’. All of the judges held that iiNet’s ability to terminate its contractual relationships with its subscribers did not amount to a power to prevent infringement under the Act.<sup>135</sup> They characterised iiNet’s power as ‘indirect’,<sup>136</sup> but they did not elucidate further what the differences are between ‘direct’ and ‘indirect’ powers to prevent. Consequently, the concept of ‘power to prevent’ remains ill-defined. As David Lindsay has indicated, we do not know whether there can ever be liability where there is only indirect control or, indeed, the extent of control necessary to satisfy the statutory factor.<sup>137</sup>

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<sup>130</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2011] HCATrans 323 (30 November 2011).

<sup>131</sup> See Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 156.

<sup>132</sup> *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714, 723 (Branson J).

<sup>133</sup> *Ibid.*

<sup>134</sup> This interpretation has been criticised: see Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 166.

<sup>135</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [69]-[70] (French CJ, Crennan and Kiefel JJ), [137]-[139] (Gummow and Hayne JJ).

<sup>136</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [69]-[70] (French CJ, Crennan and Kiefel JJ).

<sup>137</sup> David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.20.

A related confusion arises from the words “(if any)” in s. 101(1A)(a), which suggest that liability may be found in the absence of any power to prevent infringement at all.<sup>138</sup> Commentators disagree as to whether the statutory language has altered the position at common law that control is a necessary element of authorisation.<sup>139</sup> Case law following the legislative amendments has continued to treat control as a necessary element,<sup>140</sup> prompting unresolved questions about how the statutory factors should be interpreted.

### **How do the statutory factors relate to each other?**

Sections 36(1A) and 101(1A) of the *Copyright Act* require courts to consider both the intermediary’s power to prevent the primary infringements in paragraph (a) and whether the intermediary took any reasonable steps to prevent or avoid the doing of the infringing act in paragraph (c). There is a risk that these two factors can become confused, thereby extending the scope of authorisation liability to situations where an intermediary has no direct power to prevent infringement.<sup>141</sup> The danger is that a court may look to purported “reasonable steps” and find authorisation liability based on a failure to take those steps because the steps *might* have reduced infringement, even though the intermediary lacked any real control to prevent infringement. A pertinent example is finding liability for the failure to implement the ‘reasonable step’ of passing on warning notices to identified infringers. Such notices may have the happy consequence of reducing infringement by discouraging it, but they do not depend on the intermediary’s control over the infringing actors.

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<sup>138</sup> See Robert Burrell and Kimberlee Weatherall, ‘Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*’ (2011) 33 *Sydney Law Review* 724, 734.

<sup>139</sup> See Robert Burrell and Kimberlee Weatherall, ‘Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*’ (2011) 33 *Sydney Law Review* 724, 734; see also, Jane Ginsburg and Sam Ricketson, ‘Inducers and Authorisers: A Comparison of the US Supreme Court’s *Grokster* Decision and the Australian Federal Court’s *KaZaa* Ruling’ (2006) 11(1) *Media and Arts Review* 1, 14. Cf. Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 158-9.

<sup>140</sup> For example, in both the *Cooper* and *Sharman* cases, counsel for the applicants had argued that the inclusion of the words “if any” in s. 101(1A)(a) “contemplate that even a person with no power to ‘prevent’ the doing of the act may nevertheless authorise infringement”: *Universal Music v Cooper* (2005) 150 FCR 1; [2005] FCA 972 [83]; see also *Universal Music Australia v Sharman Licence Holdings* (2005) 65 IPR 289; [2005] FC 1242 [360]. In *Sharman*, the court responded (at [402]): “I accept that the intention behind the addition of s 101(1A) to the Act was to elucidate, rather than to vary, the pre-existing law about authorization. I further accept, as did Bennett J in *Metro*, the continuing applicability of the *Moorhouse* test.” Similarly, in *Cooper*, Justice Tamberlin stated (at [80]): “In *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575 at [18] (*Metro*), Bennett J agreed that mere facilitation of infringing conduct and knowledge that there is a likelihood that there will be infringing use are insufficient to constitute authorization. The element of control will be necessary to constitute authorization to infringe copyright”.

<sup>141</sup> See also, Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 162-3, 165.

A stronger example of the potential conflation of paragraphs (a) and (c) is the *Sharman* case, which involved the distribution of the peer-to-peer file-sharing software, Kazaa. The court found that Sharman had a power to prevent infringement under s. 101(1A)(a) because it could have taken the “reasonable” step under s. 101(1A)(c) of implementing a keyword-based filter over its network to prevent users from accessing copyrighted music files.<sup>142</sup> The court reached this conclusion despite the fact that Kazaa had no central server through which Sharman could exercise any real control over people’s use of the software to download and share music files.<sup>143</sup> The risk from conflating these factors, then, is the weakening of the level of control needed before liability will attach. Once the boundaries of control become fuzzy, so too does the scope of the authorisation doctrine as a whole.

This part has set out some of the key problems plaguing authorisation liability in Australia. In this thesis, I offer an alternative way to conceptualise authorisation liability that seeks to address these problems in the current legal doctrine. I return to these problems at various points throughout my thesis as I explore how my framework interacts with sections 36(1A) and 101(1A) of the *Copyright Act* and with existing copyright case law.

## **4. Theoretical framework**

I use two theoretical models in developing the normative framework for copyright authorisation set out in this thesis. The central model is responsibility theory as developed in and through tort law. I am also influenced by user rights theory in copyright law.

### **4.1 Responsibility theory**

In drawing on tort law, this thesis uses responsibility theory as an overarching theme. Responsibility theory has rarely been explored in copyright law.<sup>144</sup> The obvious reason for this is that primary infringement is a strict liability offence – a

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<sup>142</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [411], [414] (Wilcox J). This case is discussed in greater detail in Chapter Three.

<sup>143</sup> *Ibid* [233] (Wilcox J).

<sup>144</sup> Though see, Haochen Sun, ‘Copyright and Responsibility’ (2013) 4 *Harvard Journal of Sports & Entertainment Law* 263 (arguing that copyright authorship carries with it various responsibilities based on the ethical norm of reciprocity and values of social justice); David Vaver, ‘Copyright and the Internet: From Owner Rights and User Duties to User Rights and Owner Duties?’ (2007) 57 *Case Western Law Review* 731.

copyright plaintiff need only show that a defendant has made an unlicensed and unexcused dealing with the plaintiff's work; fault is not an element. Where responsibility theory has been invoked in copyright discussions it has appeared only peripherally, usually in debates about the trade-off between the copyright-protected sphere and the public domain.<sup>145</sup>

Authorisation liability, however, is a different beast to primary infringement. Modern authorisation law is not simply an admonishment against *consciously helping* others to infringe, it is an expectation that in appropriate circumstances intermediaries will *proactively prevent* copyright infringement by others. Notions of responsibility are at the heart of modern authorisation law. The authorisation doctrine is concerned with the role of an intermediary *with respect to* a primary infringer. This throws up questions that simply do not arise in an ordinary infringement inquiry, including: was the relationship between the intermediary and the primary infringer such that the intermediary was responsible, at least in part, for the primary infringer's acts? And: did the intermediary act in such a way that it can reasonably be held responsible for the primary infringement done by another? Authorisation liability moves beyond strict liability; ultimately, it is about fault.

The legal inquiry that looks to the role that intermediaries play in the wrongful acts of others is not unique to copyright law. In tort law, too, courts occasionally look beyond immediate injurers to background actors "whose carelessness is alleged to have set the stage for the injury."<sup>146</sup> John C. Goldberg and Benjamin C. Zipursky have stated that although instrumental concerns such as efficiency might seem to explain this occurrence, "the more plausible account of the overall pattern is that courts are looking to distinguish instances in which the background actor can plausibly be deemed *responsible* for the victim's injury."<sup>147</sup> Unlike copyright scholars, legal theorists in tort law have carefully and extensively considered the meaning of 'responsibility' within the law and the circumstances in which an actor is deemed 'responsible' for a given act. I draw on this scholarship here.

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<sup>145</sup> James Boyle, 'The Second Enclosure Movement and the Construction of the Public Domain' (2003) 66 *Law and Contemporary Problems* 33; Roberta Rosenthal Kwall, 'The Author as Steward 'For Limited Times'' (2008) 88 *Boston University Law Review* 685, 705; Graham Greenleaf and Catherine Bond, "'Public Rights" in Copyright: What Makes Up Australia's Public Domain?' (2013) 23 *Australian Intellectual Property Journal* 111.

<sup>146</sup> John C. P. Goldberg and Benjamin C. Zipursky, 'Tort Law and Responsibility' in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 23.

<sup>147</sup> *Ibid*, 24 (emphasis in original).

Peter Cane has stated that tort law is “best understood as a set of rules and principles of interpersonal responsibility for harm.”<sup>148</sup> This definition has two important elements: first is the notion that tort law is concerned with people taking responsibility for harm done to others, in the sense of being accountable for that harm and answerable to the person harmed.<sup>149</sup> The second is that this responsibility is interpersonal, in that tort law cares about *relationships* and not misfortune as such.<sup>150</sup> In imposing liability for causing harm, tort law “is only secondarily about who pays; the primary focus is on how people are allowed to treat each other.”<sup>151</sup> Arthur Ripstein explains that the conception of interpersonal responsibility inherent in tort law “supposes that people are not willing to have their freedom compromised by being held to account for things for which they are not responsible, and the converse idea that they are also not willing to have it compromised by being left to bear burdens for which others are responsible.”<sup>152</sup>

There are two primary theoretical approaches to tort law – ‘instrumentalist’ theories, which focus on distributive justice, and ‘rights-based’ theories, which highlight corrective justice.<sup>153</sup> Instrumentalist theories hold that tort law is directed towards achieving particular goals, such as deterring inefficient levels of risk-taking and distributing the burdens of risk management in economically efficient ways.<sup>154</sup> The instrumentalist approach has some correlation to the view in copyright that authorisation liability should be imposed on intermediaries that are in the most economically advantageous position for deterring infringement. Rights-based theories, by contrast, focus more closely on the particular relationship between the plaintiff and the defendant, and on the defendant’s duty to compensate or make

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<sup>148</sup> Peter Cane, ‘Tort Law as Regulation’ (2002) 31 *Common Law World Review* 305, 306, 310.

<sup>149</sup> John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 17, 29. See also, David Howarth, ‘Three Forms of Responsibility: On the relationship between tort law and the welfare state’ (2001) 60(3) *Cambridge Law Journal* 553, 553.

<sup>150</sup> Arthur Ripstein, ‘The Division of Responsibility and the Law of Tort’ (2004) 72 *Fordham Law Review* 1811, 1813, 1820, 1821.

<sup>151</sup> *Ibid*, 1843.

<sup>152</sup> *Ibid*, 1829.

<sup>153</sup> Stephen Perry, ‘Torts, Rights and Risk’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014), 38, 38, 41. See also, Peter Cane, ‘Reforming Tort Law in Australia: A Personal Perspective’ (2003) 27 *Melbourne University Law Review* 649, 652; Emmanouel Voyiakis, ‘Rights, Social Justice and Responsibility in the Law of Tort’ (2012) 35(2) *UNSW Law Journal* 449; David Howarth, ‘Three Forms of Responsibility: On the relationship between tort law and the welfare state’ (2001) 60(3) *Cambridge Law Journal* 553, 572.

<sup>154</sup> Stephen Perry, ‘Torts, Rights and Risk’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014), 38, 41; Peter Cane, ‘Reforming Tort Law in Australia: A Personal Perspective’ (2003) 27 *Melbourne University Law Review* 649, 652.

reparation to the plaintiff for harm caused. Rights-based theories are so-called because they adopt the view that rights and duties are correlative – to say that a duty is owed to a person is to say that that person has a correlative right.<sup>155</sup>

A responsibility theory would seem to fit squarely within the corrective justice approach to tort law, which holds that a person has a responsibility to make amends where he or she injures another. However, this is not necessarily the case. Responsibility theory is not simply a statement of corrective justice.<sup>156</sup> Goldberg and Zipursky have said:

The simplest way to understand tort liability is that it is a concrete, institutionalized, and practical form of moral responsibility for having wrongfully injured someone. Infighting among philosophical theorists of tort law notwithstanding, there is actually very substantial agreement on these core ideas.<sup>157</sup>

In this thesis I avoid the corrective justice/distributive justice debate and concentrate on the aspects of responsibility theory that cut across both approaches to tort law. I have also found persuasive the argument by Emmanuel Voyiakis that the relationship between the corrective justice and distributive justice approaches is less adversarial than it may seem. Voyiakis argues that it would be difficult for instrumentalist approaches to justify a distribution of resources that adversely impacts individuals' rights to things like health and safety, no matter how efficient, and, similarly, that for corrective justice theorists the choice between different ways of protecting rights or responding to harm caused might be influenced by distributive considerations.<sup>158</sup>

The rules and principles of tort law, which are explored throughout this thesis, are directed towards helping courts (and citizens) determine when a person is legally responsible for a wrong. David Howarth argues that mechanisms of tort law help us to choose in a particular case whether we should adopt what he calls the “asocial

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<sup>155</sup> Stephen Perry, ‘Torts, Rights and Risk’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014), 38, 41; Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 109.

<sup>156</sup> John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 17.

<sup>157</sup> *Ibid.*, 36.

<sup>158</sup> Emmanuel Voyiakis, ‘Rights, Social Justice and Responsibility in the Law of Tort’ (2012) 35(2) *UNSW Law Journal* 449, 449-452. See also, Justice Keith Mason, ‘Fault, causation and responsibility: Is tort law just an instrument of corrective justice?’ (2000) 19 *Australian Bar Review* 201, 205.

view” or the “social view” of individual responsibility.<sup>159</sup> In Howarth’s conception, the ‘asocial view’ of individual responsibility is concerned with responsibility for oneself. It values self-reliance and not being a burden to others. Under this view, when a person suffers a misfortune, she either bears it without complaint or does something herself to reduce the pain; she does not blame others.<sup>160</sup> The ‘social view’, on the other hand, places high value on the interests of others and requires a person to accept responsibility for the consequences that his actions have for others.<sup>161</sup> The challenge for tort law is deciding when defendants should take responsibility for their acts and when plaintiffs should not complain about the harms that have befallen them.<sup>162</sup>

In making the choice between ‘social’ and ‘asocial’ responsibility, courts must determine whether a defendant is ‘outcome-responsible’ for the plaintiff’s loss, in the sense that the defendant *caused* the loss.<sup>163</sup> This is the first step, and it is a necessary condition in establishing legal responsibility, though it is insufficient on its own. Outcome-responsibility is a “relatively thin” conception of responsibility because it does not incorporate considerations of fault.<sup>164</sup> Fault is the second step – courts must take into account the relative ‘faultiness’ of outcome-responsible persons (who may include the plaintiff as well as the defendant).<sup>165</sup> Stephen Perry has argued that moving from outcome-responsibility to a duty to repair requires invoking particular “localized distributive considerations” about who, in fairness, should bear a given loss.<sup>166</sup> Similarly, Justice Mason has stated that the notion of ‘fault’ within the law

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<sup>159</sup> David Howarth, ‘Three Forms of Responsibility: On the relationship between tort law and the welfare state’ (2001) 60(3) *Cambridge Law Journal* 553, 559-562.

<sup>160</sup> *Ibid*, 554.

<sup>161</sup> *Ibid*, 554, 557.

<sup>162</sup> *Ibid*, 558.

<sup>163</sup> See Tony Honoré, *Responsibility and Fault* (Oxford University Press, 1999) 9-10, 23-32; Stephen R. Perry, ‘The Moral Foundations of Tort Law’ (1992) 77 *Iowa Law Review* 449, esp. at 505; John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 20-22; David Howarth, ‘Three Forms of Responsibility: On the relationship between tort law and the welfare state’ (2001) 60(3) *Cambridge Law Journal* 553, 558.

<sup>164</sup> John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 20.

<sup>165</sup> Stephen R. Perry, ‘The Moral Foundations of Tort Law’ (1992) 77 *Iowa Law Review* 449, 513; John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 21.

<sup>166</sup> Stephen R. Perry, ‘The Moral Foundations of Tort Law’ (1992) 77 *Iowa Law Review* 449, 509-510; John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 21.



can act as a “control device” to ensure that the burden to repair is proportional to the defendant’s responsible role in the occurrence of harm.<sup>167</sup>

Whether a person is at fault in causing harm can be assessed by reference to that person’s choices. The connection between choice and responsibility is a central feature of responsibility theory.<sup>168</sup> It is possible to ascribe responsibility to someone where they could have avoided causing harm by choosing appropriately.<sup>169</sup> Of course, the imposition of responsibility will depend on any relevant background conditions that may have impacted upon how a person could exercise his or her choice, such as the information available to the person and how quickly the choice needed to be made.<sup>170</sup> These are the very kinds of considerations that arise in negligence cases under tort law. Negligence, after all, is a fault-based tort.<sup>171</sup>

Courts are therefore concerned with ‘liability responsibility’ (to take a term from H.L.A. Hart’s famous taxonomy of responsibility),<sup>172</sup> which depends both on causation (‘outcome-responsibility’) and fault.<sup>173</sup> A person will be responsible (and usually legally liable) for another’s injury where she caused the harm and where the harm was foreseeable such that she could have acted to avoid the harm, but didn’t. Goldberg and Zipursky have linked responsibility in tort law to a kind of “normative vulnerability” – to say that someone is ‘responsible’ under tort law is to say that they are vulnerable to claim by the plaintiff.<sup>174</sup> They write, “Tort law is best understood as

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<sup>167</sup> Justice Keith Mason, ‘Fault, causation and responsibility: Is tort law just an instrument of corrective justice?’ (2000) 19 *Australian Bar Review* 201, 207-8.

<sup>168</sup> Emmanuel Voyiakis, ‘Rights, Social Justice and Responsibility in the Law of Tort’ (2012) 35(2) *UNSW Law Journal* 449, 458.

<sup>169</sup> *Ibid.*, 459.

<sup>170</sup> *Ibid.*, 461, 464.

<sup>171</sup> Stephen Perry, ‘Torts, Rights and Risk’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014), 38, 51.

<sup>172</sup> Hart’s taxonomy identifies four types of responsibility: role-responsibility, causal-responsibility, liability-responsibility, and capacity-responsibility: H.L.A. Hart, *Punishment and Responsibility* (Oxford University Press, 2<sup>nd</sup> ed., 2008) 210-230. Role-responsibility relates to the substantive duties that adhere to particular, well-defined social roles. Casual-responsibility refers to non-normative cause-and-effect relationships. Capacity-responsibility encompasses those attributes that enable a person to be responsible for an act, such as faculties of reason and self-control. Each of these types of responsibility has some part to play in tort law. However, it is liability-responsibility, which is closely connected to notions of moral blame and legal liability, which is most relevant to the courts. (Description of Hart’s responsibility taxonomy derived in part from John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 19 (note 9)).

<sup>173</sup> See also, Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 127; Peter Cane, ‘Justice and Justifications for Tort Liability’ (1982) 2(1) *Oxford Journal of Legal Studies* 30, 53-4.

<sup>174</sup> John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 32.

the law that defines duties not to injure others, and that holds those who have breached such duties vulnerable to their victims' demands for responsive action."<sup>175</sup>

In this thesis, I use this understanding of 'responsibility' developed in tort law to inform my theoretical analysis of the appropriate scope of authorisation liability under Australian copyright law. I assess the role that intermediaries play in third party copyright infringement by examining, firstly, whether the intermediaries' acts or omissions *causally contributed* to the resulting infringement and, secondly, whether the intermediaries were at fault for failing to prevent infringement. Causation is covered in Chapter Two and fault is considered in chapters Four and Five. From this analysis, I am able to determine, in a coherent and principled way, whether an intermediary ought to be held responsible for authorising copyright infringement and therefore be vulnerable to a claim for reparation from a copyright owner.<sup>176</sup>

## 4.2 User rights theory

In this thesis I also utilise user rights theory, as developed in copyright law. Authorisation law currently lacks a multi-dimensional model of the copyright user, both in theory and in practice. Authorisation liability is dominated by a theoretical binary, which Julie Cohen has called the liberty/efficiency binary.<sup>177</sup> The efficiency approach adopts economic theory to argue that intermediaries ought to take steps against primary infringers because they are in the best financial and practical position to do so.<sup>178</sup> This position clearly favours copyright owners; its starting position is that copyright owners deserve to have their rights protected, even if that requires an unrelated third party to do the protecting. The liberty approach has arisen as a contrasting position, presented mostly by advocates of technology intermediaries. This position is based on a theory of technological freedom – that an expansive

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<sup>175</sup> Ibid, 18.

<sup>176</sup> I believe that tort law offers a better way forward than copyright law in providing a principled approach to responsibility. As Frank E. Denton has said, "Without wishing to minimize the... problems that arise in the administration of tort law, I begin from the position that the doctrine itself has its own internal integrity that must be taken into account in any attempt to modify it. Properly applied, it can in most cases provide a rational and principled basis for deciding whether or not fairness, conceived as corrective justice, requires that a defendant bear some or all of a loss suffered by a plaintiff": Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 103.

<sup>177</sup> Julie E. Cohen, 'Configuring the Networked Citizen' in Austin Sarat, Lawrence Douglas and Martha Merrill Umphrey (eds.), *Imagining New Legalities: Privacy and Its Possibilities in the 21<sup>st</sup> Century* (Stanford University Press, 2012) 129, 136, 139.

<sup>178</sup> Douglas Lichtman and William Landes, 'Indirect Liability for Copyright Infringement: An Economic Perspective' (2003) 16(2) *Harvard Journal of Law & Technology* 395.

freedom to innovate is fundamental to technological and economic progress. The liberty approach argues that imposing liability on intermediaries, or requiring intermediaries to alter their networks or systems to prevent copyright infringement, will stifle intermediaries' ability to innovate with existing and emerging technologies.<sup>179</sup> Neither the liberty theory nor the efficiency theory adequately considers the interests of the users of an intermediary's system or service. In fact, the two approaches meet at the point at which taking steps to prevent infringement is not too costly for the intermediary and where such measures do not unreasonably restrain the intermediary's ability to provide its technological service to customers. So long as the restraints benefit copyright rightsholders and do not prejudice intermediaries, both theories are satisfied, even if users are detrimentally affected.

Authorisation liability law tends to marginalise users in practice too. The problem partly stems from the structure of our two-party adversarial system – users are not parties to authorisation cases and so are not given an opportunity to advance their interests in court or to explain their reasons for accessing and using copyrighted material.<sup>180</sup> This is especially so in the Australian system, which traditionally disfavors *amicus curiae* briefs. When users are discussed in authorisation cases they are usually characterised as 'thieves' or 'pirates', not as real people with real interests in accessing and engaging with creative content.<sup>181</sup>

Copyright owners often pursue authorisation claims to compel intermediaries to take particular steps to prevent users from infringing copyright. In those cases, the underlying object of imposing copyright liability on internet intermediaries is to regulate user behaviour online. When users are the ultimate targets of the laws regulating intermediaries, it is a problem that courts and legislators pretend that users' interests are not relevant to, or impacted by, authorisation liability. Ignoring users undermines the legitimacy of authorisation law.

It is my argument that many of the problems with the authorisation doctrine could be better addressed if we were more honest about the full reach of authorisation law. Specifically, authorisation liability should be informed by a theory

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<sup>179</sup> Julie E. Cohen, 'Configuring the Networked Citizen' in Austin Sarat, Lawrence Douglas and Martha Merrill Umphrey (eds.), *Imagining New Legalities: Privacy and Its Possibilities in the 21<sup>st</sup> Century* (Stanford University Press, 2012) 129, 136-7.

<sup>180</sup> See further, Mark A. Lemley and R. Anthony Reese, 'Reducing Digital Copyright Infringement Without Restricting Innovation' (2004) 56 *Stanford Law Review* 1345, 1379-1380.

<sup>181</sup> See Chapter Three.

of the user. In Chapter Three I explore users rights theory more thoroughly, and I draw on the work of prominent copyright scholars including Julie Cohen, William Fisher and Joseph Liu in arguing that we need a better model of the user in this area of copyright law. In chapters Four and Five, I demonstrate how a framework for authorisation liability that is based in tort law provides more space to consider the interests of copyright users within authorisation law.

## **5. Methodology**

This thesis offers a predominately theoretical account of the circumstances in which it is reasonable to hold an intermediary liable (i.e. *legally responsible*) for copyright infringement committed by another. The first stage of this research project involved a thorough doctrinal analysis of the primary legal materials relevant to authorisation liability. I examined all Australian case law on authorisation, as well as key cases from the United States, Canada and the United Kingdom. I also examined the relevant statutory provisions in the *Copyright Act 1968* (Cth) and consulted both case law and secondary materials discussing the meaning and application of those provisions.

The second stage of my research involved critical review and examination of the literature that has emerged relatively recently (mostly in the last ten years) on the role and situation of copyright users within copyright law and policy. This literature was predominately developed in the United States. My exploration of secondary materials also covered journal articles and monographs dealing with responsibility theory, causation and concepts of fault and control within tort law. Most of these sources were Australian, though some emerged from the United States and England.

In the third stage, I returned to a doctrinal analysis of primary resources, this time in tort law. I evaluated how Australian negligence case law interacted with the conceptions of responsibility, causation, fault and control that I had drawn from the theoretical literature. I concentrated on how judges had interpreted and applied these concepts in practice.

The fourth and final stage of my research project involved a critical assessment of all of the most important principles that had emerged from my analysis of the primary and secondary materials in both copyright law and tort law. I then integrated

these principles into a conceptual normative framework for determining the authorisation liability of online intermediaries in Australia.

## 6. Structure of thesis

My thesis is structured in seven chapters. In **Chapter Two**, I present a causation framework for assessing whether an intermediary's technology or service is *causally relevant* to the resulting copyright infringement committed by users. I adopt and adapt to the copyright environment a normative test of causation proposed by H.L.A. Hart and Tony Honoré in their groundbreaking work, *Causation in the Law*.<sup>182</sup> This test asks whether copyright infringement is a natural consequence of the opportunity provided by the intermediary's technology or service. I argue that the answer to this question demonstrates whether or not the intermediary has causally contributed to the risk of third party infringement and, therefore, whether it is rational to impose a duty on the intermediary to act to minimise the risk. Where an intermediary has not causally contributed to the risk, its failure to act to stop infringement will be what in tort is called a 'nonfeasance'. Under tort law, there is no liability for nonfeasance in most cases. This principle is derived from the well-known general rule that there is ordinarily no duty to rescue another person from harm. I call intermediaries that have not causally contributed to the risk of infringement: 'nonfeasance intermediaries'. Where an intermediary *has* made a causal contribution to the risk of infringement, its failure act to prevent infringement will be a 'misfeasance'. An act or omission of misfeasance can attract liability at law. For these 'misfeasance intermediaries', causation is established and their legal liability will depend on whether the plaintiff copyright owner can establish fault by showing that the intermediary breached its duty to act.

In **Chapter Three**, I more closely examine the dominant theoretical influences on current intermediary liability law. I argue that these theories fail to account for a well-developed model of the user and disregard important user values, including: autonomy in determining when, where and how a creative work is accessed and enjoyed; self-expression; personal connection to works created by others; community; education; and play. I demonstrate how copyright case law

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<sup>182</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985).

systematically ignores and misrepresents users and their interests. I argue that this is of particular concern with respect to authorisation case law because the remedies that rightsholders seek against intermediaries are specifically targeted at users. Rightsholders want intermediaries to disable users' access to networks and services, block or filter websites and content (often broadly) and redesign networks and services to prevent particular uses. All of these measures have potentially serious ramifications for the ways in which users engage online and how they express and explore their values. I argue that a principled framework for authorisation liability must incorporate a theory of the user and that the tort law framework proposed in this thesis offers the best way forward.

In **Chapter Four**, I assess the potential liability of 'misfeasance intermediaries'. I argue that these intermediaries have a duty to minimise the risk of copyright infringement at least to the extent that their technology or service contributes to that risk. A misfeasance intermediary will be liable for authorising infringement if it breaches its duty of care and copyright infringement occurs as a result. In negligence law, breach is determined by asking whether a reasonable person in the defendant's position would have taken precautions against the risk of harm. A defendant will have breached his or her duty if a reasonable person would have taken precautions and the defendant did not. Courts will consider a range of factors when assessing breach, including the probability of the harm occurring if precautions are not taken; the likely seriousness of the harm; the burden of taking precautions, including the expense and inconvenience for the defendant; and the social utility of the defendant's actions (or in the case of copyright intermediaries: the social utility of the intermediary's technology or service). In the context of copyright authorisation, I argue that the 'social utility' factor should encompass a consideration of the ways in which the intermediary's technology or service supports the user interests identified in Chapter Three. I conclude this chapter by applying the negligence factors to three case studies of copyright intermediaries to demonstrate how this approach would work in practice and why it is an improvement on current approaches to authorisation liability.

In **Chapter Five**, I consider the liability of 'nonfeasance intermediaries' for authorising copyright infringement. I start from tort law's general rule that there is no duty to rescue another person from harm, which was introduced in Chapter Two. This rule extends to situations where a third party injures the plaintiff; it holds that a

defendant will not normally have a duty to control the third party in order to protect the plaintiff from harm. There are, however, exceptions to this general rule. Most importantly, the law may impose a duty on the defendant to exercise control where the defendant has *real and actual control* over the wrongdoing third party to the extent that it is reasonable to place a duty on the defendant. Negligence case law emphasises that the defendant's control must be over the third party and his or her actions, not simply over the place or premises where the wrongdoing takes place. In this chapter, I assess those negligence cases dealing with control over third parties and I argue that the tort conception of control is considerably narrower – and therefore clearer – than the notion of ‘power to prevent’ in the Australian Copyright Act. I further argue that tort law offers a more useful model of ‘control’ for determining the liability of nonfeasance intermediaries than the current approach to liability advanced under copyright law.

In **Chapter Six**, I address how industry codes of practice are likely to impact upon the liability of nonfeasance intermediaries, particularly ISPs. (For misfeasance intermediaries, industry codes of practice may be considered as part of the breach analysis). This becomes relevant where the ISP does not have real or actual control over its users – and so is not under any duty to act to prevent infringement – but chooses to act anyway by implementing measures under an industry code. Under my framework, the only circumstance in which the adoption of an industry code may lead to copyright liability (as opposed to other forms of liability) is where the intermediary assumes responsibility to carry out the measures under the code, the copyright owner reasonably relies on that assumption of responsibility, and the intermediary defaults without warning. In these circumstances, the doctrine of specific reliance in negligence law may apply to make the intermediary liable for any resulting harm to the copyright owner. In essence, the intermediary takes on a self-imposed duty to act. This duty can be relinquished by proper notice to the copyright owner. To be successful in an action where there is a self-imposed duty and breach, the copyright owner must still establish that the breach caused copyright infringement. This is where care must be taken to precisely trace and delineate the harm resulting from the breach. There is a significant risk that remedies available under the *Copyright Act 1968*, especially damages, will not be proportional to the wrong committed under an industry code, which is likely to be the failure to send a warning notice to a subscriber. I argue that intermediaries should not be held liable

under a broad construction of secondary copyright infringement simply because they failed to comply with an industry code of practice.

**Chapter Seven** provides conclusions and recommendations. I outline that the core contribution of this thesis is that it provides a new conceptual framework through which to analyse intermediary liability for copyright infringement. My framework advances the notion that liability should be based on responsibility – as in, causation and fault – and not simply the ability to do something to help enforce against copyright infringement. I outline how my framework maps to Australia’s substantive law on authorisation in sections 36(1A) and 101(1A) of the *Copyright Act 1968*. Finally, I recount the most recent developments in this area of law and policy in Australia and I propose an agenda for future research.



## Chapter 2

# The causal role of online intermediaries in copyright infringement: Grounding a duty to act

## 1. Introduction

At its core, the copyright authorisation doctrine is about taking responsibility. In applying the law, courts ask copyright intermediaries such as ISPs, website hosts and technology developers to take some responsibility for the acts of copyright infringement that occur over their networks and services. This is a kind of interpersonal responsibility that lawmakers perceive intermediaries owe to copyright owners as a result of exposing them to increased risks of infringement.<sup>183</sup> However, the authorisation doctrine in its current form lacks a mechanism to distinguish those intermediaries that are closely involved in their users' acts of infringement from those that are not. We may have an intuitive sense that some intermediaries are more (or less) responsible than others, but we would struggle to explain why using the current framework of authorisation law. The concept of 'power to prevent', which is supposed to perform this dividing function, has proved over the years to lack clear boundaries.<sup>184</sup> It is capable of extending to even the most remote cases of control, such as where an intermediary could have prevented infringement by not providing any service to the public in the first place.<sup>185</sup>

Authorisation liability has its origins in tort law, and I argue that this is the better source from which to draw governing principles.<sup>186</sup> Unlike copyright law, tort law has a coherent and principled framework for explaining *why* some intermediaries are more responsible than others for enabling third party harm. Tort law tells us that a defendant's responsibility is tied to his or her *causal role* in the harm.

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<sup>183</sup> See Chapter One, part 2 and part 4.1.

<sup>184</sup> See Chapter One, part 3.2.

<sup>185</sup> *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714, 723 (Branson J).

<sup>186</sup> See further, Terry Hart, 'Making Copies! Retiring the Volitional Conduct Test in Favor of Proximate Cause', *Copyhype*, 7 April 2014, <http://www.copyhype.com/2014/04/making-copies-retiring-the-volitional-conduct-test-in-favor-of-proximate-causation/>; Avihay Dorfman and Assaf Jacob, 'Copyright as Tort' (2011) 12(1) *Theoretical Inquiries in Law* 59.

In this chapter, I examine tort law's focus on causation and relational responsibility. I consider the unique set of circumstances that arise when a defendant has not directly harmed the plaintiff but is instead accused of providing the means or opportunity for other people to commit harm. Tort law, specifically negligence law, deals with these cases by looking at the nature of the opportunity provided by the defendant and asking whether harm was the probable result of that opportunity. Tort law applies different rules to and imposes different duties on intermediaries depending on how close to the risk of harm their role was *in a causal sense*. I call this the 'causation framework' and I articulate its bounds and application in this chapter.

Negligence law distinguishes between what it calls 'misfeasance' and 'nonfeasance'. Misfeasance is an act or omission that causes harm, and nonfeasance is the failure to deliver a benefit to another.<sup>187</sup> In general, there is no liability under tort law for nonfeasance. This notion is most commonly expressed in the rule that there is no general duty to rescue another.<sup>188</sup> An exception to this rule arises where the defendant contributed to the risk of harm from which the plaintiff needs rescuing.<sup>189</sup> In these circumstances, a duty may be imposed on the defendant to take reasonable precautions to minimise the risk of harm.<sup>190</sup>

The most difficult question to resolve is: what is a relevant contribution to the risk of harm? In any given case, there will be a range of factors that preceded the harm and led to it in some way. This is what the 'but for' test for causation-in-fact in tort law tells us. The 'but for' test asks whether the harm would have occurred but for a particular condition, and so helps courts to identify each and all of the conditions that together led to the resulting harm.<sup>191</sup> Yet not all 'but for' conditions

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<sup>187</sup> Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 101; Francis H. Bohlen, 'The Moral Duty to Aid Others as a Basis of Tort Liability' (1908) 56 *University of Pennsylvania Law Review* 217, 219; Les Haberfield, 'Lowns v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 66.

<sup>188</sup> Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 101, 104; Les Haberfield, 'Lowns v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 59, 65; *Dorset Yacht Co Ltd v Home Office* [1970] AC 1004, 1027 (Lord Reid).

<sup>189</sup> See Ernest J. Weinrib, 'The Case for a Duty to Rescue' (1980) 90(2) *Yale Law Journal* 247, 254-6.

<sup>190</sup> See Jean Elting Rowe and Theodore Silver, 'The Jurisprudence of Action and Inaction in the Law of Tort: Solving the Puzzle of Nonfeasance and Misfeasance from the Fifteenth Through the Twentieth Centuries' (1995) 33(4) *Duquesne Law Review* 807, 851; Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 117, 129; GHL Fridman, 'Non-Vicarious Liability for the Acts of Others' (1997) *Tort Law Review* 102, 103, 125; Les Haberfield, 'Lowns v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 59, 67, 75.

<sup>191</sup> See below part 3; see also, Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 273-280.

will attract further legal scrutiny or liability. For an intermediary to be potentially liable for facilitating copyright infringement, its contribution to the risk of harm must be more than a ‘but for’ condition – it must be *causally significant*.

In order to distinguish conditions that are causally significant from those that are not, I adopt, in this chapter, H.L.A. Hart and Tony Honoré’s normative approach to causation. Hart and Honoré argue that ‘mere preconditions’ to the harm can be isolated from causally relevant conditions by applying the following two tests:

- (1) **The abnormal conditions test.** This test asks whether the condition in question is part of the usual state of affairs, or whether it is the condition that made the difference between what normally happens in the relevant environment and what happened in the event of harm.<sup>192</sup>
- (2) **The natural consequences test.** This test applies where the defendant has provided an opportunity to third parties to harm the plaintiff. It asks whether harm was a natural consequence or common exploitation of the opportunity provided, or the very type of thing that could be expected to result from the opportunity. The resulting harm must be likely, not merely foreseeable.<sup>193</sup>

According to Hart and Honoré, where either or both of these tests are satisfied, the condition will be causally relevant to the harm.

In this chapter, I propose a causation framework for copyright authorisation that is based on Hart and Honoré’s second test. Intermediary copyright liability in the online environment is almost always concerned with the provision of an opportunity, occasioned by the intermediary’s technology or service, for users to commit copyright infringement. The second test is therefore the better fit for authorisation liability.<sup>194</sup> In applying this test to authorisation, I ask whether copyright infringement is a natural consequence of or the very type of thing would we expect to result from use of the intermediary’s technology or service. If this question is answered in the affirmative, then the intermediary has causally contributed to the risk of copyright infringement and ought to be subject to a duty to act to minimise that risk. The causation framework does not establish liability or fault. It simply helps to identify those intermediaries for which it is appropriate to expect some form of

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<sup>192</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 36.

<sup>193</sup> *Ibid*, 60, 81-2, 198.

<sup>194</sup> I explain why the first test is less appropriate for authorisation liability in part 4.

positive action to reduce the risk of copyright infringement. It tells us which intermediaries have a *duty* to act and which do not; it provides the distinguishing mechanism that copyright law lacks.

In parts 2 and 3 of this chapter, I explore how negligence law deals with risk creation, causation and the imposition of duties where defendants have omitted to act in a plaintiff's aid. In part 4, I explain how the principles extracted in parts 2 and 3 might usefully inform the law of intermediary copyright liability, and I develop the causation framework for copyright authorisation. In part 5, I apply the causation framework to a selection of copyright intermediaries to demonstrate how the framework would operate in practice. I call those intermediaries that causally contribute to the risk of infringement 'misfeasance intermediaries' and I assess their legal liability under the negligence matrix of duty, breach and damage in Chapter Four. I call those intermediaries that merely provide the (non-causal) background preconditions to the harm 'nonfeasance intermediaries'. I discuss their legal position in more detail in Chapter Five. Finally, I conclude this chapter by evaluating how and why the causation framework is a more principled approach to copyright authorisation than Australia's current doctrine under copyright law.

## 2. The misfeasance/nonfeasance distinction

It has been said that there "is no distinction more deeply rooted in the common law" than the distinction that tort law draws between 'misfeasance' and 'nonfeasance'.<sup>195</sup> Misfeasance is understood, at law, to be active conduct which causes positive injury to another.<sup>196</sup> Nonfeasance, on the other hand, is passive inaction which fails to benefit another.<sup>197</sup> Thus, a defendant who has engaged in misfeasance has, through his or her actions, made the plaintiff's position *worse*,

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<sup>195</sup> Francis H. Bohlen, 'The Moral Duty to Aid Others as a Basis of Tort Liability' (1908) 56 *University of Pennsylvania Law Review* 217, 219.

<sup>196</sup> Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 101; Francis H. Bohlen, 'The Moral Duty to Aid Others as a Basis of Tort Liability' (1908) 56 *University of Pennsylvania Law Review* 217, 219.

<sup>197</sup> Frank E. Denton, *ibid*; Francis H. Bolen, *ibid*; Les Haberfield, 'Lowens v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 66.

whereas a nonfeasant defendant has not altered the plaintiff's position – the plaintiff is no worse off than before he or she encountered the defendant.<sup>198</sup>

The legal relevance of the distinction between misfeasance and nonfeasance relates to the imposition of duties under tort law.<sup>199</sup> Tort law is comfortable with imposing negative duties, such as the duty not to harm others, but is less comfortable with imposing positive duties, such as a duty to affirmatively help others.<sup>200</sup> Tort law, therefore, does not generally impose liability for nonfeasance.<sup>201</sup> The common articulation of this rule is that there is no general duty to come to the rescue of another.<sup>202</sup>

A simple (and oft-used) example of the 'no duty to rescue' rule is the case of one person ('A') walking past a lake where another person ('B') is drowning. There is a life raft on the shore, which A could easily throw to B to save her. A does not and B drowns. We may consider A's inaction to be immoral, but A will not be at fault under law.<sup>203</sup> This is a straightforward example of nonfeasance – B's prior situation has not been affected by A's inaction. B was drowning before A walked past and she was drowning after. B was no worse off than she was before (though she was certainly no better).

The difference between misfeasance and nonfeasance is not always as obvious as this example suggests. There is a substantial grey area between 'active misconduct'

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<sup>198</sup> Jean Elting Rowe and Theodore Silver, 'The Jurisprudence of Action and Inaction in the Law of Tort: Solving the Puzzle of Nonfeasance and Misfeasance from the Fifteenth Through the Twentieth Centuries' (1995) 33(4) *Duquesne Law Review* 807, 841; Harold F. McNiece and John V. Thornton, 'Affirmative Duties in Tort' (1948-1949) 58 *Yale Law Journal* 1272, 1273.

<sup>199</sup> See further, Jean Elting Rowe and Theodore Silver, 'The Jurisprudence of Action and Inaction in the Law of Tort: Solving the Puzzle of Nonfeasance and Misfeasance from the Fifteenth Through the Twentieth Centuries' (1995) 33(4) *Duquesne Law Review* 807, 807-8 and 848-51.

<sup>200</sup> This is a position very much in line with the liberal roots of our legal system. See further, John Stuart Mill, *On Liberty* (Start Publishing LLC, 2012), esp. at 100-103.

<sup>201</sup> Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 104 ("The rule that nonfeasance is not normally actionable is as old as the common law"); Les Haberfield, 'Lowns v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 65.

<sup>202</sup> *Dorset Yacht Co Ltd v Home Office* [1970] AC 1004, 1027 (Lord Reid) ("[W]hen a person has done nothing to put himself in any relationship with another person in distress...mere accidental propinquity does not require him to go to that person's assistance. There may be a moral duty to do so, but it is not practicable to make it a legal duty"); Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 101; Les Haberfield, 'Lowns v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 59, 65.

<sup>203</sup> As Richard Epstein said, "It may well be that the conduct of individuals who do not aid fellow men is under some circumstances outrageous, but it does not follow that a legal system that does not enforce a duty to aid is outrageous as well": Richard A. Epstein, 'A Theory of Strict Liability' (1973) 2(1) *The Journal of Legal Studies* 151, 201.

and ‘passive inaction’.<sup>204</sup> As McNiece and Thornton have said, “The range of human conduct theoretically susceptible of tort consequence runs the zenith of clearly affirmative misconduct (misfeasance) to the nadir of clear inaction (nonfeasance), but there exists an area of shadow-land where misfeasance and nonfeasance coalesce.”<sup>205</sup> This ‘shadow-land’ is best illustrated with another example: A is driving his car when he sees a cyclist up ahead who is travelling at a slower speed than the car. A fails to apply his brakes and hits the cyclist, injuring her. This is an example of inaction, but no one would rightfully argue that this is nonfeasance. Ernest Weinrib calls this ‘pseudo-nonfeasance’, where “misfeasance masquerades as nonfeasance”.<sup>206</sup> The significant point here is that misfeasance can constitute both acts *and omissions*.<sup>207</sup> A person can cause positive injury to another by omitting to do something and, by that omission, leave the other person worse off. *Figure 1* shows how tort law divides acts and omissions into the categories of ‘misfeasance’ (which includes both acts and omissions) and ‘nonfeasance’ (which comprises only omissions).

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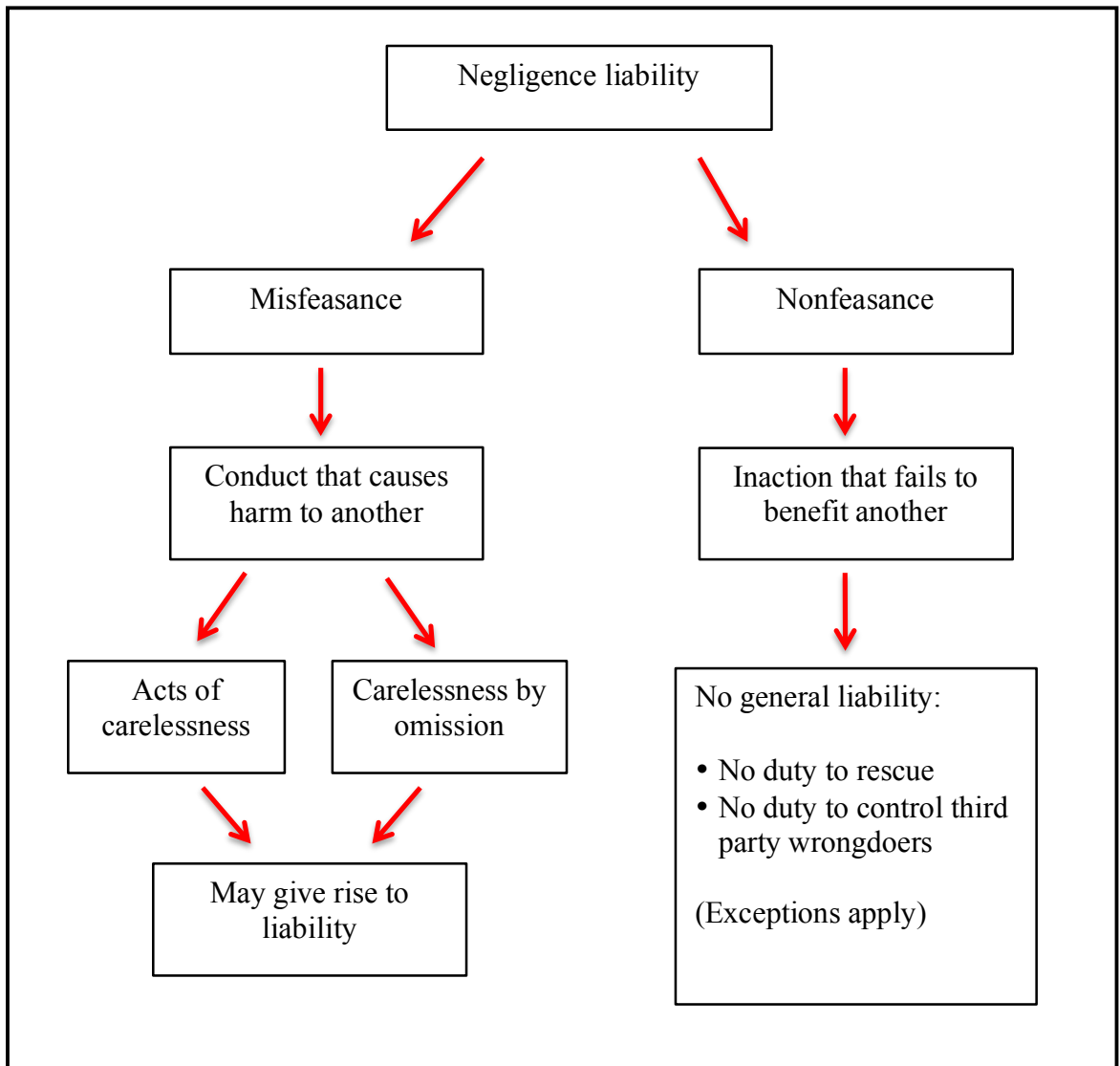
<sup>204</sup> Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 111; Harold F. McNiece and John V. Thornton, ‘Affirmative Duties in Tort’ (1948-1949) 58 *Yale Law Journal* 1272, 1272.

<sup>205</sup> McNiece and Thornton, *ibid*.

<sup>206</sup> Ernest J. Weinrib, ‘The Case for a Duty to Rescue’ (1980) 90(2) *Yale Law Journal* 247, 254.

<sup>207</sup> See *Bennett v Minister of Community Welfare* (1992) 176 CLR 408, 419 (Gaudron J).

**Figure 1 – Negligence liability: Separating misfeasance from nonfeasance**



An important reason that the law does not impose liability for nonfeasance is a deep respect within the law for individual liberty.<sup>208</sup> Under common law, individuals are free to act as they choose so long as those actions do not positively harm others.<sup>209</sup> The law will not interfere with a person's liberty by coercing her to act in aid of another where she has had no role in producing the other's misfortune.<sup>210</sup> Courts have consistently held that "the common law of private obligations does not impose affirmative duties simply on the basis of one party's need and another's capacity to fulfill that need."<sup>211</sup> Related to this rationale is tort law's emphasis on personal responsibility. To require a person to help another simply because they have the capacity to do so would unhinge tort law from one of its core objectives of deterring reckless and unreasonable behaviour.<sup>212</sup> If a defendant has not caused the harm suffered by the plaintiff, then there is no reason to attempt to alter his actions through the imposition of liability; there is no unreasonable behaviour to deter.<sup>213</sup> While the law might want to encourage socially-beneficial behaviour such as helping others, it would be irrational to try to do so by compelling citizens to take personal responsibility for the misfortunes of others over which they have no control and which they have not caused.

There are two exceptions to the general rule that there is no duty to rescue another. In both exceptions, additional circumstances surrounding the defendant's inaction give rise to a duty to act. The first exception relates to a defendant's control over the third party who causes the plaintiff harm. Where the defendant is in a relationship of control over the third party, then a duty may be imposed to exercise

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<sup>208</sup> Ernest J. Weinrib, 'The Case for a Duty to Rescue' (1980) 90(2) *Yale Law Journal* 247, 279; Jane Stapleton, 'Legal Cause: Cause-in-Fact and the Scope of Liability for Consequences' (2001) 54(3) *Vanderbilt Law Review* 941, 949 n17; John Stuart Mill, *On Liberty* (Start Publishing LLC, 2012), Chapter IV: Of the Limits to the Authority of Society Over the Individual.

<sup>209</sup> John Stuart Mill, *On Liberty* (Start Publishing LLC, 2012), Chapter IV; Jane Stapleton, 'Legal Cause: Cause-in-Fact and the Scope of Liability for Consequences' (2001) 54(3) *Vanderbilt Law Review* 941, 949 n17; Natalie Gray and James Edelman, 'Developing the law of omissions: a common law duty to rescue?' (1998) 6 *Torts Law Journal* 1, 1-2.

<sup>210</sup> Ernest J. Weinrib, 'The Case for a Duty to Rescue' (1980) 90(2) *Yale Law Journal* 247, 279.

<sup>211</sup> Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 109; *Dorset Yacht Co Ltd v Home Office* [1970] AC 1004; *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241.

<sup>212</sup> Jane Stapleton, 'Duty of care: peripheral parties and alternative opportunities for deterrence' (1995) 111(Apr) *Law Quarterly Review* 301, 312, 317; Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 124.

<sup>213</sup> Jane Stapleton, 'Duty of care: peripheral parties and alternative opportunities for deterrence' (1995) 111(Apr) *Law Quarterly Review* 301, 305, 310-12, 317.



that control to prevent the third party from causing harm.<sup>214</sup> The defendant may then be liable in negligence for failing to control the third party. This exception is narrowly tailored. The law generally recognises only a limited number of relationships giving rise to a duty to control; these include relationships between parents and children,<sup>215</sup> school authorities and pupils,<sup>216</sup> and prison wardens and prisoners.<sup>217</sup> Relationships of control are discussed in Chapter Five of this thesis.

The second exception applies where the defendant has had some role in creating the risk from which the plaintiff needs rescuing.<sup>218</sup> A person cannot push another into a lake and then, upon discovering that she cannot swim, refuse to throw her the life raft. This is no longer a situation of nonfeasance where, as in the earlier example, the risk of B drowning existed regardless of A's presence or absence. Here, A has clearly participated in creating the risk of drowning by pushing B into the lake.<sup>219</sup> This is an act of misfeasance. Where a defendant has contributed to the creation of the risk of harm to the plaintiff, a duty arises to take reasonable precautions to minimise that risk.<sup>220</sup>

It is necessary to emphasise here that identifying a defendant's participation in the creation of risk helps to determine that they have engaged in misfeasance rather than nonfeasance, but it does not establish fault.<sup>221</sup> Fault "need not attach in the phase of risk creation; rather, it might be found in the subsequent phase, when the defendant failed to abate the risk."<sup>222</sup> In other words, determining whether the defendant has participated in the creation of risk is a threshold exercise relevant to

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<sup>214</sup> *Smith v Leurs* (1945) 70 CLR 256, 262 (Dixon J); *Dorset Yacht Co Ltd v Home Office* [1970] AC 1004; *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 272 (Lord Goff).

<sup>215</sup> *Smith v Leurs* (1945) 70 CLR 256, 259 (Latham CJ); 260 (Starke J); 262 (Dixon J); *McHale v Watson* (1964) 11 CLR 384; *Cameron v Commissioner for Railways* [1964] Qd R 480.

<sup>216</sup> *Commonwealth v Introvigne* (1982) 150 CLR 258; *Geyer v Downs* (1978) 138 CLR 91; *Carmarthenshire County Council v Lewis* [1955] AC 549.

<sup>217</sup> *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004; *Ralph v Stratton* [1969] Qd R 348; *New South Wales v Godfrey* (2004) Aust. Torts Reports ¶81-741. See also *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 292 (Hayne J); cf. *Howard v Jarvis* (1958) 98 CLR 177; *Hall v Whatmore* [1961] VR 225.

<sup>218</sup> See *Smith v Littlewoods Organisation Ltd* [1987] AC 241, 272-3 (Lord Goff); G H L Fridman, 'Non-Vicarious Liability for the Acts of Others' (1997) *Tort Law Review* 102, 115.

<sup>219</sup> See further, Ernest J. Weinrib, 'The Case for a Duty to Rescue' (1980) 90(2) *Yale Law Journal* 247, 254-6.

<sup>220</sup> See Jean Elting Rowe and Theodore Silver, 'The Jurisprudence of Action and Inaction in the Law of Tort: Solving the Puzzle of Nonfeasance and Misfeasance from the Fifteenth Through the Twentieth Centuries' (1995) 33(4) *Duquesne Law Review* 807, 851; Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 117, 129; G H L Fridman, 'Non-Vicarious Liability for the Acts of Others' (1997) *Tort Law Review* 102, 103, 115, 125; Les Haberfield, 'Lowns v Wood and the Duty to Rescue' (1998) *Tort Law Review* 56, 59, 67, 75.

<sup>221</sup> Ernest J. Weinrib, 'The Case for a Duty to Rescue' (1980) 90(2) *Yale Law Journal* 247, 255-6.

<sup>222</sup> *Ibid*, 255.

the question of whether a duty can be imposed on the defendant to act. It is only if the defendant breaches that duty by failing to take reasonable precautions to minimise the risk that he or she will incur legal liability.<sup>223</sup>

### 3. Risk creation and causal relevance

Where a defendant has contributed to the creation of risk to the plaintiff, he or she will have a duty to take reasonable precautions to minimise that risk.<sup>224</sup> A defendant may contribute to the risk by providing the very opportunity that enables a third party to cause harm.<sup>225</sup> A simple example is the defendant who, having been entrusted with the care of the plaintiff's house, leaves the house unlocked, providing an opportunity for a thief to enter.<sup>226</sup> In this situation, it may be possible to say that the defendant has 'occasioned' the harm.<sup>227</sup>

Yet just as it is not always easy to tell the difference between misfeasance and nonfeasance, it can be difficult to tell whether a defendant has actually participated in the creation of risk of harm to the plaintiff. This is because it is not enough to simply say that the defendant has participated *in some way* in the chain of events that ultimately brought about harm to the plaintiff. The defendant's act or omission must be *causally relevant* to the occasioning of harm. Causation is one of the more complex concepts within tort law. This is because for every instance of harm, there will be a range of conditions which have preceded the harm and led to it in some way. For courts, the difficult task is to identify from the range of applicable conditions those conditions that are pertinent to the harm and which, therefore, may give rise to legal liability.<sup>228</sup>

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<sup>223</sup> Breach is considered in Chapter Four.

<sup>224</sup> Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 129; Jean Elting Rowe and Theodore Silver, 'The Jurisprudence of Action and Inaction in the Law of Tort: Solving the Puzzle of Nonfeasance and Misfeasance from the Fifteenth Through the Twentieth Centuries' (1995) 33(4) *Duquesne Law Review* 807, 851; G H L Fridman, 'Non-Vicarious Liability for the Acts of Others' (1997) *Tort Law Review* 102, 115, discussing *Smith v Littlewoods Organisation Ltd* [1987] AC 241, 279-81 (Lord Goff).

<sup>225</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 133, 194-5.

<sup>226</sup> See, for example, H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 59.

<sup>227</sup> *Ibid*, 195.

<sup>228</sup> See, e.g., Richard A. Epstein, 'A Theory of Strict Liability' (1973) 2(1) *The Journal of Legal Studies* 151, 179.

The question of causation in tort cases usually arises after the court has determined that the defendant has been careless. Normally, deciding whether the defendant owes a duty of care to the plaintiff is a relatively straightforward matter because the relationship between the defendant and the plaintiff will fall within an established category in negligence law (e.g. doctor/patient, employer/employee). In these cases, once the defendant is shown to have been careless, the question then becomes whether the defendant's breach of their duty of care caused the plaintiff's harm. This is determined in two stages. The first stage is known as 'causation-in-fact'. The dominant test for determining causation-in-fact is the 'but for' or '*sine qua non*' test,<sup>229</sup> which asks whether, but for the presence of the condition at issue, the harm would have occurred.<sup>230</sup> When applying the 'but for' test, the judge (or relevant fact-finder) must construct a hypothetical world in which the defendant's breach did not occur; predict whether, in this hypothetical world, the harm would still have occurred without the breach; and then compare this hypothetical world to the real world to decide whether the difference between the two is sufficient to attribute the harm to the defendant's breach.<sup>231</sup> Courts have stated that the 'but for' test is most helpful as a negative test to excuse a defendant from liability where the plaintiff's harm would have occurred anyway (i.e. where the answer to whether the harm would have occurred but for the defendant's act or omission is 'yes').<sup>232</sup> The 'but for' test gives no indication of the relative importance of a given cause for the purposes of determining fault and assigning legal responsibility.<sup>233</sup> It simply throws up all the relevant conditions that can be said to be 'causes-in-fact' of the harm.<sup>234</sup> Thus, if a

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<sup>229</sup> *Sine qua non* roughly translates to an indispensable or essential condition.

<sup>230</sup> The civil liability legislation in each Australia state and territory excepting the Northern Territory provides that the test for factual causation is whether the breach was a *necessary condition* of the occurrence of harm: *Civil Liability Act 2003* (Qld), s. 11(1)(a); *Civil Liability Act 2002* (NSW), s. 5D; *Wrongs Act 1958* (Vic), s. 51; *Wrongs Act 1936* (SA), s. 34; *Civil Law (Wrongs) Act 2002* (ACT), s. 45(1)(a); *Civil Liability Act 2002* (WA), s. 5C; *Civil Liability Act 2002* (Tas), s. 13. The High Court has stated that the 'necessary condition' test is the statutory statement of the 'but for' test: *Strong v Woolworths Ltd (t/as Big W)* (2012) 285 ALR 420; 86 ALJR 267 at [18]; *Adeels Palace Pty Ltd v Moubarak* (2009) 239 CLR 420; 260 ALR 628 at [55]. See further, Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 273-280.

<sup>231</sup> David Hamer, 'Factual causation' and 'scope of liability': What's the difference?' (2014) 77(2) *The Modern Law Review* 155, 163-4; see also Jane Stapleton, 'Choosing what we mean by "Causation" in the Law' (2008) 73 *Missouri Law Review* 434, 435-7, 439-40.

<sup>232</sup> *Bennett v Minister of Community Welfare* (1992) 176 CLR 408, 413 (Mason CJ, Deane and Toohey JJ); *Chappell v Hart* (1998) 195 CLR 232, 270 (Kirby J), 283 (Hayne J); *Roads and Traffic Authority v Royal* (2008) 82 ALJR 870, 886-7 (Kirby J).

<sup>233</sup> *Chappell v Hart* (1998) 195 CLR 232, 283-4 (Hayne J).

<sup>234</sup> Sometimes, the 'but for' test throws up two conditions which are each sufficient to cause the harm but not necessary for it. The common hypothetical discussed in this situation is where two hunters each shoot the victim at more or less the same time. If we ask whether the victim would have died but for the first hunter shooting him, the answer is yes, because he would have died from the second

person throws a lit cigarette onto a pile of dry leaves in a national forest, the ‘but for’ test will not tell us whether this act was the responsible cause of the resulting bushfire. It is true that the bushfire would not have occurred but for the person’s act, but the test will also tell us that the bushfire would not have occurred but for the dry leaves on the ground to catch fire, and but for the slight breeze that day which spread the fire, and but for the presence of oxygen in the air to sustain the fire.<sup>235</sup> We know, intuitively, that “not every condition *sine qua non* is a causally relevant factor”,<sup>236</sup> but the test provides scant guidance for distinguishing causally relevant conditions from ‘mere conditions’ or ‘preconditions’ to the harm.<sup>237</sup> Thus, in *March v E & M.H. Stramare Pty Ltd*, Justice Deane said:

[T]he mere fact that something constitutes an essential condition (in the ‘but for’ sense) of an occurrence does not mean that, for the purposes of ascribing responsibility or fault, it is properly to be seen as a ‘cause’ of that occurrence as a matter of either ordinary language or common sense. Thus, it could not, as a matter of ordinary language, be said that the fact that a person had a head was a ‘cause’ of his being decapitated by a negligently wielded sword notwithstanding that possession of a head is an essential precondition of decapitation.<sup>238</sup>

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hunter’s shot. The same is true in the inverse. Scholars say that this situation is “overdetermined”, because the ‘but for’ test would exclude – and therefore excuse – both of the hunters’ acts. In these situations, tort scholars favour the Necessary Element of a Sufficient Set (NESS) test, developed by Richard Wright and derived from the work of H.L.A. Hart and Tony Honoré. The NESS test provides that a condition contributed to a consequence “if and only if it was necessary for the sufficiency of a set of existing antecedent conditions that was sufficient for the occurrence of the consequence”: Richard Wright, ‘The Grounds and Extent of Legal Responsibility’ (2003) 40 *San Diego Law Review* 1425, 1494. In other words, a hypothetical world which excludes the second hunter provides a set of factors *sufficient* for the victim’s death, and in that set the carelessness of the first hunter was *necessary* for the victim’s death. The first hunter’s carelessness is therefore a relevant condition. See further: Jane Stapleton, ‘Choosing what we mean by “Causation” in the Law’ (2008) 73 *Missouri Law Review* 434, 471-4; Richard Wright, ‘The NESS account of natural causation: A response to criticisms’ in R. Goldberg (ed), *Perspectives on Causation* (Hart Publishing, 2011) 285; H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 106; David Hamer, ‘Factual causation’ and ‘scope of liability’: What’s the difference?’ (2014) 77(2) *The Modern Law Review* 155, 170-1; Richard Wright, ‘The Nightmare and the Noble Dream: Hart and Honoré on Causation and Responsibility’ in Matthew H. Kramer, Claire Grant, Ben Colburn and Antony Hatzistavrou (eds.), *The Legacy of H.L.A. Hart: Legal, Political, and Moral Philosophy* (Oxford University Press, 2008) 165, 177.

<sup>235</sup> See, for example, H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 11, 17, 34, 72-74. See further, Jane Stapleton, ‘Legal Cause: Cause-in-Fact and the Scope of Liability for Consequences’ (2001) 54 *Vanderbilt Law Review* 941, 965, 975-6.

<sup>236</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 114.

<sup>237</sup> *Stapley v Gypsum Mines Ltd* [1953] AC 663, 676, 681 (Lord Reid); *March v E. & M.H. Stramare Pty Ltd* (1991) 171 CLR 506, 523 (Deane J); *Chappell v Hart* (1998) 195 CLR 232, 284 (Hayne J); *Pledge v Roads and Traffic Authority* (2004) 78 ALJR 572, 574-5 (Hayne J). See also, Jane Stapleton, ‘Legal Cause: Cause-in-Fact and the Scope of Liability for Consequences’ (2001) 54 *Vanderbilt Law Review* 941, 961; Richard A. Epstein, ‘A Theory of Strict Liability’ (1973) 2(1) *The Journal of Legal Studies* 151, 190-1.

<sup>238</sup> *March v E. & M.H. Stramare Pty Ltd* (1991) 171 CLR 506, 523 (Deane J).

Judges address the problem that the ‘but for’ test does not discriminate between conditions under a second stage of determination called the ‘scope of liability’. In this stage, judges look to the foreseeability of the harm: if the damage suffered by plaintiff is not the reasonably foreseeable consequence of the defendant’s breach then it is deemed “too remote in law”.<sup>239</sup> They will also consider the doctrine of *novus actus interveniens*, where an intervening act of a third party may “break the chain of causation”, rendering the defendant’s breach inconsequential at law.<sup>240</sup> Where factual causation and foreseeability of harm is established, it is rare for a defendant not to be held liable, though judges will also consider any relevant policy concerns that may point against liability.<sup>241</sup>

There are two camps of torts scholars when it comes to causation. Some, like Richard Wright and Jane Stapleton, advocate that the “purely factual” question of causation should be kept separate from the normative assessment of the scope of liability.<sup>242</sup> These scholars assert that it is not the role of the causation tests like the ‘but for’ test to point to some conditions as being more or less significant than others. They state that legal significance is a normative determination which should be made explicit by judges at the scope of liability stage.<sup>243</sup> Other scholars adopt a more blended approach, arguing that causation can incorporate tests that distinguish ‘mere conditions’ or ‘preconditions’ from causally significant conditions, thereby contributing to the court’s assessment of a defendant’s legal liability. For these scholars, causation and responsibility are closely intertwined. The chief proponents of this blended approach are H.L.A. Hart and Tony Honoré. In their influential work,

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<sup>239</sup> Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 288-9.

<sup>240</sup> *Ibid*, 290-93, citing to *The Oropesa* [1943] P 32, *Chapman v Hearse* (1961) 106 CLR 112 and *Mahony v J Kruschich (Demolitions) Pty Ltd* (1985) 156 CLR 522.

<sup>241</sup> Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 293-7, citing to *State Rail Authority of New South Wales v Wiegold* (1991) 25 NSWLR 500 (respondent could not recover for loss of income after being injured by the appellant because the respondent had resorted to criminal activity and been convicted) and *Harvey v PD* (2004) 59 NSWLR 639 (a complex medical case where the court considered the indeterminacy of the scope of damage for future childcare payments to a HIV positive mother).

<sup>242</sup> Jane Stapleton, ‘Choosing what we mean by “Causation” in the Law’ (2008) 73 *Missouri Law Review* 434; Richard Wright, ‘The Nightmare and the Noble Dream: Hart and Honoré on Causation and Responsibility’ in Matthew H. Kramer, Claire Grant, Ben Colburn and Antony Hatzistavrou (eds.), *The Legacy of H.L.A. Hart: Legal, Political, and Moral Philosophy* (Oxford University Press, 2008) 165.

<sup>243</sup> Jane Stapleton, ‘Choosing what we mean by “Causation” in the Law’ (2008) 73 *Missouri Law Review* 434; Richard Wright, ‘The Nightmare and the Noble Dream: Hart and Honoré on Causation and Responsibility’ in Matthew H. Kramer, Claire Grant, Ben Colburn and Antony Hatzistavrou (eds.), *The Legacy of H.L.A. Hart: Legal, Political, and Moral Philosophy* (Oxford University Press, 2008) 165.

*Causation in the Law*,<sup>244</sup> Hart and Honoré set out two tests to help determine when a defendant's act or omission is causally relevant to the harm that befalls a plaintiff (see *Figure 2*).

### **(1) The abnormal conditions test**

In order to distinguish between mere conditions and causally relevant conditions, Hart and Honoré ask whether the condition in question is “part of the usual state or mode of operation of the thing under inquiry.”<sup>245</sup> They draw a distinction between conditions that are normal features of the thing or place concerned and conditions which are abnormal for the given subject matter.<sup>246</sup> The purpose of this test is to identify those conditions that have *made the difference* between what normally happens in the relevant environment and what has happened on the occasion under inquiry.<sup>247</sup>

A condition that is present both in the case of an accident *and* in normal functioning will be a ‘mere condition’ or an ‘essential precondition’ only. Conversely, a condition that is present only in the abnormal case of the accident is likely to be causally relevant to that accident.<sup>248</sup> In the bushfire example given earlier, the presence of oxygen in the air, the dry leaves and the breeze are all conditions that are present both in the case of fire and in normal circumstances where there is no fire. They are therefore mere conditions. By contrast, the lit cigarette, dropped by the defendant, is present only in the case of fire. This is the condition that ‘made the difference’. Thus, Hart and Honoré would say that the defendant's act of throwing the lit cigarette onto the pile of dry leaves was *the cause* of the bushfire.<sup>249</sup>

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<sup>244</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985).

<sup>245</sup> *Ibid*, 35.

<sup>246</sup> *Ibid*, 34.

<sup>247</sup> *Ibid*, 36.

<sup>248</sup> *Ibid*, 34.

<sup>249</sup> See further, H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 34. Richard Wright has criticised the ‘abnormal conditions’ test, arguing that sometimes ‘the cause’ of an event is a *normal* condition. He provides a number of examples to substantiate his point, including: “a person's smoking causing cancer, ... a ‘normal for the area’ drought causing ... the failure of crops, a predator animal's attacking another animal causing the death of that animal [and] the sunlight streaming into a window causing a person to wake up”: Richard Wright, ‘The Nightmare and the Noble Dream: Hart and Honoré on Causation and Responsibility’ in Matthew H. Kramer, Claire Grant, Ben Colburn and Antony Hatzistavrou (eds.), *The Legacy of H.L.A. Hart: Legal, Political, and Moral Philosophy* (Oxford University Press, 2008) 165, 173.

## (2) The natural consequences test

Hart and Honoré present an additional test for cases where the issue is whether the defendant has provided a third party with the opportunity to harm the plaintiff. Generally, in tort law, a defendant is not responsible for the voluntary intervening act of a third party.<sup>250</sup> This is commonly expressed in the language of *novus actus interveniens* – that the third party’s voluntary act has broken the chain of causation between the defendant’s negligence and the plaintiff’s harm.<sup>251</sup> But this is not the case where the intervening act is the *very type of harm* that the defendant has a duty to guard against.<sup>252</sup> Thus, in *Dorset Yacht v Home Office*,<sup>253</sup> the Home Office was liable in negligence for damage caused to the plaintiff’s yacht by the criminal acts of youths who had escaped from the care of Borstal youth detention officers.<sup>254</sup> The court held that the youths’ criminal actions were the very type of thing that was likely to result from careless supervision.<sup>255</sup>

For a duty to guard against interventions to arise, however, it is not enough that the third party’s intervening act is foreseeable.<sup>256</sup> The intervention must be something that is very likely to happen.<sup>257</sup> This principle is often expressed in terms that the intervention is a ‘common response’ or ‘natural consequence’ of the situation created by the defendant or that the third party’s act is a ‘common exploitation’ of the opportunity provided by the defendant.<sup>258</sup> On this basis, a Massachusetts court distinguished between the entry of a thief into an unsecured building and the entry of an arsonist who burnt the building down, holding that the latter was an “extraordinary” rather than a “normal response” to the situation created by the

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<sup>250</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 136.

<sup>251</sup> *Ibid* 5, 73-4; *March v E. & M.H. Stramare Pty Ltd* (1991) 171 CLR 506, 509, 517 (Mason CJ).

<sup>252</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 195; *Dorset Yacht v Home Office* [1970] AC 1004, 1028-30 (Lord Reid); *March v E. & M.H. Stramare Pty Ltd* (1991) 171 CLR 506, 509, 518 (Mason CJ); *Roads and Traffic Authority v Royal* (2008) 82 ALJR 870, 874-5, 878 (Gummow, Hayne and Heydon JJ).

<sup>253</sup> *Dorset Yacht v Home Office* [1970] AC 1004.

<sup>254</sup> A Borstal was a kind of youth detention centre in the United Kingdom, designed to be educational rather than punitive. The borstal system was abolished in the UK by the *Criminal Justice Act 1982*. See further, ‘Borstal’, *Wikipedia*, accessed 16 October 2014, <http://en.wikipedia.org/wiki/Borstal>.

<sup>255</sup> *Dorset Yacht v Home Office* [1970] AC 1004, 1028-30 (Lord Reid), 1034-35 (Lord Morris of Borth-y-Gest), 1070-71 (Lord Diplock).

<sup>256</sup> *Dorset Yacht v Home Office* [1970] AC 1004, 1030 (Lord Reid); H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 198.

<sup>257</sup> *Dorset Yacht v Home Office* [1970] AC 1004, 1030 (Lord Reid); H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 198; G.H.L. Fridman, ‘Non-Vicarious Liability for the Acts of Others’ (1997) *Tort Law Review* 102, 109, 111, 125.

<sup>258</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 60, 81-2, 198.

defendant's negligent conduct in failing to repair the building's defective door.<sup>259</sup>

Hart and Honoré provide a similar hypothetical:

Hence the case of a householder whose prudential storing of firewood in the cellar gives a pyromaniac his opportunity to burn it down would be distinguished from that of the careless friend who left the house unlocked: the fire would not be naturally described as a consequence of the storing of the wood though the loss of [belongings] was a consequence of leaving the house unlocked.<sup>260</sup>

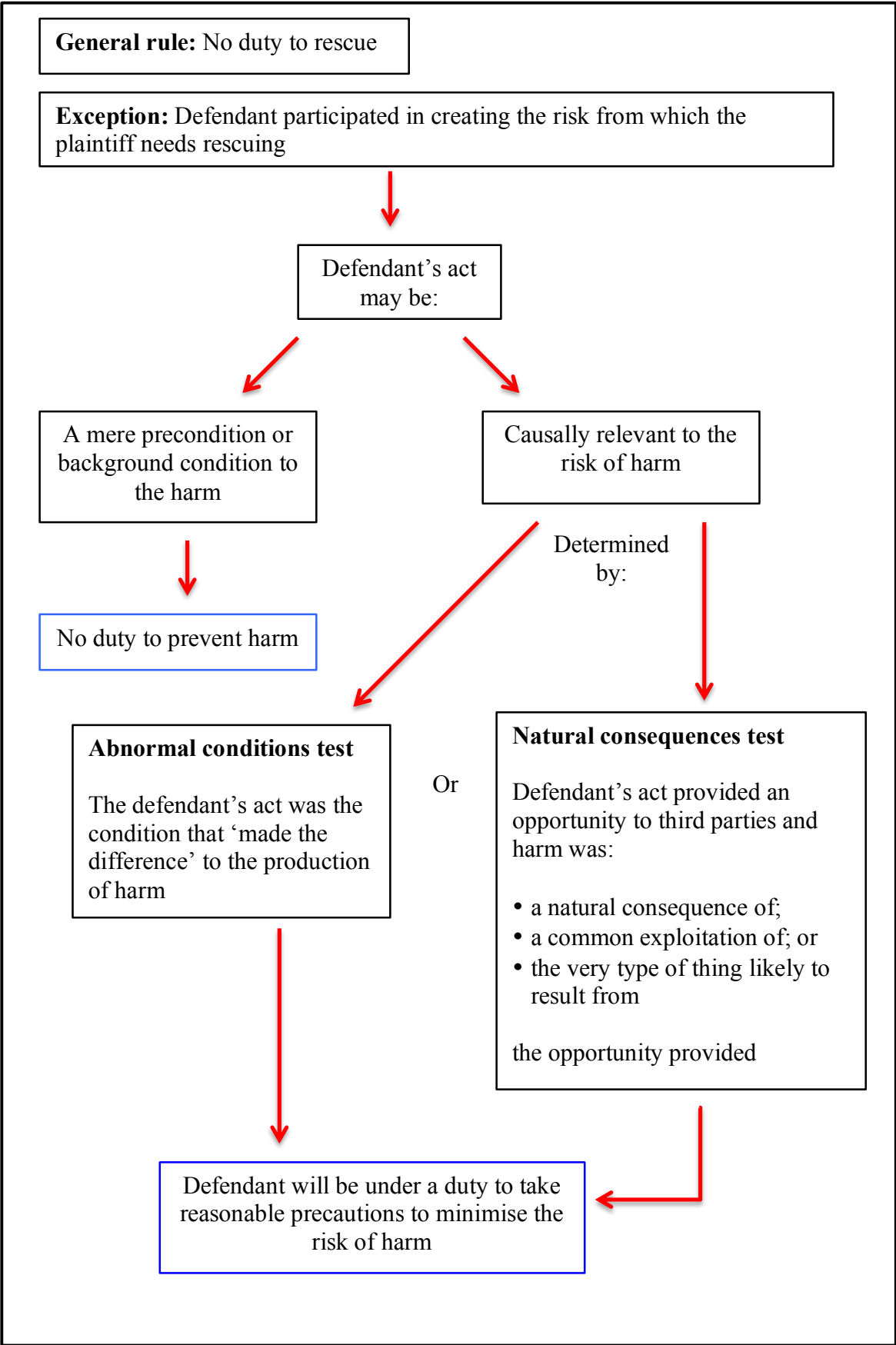
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<sup>259</sup> *Bellows v Worcester Storage Co.* (1937) 297 Mass. 188, 197 (Lummus J); see further H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 82.

<sup>260</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 60.



**Figure 2 – Hart and Honoré’s normative approach to causation**



The determination of whether the intervening act is a ‘natural consequence’ or ‘common exploitation’ of the opportunity separates those opportunities which are causally related to the harm from those that form the mere background conditions of the third party’s harmful act. Hart and Honoré state that both this test and the abnormal conditions test are strongly influenced by common sense.<sup>261</sup>

Both Stapleton and Wright have criticised Hart and Honoré for merging questions of causation-in-fact with normative considerations about responsibility. Their concern is that this approach enables judges to obscure their normative reasons for reaching particular determinations by making “bald assertions that in the circumstances the law demanded such and such a causal connection.”<sup>262</sup> It is much better, they assert, that factual findings and normative judgments be kept separate.

David Hamer has responded to these criticisms by arguing that the distinction between causation-in-fact and scope of liability is overstated.<sup>263</sup> He argues that causation-in-fact often presents “predictive difficulties of proof” which create space for value judgments to enter.<sup>264</sup> Likewise, the ‘scope of liability’ analysis often involves “an assessment of the strength and nature of the causal connection between breach and harm”.<sup>265</sup> Hamer notes that, normatively, “it may be unfair or inefficient to assign liability to a defendant for harm that she has scarcely caused.”<sup>266</sup>

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<sup>261</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 33. The Australian High Court has also repeatedly emphasised that common sense guides many of their decisions with respect to causation: *March v E. & M.H. Stramare Pty Ltd* (1991) 171 CLR 506, 509, 515 (Mason CJ), 522-3 (Deane J), 530-1 (McHugh J); *Bennett v Minister of Community Welfare* (1992) 176 CLR 408, 412-3 (Mason CJ, Deane and Toohey JJ), 418-9 (Gaudron J), 428 (McHugh J); *Chappell v Hart* (1998) 195 CLR 232, 238 (Gaudron J), 242 (McHugh J), 255 (Gummow J), 268-9 (Kirby J), 282 (Hayne J); *Roads and Traffic Authority v Royal* (2008) 82 ALJR 870, 886-7 (Kirby J), 896 (Kiefel J).

<sup>262</sup> Jane Stapleton, ‘Choosing what we mean by “Causation” in the Law’ (2008) 73 *Missouri Law Review* 434, 463-4 (note 98). See also, Richard Wright, ‘The Nightmare and the Noble Dream: Hart and Honoré on Causation and Responsibility’ in Matthew H. Kramer, Claire Grant, Ben Colburn and Antony Hatzistavrou (eds.), *The Legacy of H.L.A. Hart: Legal, Political, and Moral Philosophy* (Oxford University Press, 2008) 165, 165, 170-1, 173-4, 177. This concern reflects earlier statements made by American Legal Realists such as Leon Green: see, for example, Leon Green, ‘The Causal Relation Issue in Negligence Law’ (1962) 60 *Michigan Law Review* 543; Leon Green, *The Rationale of Proximate Cause* (Rothman, 1927).

<sup>263</sup> David Hamer, ‘Factual causation’ and ‘scope of liability’: What’s the difference?’ (2014) 77(2) *The Modern Law Review* 155, 155, 156-7, 176, 187.

<sup>264</sup> *Ibid*, 164, 176.

<sup>265</sup> *Ibid*, 155, 176.

<sup>266</sup> *Ibid*, 177.

Like Hart and Honoré, Hamer contends that causally significant conditions can be ascertained by taking greater care with counterfactual contrasts.<sup>267</sup> He refers to an illustration given by Stapleton that “no one would say that the decision of the great-great-grandmother of Lee Harvey Oswald to have children was a cause of the death of President Kennedy.”<sup>268</sup> Stapleton says that this decision is a ‘but for’ cause, necessitating an unpacking of “the responsibility ideas in play behind causal language [to] separate them from the question of historical fact.”<sup>269</sup> Hamer, however, argues that the great-great-grandmother’s decision is not a relevant cause – her decision may have caused the *existence* of Lee Harvey Oswald, but it did not cause Oswald to shoot, rather than not shoot, President Kennedy.<sup>270</sup> Here, it is possible to isolate the *precondition* of Oswald’s birth from the causally significant conditions relating to his decision to shoot the President without needing to resort to principles of remoteness or public policy at law. Hamer concludes that Wright and Stapleton have “asserted rather than substantiated the claim that ‘factual causation’ is purely factual and ‘scope’ is entirely non-causal”.<sup>271</sup>

I have adopted the normative approach to causation in investigating the role of intermediaries in third party copyright infringement. In the next part, I explain why I have adopted this approach and I propose a causation framework for copyright authorisation.

#### **4. Causal relevance and copyright authorisation**

Hart and Honoré’s normative approach to causation has particular resonance for those cases where the defendant has allegedly contributed to the risk of harm from which the plaintiff needs rescuing. In these ‘rescue’ cases, it is important to identify causal relevance at an early stage, because the defendant’s causal role in the harm

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<sup>267</sup> David Hamer, ‘Factual causation’ and ‘scope of liability’: What’s the difference?’ (2014) 77(2) *The Modern Law Review* 155, 180-1.

<sup>268</sup> Ibid, 180, citing to Jane Stapleton, ‘Legal Cause: Cause-in-Fact and the Scope of Liability for Consequences’ (2001) 54 *Vanderbilt Law Review* 941, 976.

<sup>269</sup> Jane Stapleton, ‘Legal Cause: Cause-in-Fact and the Scope of Liability for Consequences’ (2001) 54 *Vanderbilt Law Review* 941, 976.

<sup>270</sup> David Hamer, ‘Factual causation’ and ‘scope of liability’: What’s the difference?’ (2014) 77(2) *The Modern Law Review* 155, 180.

<sup>271</sup> Ibid, 187. See also at 179, where he states: “[T]he proponents’ characterisation of causation as an exceedingly blunt instrument is counterintuitive... In law and in everyday life people purport to discriminate between stronger and weaker causes, and Wright and Stapleton fail to demonstrate that these judgments are other than what they seem”.

determines whether or not a duty is imposed on the defendant *in the first place*. It is therefore critical to have a coherent test for distinguishing between a defendant's act or omission that is causally relevant to the plaintiff's harm and an act or omission that is simply one of the preconditions to the harm with no causal significance. The ordinary 'but for' test for causation-in-fact is not sufficient for this purpose.

The same is true for copyright authorisation, an area in which intermediaries are frequently accused of providing the very conditions necessary for third parties to exploit copyright. As in the rescue cases, it is important to identify a compelling rationale for directing the law's attention towards some intermediaries and away from others *at an early stage*, at the point when a duty may or may not be imposed on the intermediary to act to impede copyright infringement.<sup>272</sup> As discussed in Chapter One, our current authorisation laws do not properly tell us when legal liability should attach to an intermediary's act or omission because they are governed by vague definitions ('sanction, approve, countenance') and poorly defined principles ('power to prevent'). A normative causation framework helps to answer the question of whether an intermediary contributed to the risk of infringement such that it ought to be subject to a duty to act to minimise the risk. This is a normative question and it is sensible to adopt a normative approach to answering it – one that encompasses both a consideration of the intermediary's causal role in bringing about the harm *and* its interpersonal responsibility to copyright owners.<sup>273</sup>

Hart and Honoré advance two tests for determining causal relevance, but only one is well suited to copyright authorisation. Their first test, the abnormal conditions test, is likely to produce some incongruous results in the copyright space. The issue is that the intermediary liability doctrine operates in a technological environment that is constantly changing and evolving. New copying-enabling technologies emerge all the time. These new technologies will rarely, if ever, form part of the 'normal environment' that they enter. Instead, they will be an 'abnormal condition' – the condition that enables users to reproduce copyright material in a new form. The

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<sup>272</sup> In 'Duty of care: peripheral parties and alternative opportunities for deterrence', Stapleton herself uses causal language to justify separating some parties from others at the duty stage. She writes, "The peripheral party is let off not only because his or her conduct is not sufficiently causally relevant, but because whatever economic incentives and assertions of (symbolic) moral responsibility attach to the formal pattern of liability in the tort should be directed at the principal wrongdoer(s)": Jane Stapleton, 'Duty of care: peripheral parties and alternative opportunities for deterrence' (1995) 111(Apr) *Law Quarterly Review* 301, 317. See also at p.342: "Sometimes the defendant is careless but not causally important enough for the law to be concerned to deter him or her."

<sup>273</sup> For a similar (though much broader) argument, see Peter Benson, 'Misfeasance as an Organising Normative Idea in Private Law' (2010) 60(3) *The University of Toronto Law Journal* 731.

upshot is that the answer to Hart and Honoré's first test will almost always point to causal relevance for new and emerging technologies.

This point can be illustrated by an example: the case of *Sony Corp. of America v. Universal City Studios, Inc.* ("Sony").<sup>274</sup> In that case, Sony manufactured and sold the Betamax VTR player, which allowed the home recording of television programs onto tapes for later viewing.<sup>275</sup> The Betamax VTR was a disruptive technology. It introduced new capabilities to users and unsettled the market for home television programming. Because the Betamax VTR was a new technology, it was not part of the normal environment in which users viewed television broadcasts and cinematograph films at that time. Home copying was not then a feature of this normal environment. In *Sony*, therefore, the Betamax VTR was the very thing that made the difference for home copying, including infringing copying.

Hart and Honoré's abnormal condition test cannot provide a reasonable basis for imposing a duty to act on an intermediary because it places a heavier burden on those intermediaries that provide or support newer technologies, with no satisfactory normative justification for doing so. It is a rather crude approach to say that those intermediaries that provide or utilise emerging technologies must necessarily do more simply because they are newer to the marketplace. It would also conflict with the stated goal of the Australian legislature to be technology-neutral where possible when it comes to copyright regulation.<sup>276</sup>

Hart and Honoré's second test, however, the natural consequences test, is a far better fit for copyright authorisation. It is premised on the idea that the defendant's act might provide *an opportunity* to third parties to inflict harm. All authorisation cases involving online intermediaries fall into this same formulation – that the intermediary's technology or service provided an opportunity for users to commit copyright infringement, and that infringement was, in fact, the foreseeable and likely result of that technology or service. The natural consequences test may therefore be an extremely useful lens through which to view the causal relevance of an intermediary's role in creating or fostering opportunities for infringement.

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<sup>274</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417 (1984).

<sup>275</sup> See more detailed description of this case in Chapter Three.

<sup>276</sup> See, for example, Parliament of the Commonwealth of Australia House of Representatives, Copyright Amendment (Digital Agenda) Bill 1999, Explanatory Memorandum (this Bill inserted sections 36(1A) and 101(1A) into the *Copyright Act 1968*).

Applying this test requires assessing whether a reasonable person in the defendant's position would have foreseen that harm to the plaintiff was the *probable* result of the opportunity provided to third parties. It is worth repeating that under the test, harm must be likely and not merely foreseeable.<sup>277</sup> The test has been articulated and applied in case law, including in the early UK cases of *Scott Trustees v. Moss* (1889) 17 R. 32 (where Lord President Inglis referred to the harm as “the natural and almost inevitable consequence” of the defendant's action),<sup>278</sup> *Haynes v. Harwood* [1935] 1 K.B. 146 (where Lord Justice Greer referred to the harm as “the very kind of thing which is likely to happen”)<sup>279</sup> and *Bourhill v. Young* [1943] A.C. 92,<sup>280</sup> and in more recent Australian decisions such as *Ashrafi Persian Trading Co Pty Ltd t/a Roslyn Garden Motor Inn v Ashrafinia* [2001] NSWCA 243<sup>281</sup> and *Lesandu Blacktown Pty Ltd v Gonzalez* [2013] NSWCA 8.<sup>282</sup> In *Dorset Yacht Co. Ltd. v. Home Office*, Lord Reid referred to the early UK cases when stating, “These cases show that, where human action forms one of the links between the original wrongdoing of the defendant and the loss suffered by the plaintiff, that action must at least have been something very likely to happen”.<sup>283</sup>

The natural consequences test was perhaps explored most thoroughly, however, in *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241.<sup>284</sup> In that case, the respondents were owners of a vacant cinema building that they had purchased with the intention of demolishing it and replacing it with a supermarket. The cinema was left unoccupied for several weeks prior to the scheduled demolition. During that time, young people broke into the empty cinema and started a fire that burnt down

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<sup>277</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 198; *Dorset Yacht v Home Office* [1970] AC 1004, 1030 (Lord Reid); *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 272 (Lord Goff of Chieveley) (“But one thing is clear, and that is that liability in negligence for harm caused by the deliberate wrongdoing of others cannot be founded simply upon foreseeability that the pursuer will suffer loss or damage by reason of such wrongdoing.”).

<sup>278</sup> *Scott Trustees v. Moss* (1889) 17 R. 32, 36 (Lord President Inglis).

<sup>279</sup> *Haynes v Harwood* [1935] 1 K.B. 146, 156 (Lord Justice Greer).

<sup>280</sup> *Bourhill v. Young* [1943] A.C. 92, 104 (Lord Macmillian).

<sup>281</sup> *Ashrafi Persian Trading Co Pty Ltd t/a Roslyn Garden Motor Inn v Ashrafinia* [2001] NSWCA 243 [10] (Haydon JA).

<sup>282</sup> *Lesandu Blacktown Pty Ltd v Gonzalez* [2013] NSWCA 8 [56], [72] (Meagher JA). This case is considered further in Chapter Five.

<sup>283</sup> *Dorset Yacht Co Ltd v Home Office* [1970] AC 1004, 1030 (Lord Reid). See also *Lamb v. Camden London Borough Council* [1981] Q.B. 625.

<sup>284</sup> For Australian cases that have applied *Smith v Littlewoods Organisation Ltd*, see: *WD & HO Wills (Australia) Ltd v State Rail Authority of New South Wales*; *State Rail Authority of New South Wales v TNT Management Pty Ltd* (1998) 43 NSWLR 338; *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254; *Ashrafi Persian Trading Co Pty Ltd t/a Roslyn Garden Motor Inn v Ashrafinia* [2001] NSWCA 243; *Lesandu Blacktown Pty Ltd v Gonzalez* [2013] NSWCA 8; *McKenna v Hunter & New England Local Health District* [2013] NSWCA 476.

adjacent buildings owned by the appellants. The appellants claimed that the property damage had been caused by the respondents' negligence. They alleged that the respondents knew or ought to have known that a disused cinema would be a target for vandals and that there might be damage to the property and adjacent properties if the respondents did not take steps to prevent the entry of vandals.<sup>285</sup> Lord Mackay of Clashfern framed the issue in the following terms:

In my opinion, the question [is] whether... a reasonable person in the position of Littlewoods was bound to anticipate *as probable*, if he took no action to keep these premises lockfast, that, in a comparatively short time before the premises were demolished, they would be set on fire with consequent risk to the neighbouring properties.<sup>286</sup> (emphasis added)

The court found that the respondents had not been negligent. Lord Mackay held that while it might be probable that young persons might attempt to break into the vacated cinema, it was not probable that they would set fire to it.<sup>287</sup> His Honour stated, "Unless the judge can be satisfied that the result of the human action is highly probable or very likely he may have to conclude that all the reasonable man could say was that it was a mere possibility."<sup>288</sup> Lord Mackay considered that the damage caused by fire in the present case was a mere possibility and not a probable consequence.

In reaching his decision, Lord Mackay of Clashfern discussed and contrasted two earlier cases, which bear similarities to the hypothetical provided by Hart and Honoré in their book, *Causation in the Law* (see part 3 above).<sup>289</sup> In the first case, *Stansbie v Troman*,<sup>290</sup> a decorator was held liable when, having been contracted to carry out work in the plaintiff's house when nobody else was home, went out for a period and left the door unsecured. A thief entered the house and stole property from the plaintiff. The decorator was held liable because it was as a direct result of his negligence that the thief entered the house, and because this consequence was highly

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<sup>285</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 254.

<sup>286</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 258 (Lord Mackay of Clashfern).

<sup>287</sup> *Ibid.*

<sup>288</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 261 (Lord Mackay of Clashfern).

<sup>289</sup> H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 60. (Though Hart and Honoré also refer to the first case, *Stansbie v Troman* [1948] 2 K.B. 48, in a later chapter of their book).

<sup>290</sup> *Stansbie v Troman* [1948] 2 K.B. 48.

foreseeable.<sup>291</sup> Lord Mackay contrasted this case with *P Perl (Exporters) Ltd. v Camden London Borough Council*,<sup>292</sup> where intruders entered the defendant's premises by way of a broken lock on the front door, knocked a hole through the wall separating the defendant's basement and the plaintiff's basement in the adjoining premises, and stole goods from the plaintiff's property. As explained by Lord Mackay, the court there held that the defendants "were not reasonably bound to foresee as the natural and probable consequence of their omission to secure their premises that persons over whom they had no control would steal the plaintiff's goods."<sup>293</sup> Lord Mackay concluded, "In my opinion...when the word 'probable' is used in this context in the authorities, it is used as indicating a real risk as distinct from a mere possibility of danger."<sup>294</sup>

Similarly, Lord Goff of Chieveley in *Smith v Littlewoods Organisation* discussed the natural consequences of a person's actions through the use of examples. His Honour referred to *Haynes v. Harwood*,<sup>295</sup> where the defendant's servant had left a horse-drawn cart unattended in a crowded street and the horses bolted when a boy threw a stone at them. The plaintiff was a police officer who was injured when he tried to stop the horses. Lord Goff said:

There, of course, the defendant's servant had *created a source of danger* by leaving his horses unattended in a busy street. Many different things might have caused them to bolt – a sudden noise or movement, for example, or, as happened, the deliberate action of a mischievous boy. But all such events were examples of *the very sort of thing* which the defendant's servants ought reasonably to have foreseen and to have guarded against by taking appropriate precautions.<sup>296</sup> (emphasis added)

His Honour also provided his own hypothetical, in which a person buys a substantial quantity of fireworks for a village fireworks display and stores them in an unlocked garden shed. It is well known within the village that he does this. Boys from the village enter the shed, light the fireworks and start a fire which burns down a neighbour's house. Lord Goff stated, "Liability might well be imposed in such a case; for, having regard to the dangerous and tempting nature of fireworks,

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<sup>291</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 265 (Lord Mackay of Clashfern).

<sup>292</sup> *P Perl (Exporters) Ltd. v Camden London Borough Council* [1984] Q.B. 342.

<sup>293</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 264 (Lord Mackay of Clashfern, discussing *P Perl (Exporters) Ltd. v Camden London Borough Council* [1984] Q.B. 342).

<sup>294</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 269 (Lord Mackay of Clashfern).

<sup>295</sup> *Haynes v. Harwood* [1935] 1 KB 146.

<sup>296</sup> *Smith v Littlewoods Organisation Ltd* [1987] A.C. 241, 273 (Lord Goff of Chieveley).



interference by naughty children was the very thing which, in the circumstances, the purchaser of the fireworks ought to have guarded against.”<sup>297</sup>

It is clear from these cases and examples that the natural consequences test is a fitting frame of reference through which to analyse the distribution of responsibility where one party has provided an opportunity to another to commit harm. In these cases, whether the person providing the opportunity ought to be held responsible is determined by applying a kind of exaggerated foreseeability test – the harm must be the ‘very type of thing’ likely to occur as a result of the opportunity provided. Where the harm is probable, and not just foreseeable, then it is reasonable to expect the defendant to do something about it. It is in these circumstances that we can fairly say that a duty ought to be imposed on the defendant to act to prevent or impede the harm in some way.

It is my argument that the natural consequences test can be usefully extended to the realm of copyright law and authorisation liability. My objective in this chapter is to advance a framework that will assist courts in ascertaining with substantial certainty whether an intermediary’s conduct is close enough, in a causal sense, to users’ acts of copyright infringement to ground a legal duty to act to prevent infringement. I seek to answer the question: ‘Did the defendant intermediary participate in the creation of the risk of harm to the plaintiff copyright owner?’ For the purposes of this exercise, I proceed on the basis that copyright infringement amounts to harm to the copyright owner.<sup>298</sup> My starting point is to identify the intermediary’s technology or service that is alleged to have contributed to copyright infringement. I then apply a modified version of Hart and Honoré’s natural consequences test. Specifically, I ask: ‘Is copyright infringement a natural consequence of the opportunity provided by the intermediary’s technology or service?’ If the answer to this question is in the affirmative, then I would impose a duty on the intermediary to take measures to prevent infringement. The intermediary’s liability for copyright authorisation will depend on whether or not that duty is breached. If, however, the answer is in the negative, then the common law nonfeasance rule will apply – there is no duty to rescue another from third party

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<sup>297</sup> Ibid, 273-4.

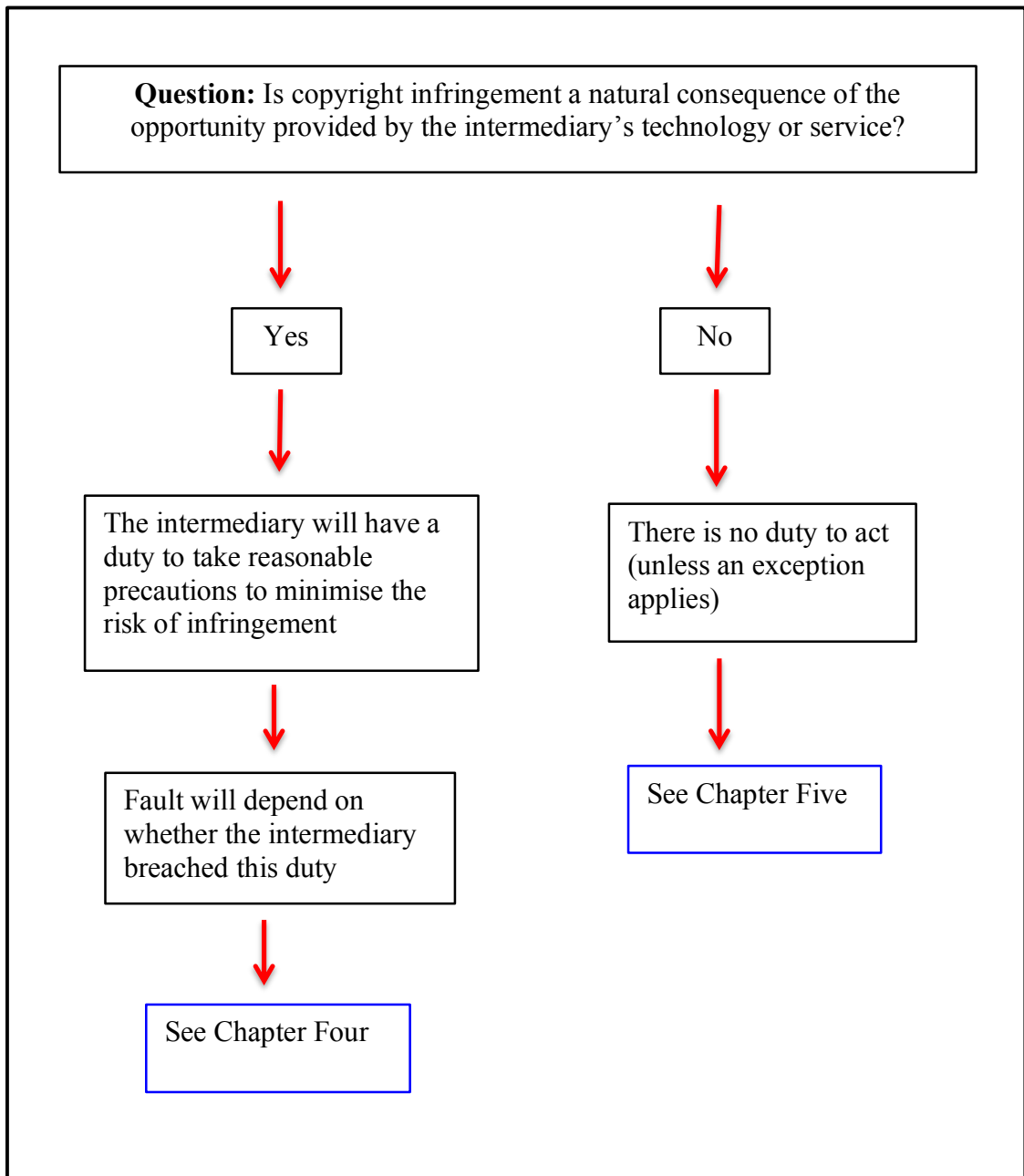
<sup>298</sup> I understand that this is a contested position; we currently lack the empirical evidence to show whether unlicensed reproduction and sharing actually harms copyright owners’ financial or reputational interests. However, a thorough investigation into the nature of copyright harm is beyond the scope of this thesis.

harm. Intermediaries here will not be liable for failing to act, except in very limited, discrete situations involving high levels of control over users.<sup>299</sup> For shorthand, I call intermediaries in the first category ‘misfeasance intermediaries’ and intermediaries in the second category ‘nonfeasance intermediaries’. My framework is represented graphically in *Figure 3*.

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<sup>299</sup> This is addressed in Chapter Five.

**Figure 3 – A causation framework for copyright authorisation**



## 5. Applying the causation framework to copyright intermediaries

The framework described in part 4 and represented in *Figure 3* is best understood through application. In this part, I demonstrate the framework's utility by applying it to a selection of copyright intermediaries, including ISPs, providers of peer-to-peer filesharing networks, developers and distributors of technologies that enable copying, and content sharing platforms. I show that even under this framework there are difficult cases; however, these hard cases are more coherently dealt with under this causation framework than under current copyright approaches.

### 5.1 Internet service providers

ISPs provide the digital infrastructure by which users connect to the internet and to protocols such as BitTorrent, where they can share copyrighted files with and download files from other internet users. ISPs are in a special position because they are in formal contractual relationships with copyright users. They are uniquely positioned in the extent of their ability to contact, warn and sanction allegedly infringing users once these users are identified (by IP address) by copyright owners. The question, though, is whether ISPs have a *duty* to act. Under a tort-influenced approach to authorisation, capacity to aid copyright owners is not enough on its own.

Under my framework, the question to be answered is: 'Is copyright infringement a natural consequence of the opportunity provided by internet access?' The best answer to this question is no. There is no doubt that a significant amount of copyright infringement occurs online. The exact extent is difficult, if not impossible, to quantify, though the Recording Industry Association of America (RIAA) alleges that "digital piracy" uses 24% of internet bandwidth globally.<sup>300</sup> Nevertheless, copyright infringement is not a natural consequence of internet access; it is not 'the very type of thing' we would expect to occur from providing someone with access to the internet. Our normal expectations in providing someone with internet access would be that he or she would use that connection for everyday, lawful activities. The internet is used for a wide range of pursuits, including basic communication,

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<sup>300</sup> Recording Industry Association of America, Piracy Online: Scope of the Problem, [http://www.riaa.com/physicalpiracy.php?content\\_selector=piracy-online-scope-of-the-problem](http://www.riaa.com/physicalpiracy.php?content_selector=piracy-online-scope-of-the-problem) (accessed 29 July 2015).

education and research, banking, and many other legal activities.<sup>301</sup> Infringement is certainly a foreseeable possibility from providing internet access, but it is not a natural consequence.

Under a causation framework, then, an ISP does not causally contribute to the risk of infringement by providing users with internet access. The provision of internet access is simply a precondition to the copyright infringement. It is true that online infringement would not occur ‘but for’ internet access, but internet access is not causally relevant for the purpose of assigning legal responsibility. An ISP’s actions in providing internet access are not sufficiently close to the risk of copyright infringement. This means that it will ordinarily be unreasonable to impose a duty on ISPs to affirmatively act to prevent copyright infringement by third parties.<sup>302</sup>

## 5.2 Payment intermediaries

In recent years, copyright owners in the United States have turned their attention to intermediaries that have not traditionally been considered parties to copyright infringement. For example, in August 2011, the Stop Online Piracy Act (SOPA) was introduced to the U.S. House of Representatives and its counterpart, the PROTECT IP Act (PIPA), was introduced to the U.S. Senate. These Bills sought to require payment intermediaries and advertising service intermediaries to remove their financial, advertising and other support from websites upon notice from a copyright owner that the website was “dedicated to the theft of U.S. property”.<sup>303</sup> Websites dedicated to the theft of U.S. property were defined as those websites primarily designed, operated or marketed for the purpose of offering goods or services in a manner that engaged in, enabled or facilitated copyright infringement.<sup>304</sup> After intense backlash from technology companies and the general public, the Bills were

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<sup>301</sup> The Australian Bureau of Statistics’ most recent data on home internet use in Australia found that users aged 15-17 most commonly went online for educational purposes (93%), 18-24 year olds used the internet predominately for social networking (92%), and for all other age groups (25-65 years or over) the most common online activity was paying bills or banking (72%). Emailing was not included as an activity in this survey. Australian Bureau of Statistics, 8146.0 – Household use of Information Technology, Australia, 2012-13, released 25 February 2014, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/8A12E6E0D07D36A0CA257C89000E3FB7?opendocument>.

<sup>302</sup> Though see Chapter Five for a discussion of where a duty may arise for ISPs.

<sup>303</sup> 112<sup>th</sup> Congress (2011-2012), H.R. 3261 Stop Online Piracy Act, introduced in the House of Representatives on October 26, 2011, section 103(b), text available at <http://thomas.loc.gov/cgi-bin/query/z?c112:H.R.3261:>.

<sup>304</sup> *Ibid.*, section 103(a)(1).

ultimately abandoned.<sup>305</sup> They demonstrate, however, just how broadly copyright owners seek to extend the responsibility for combatting online infringement.<sup>306</sup>

Payment intermediaries such as Visa, MasterCard and PayPal are in a similar position to ISPs under the causation framework. The service they provide – the processing of funds – does not in any real sense *cause* copyright infringement or contribute to the risk of infringement, even though blocking funds might stop infringement in a ‘but for’ sense. Copyright infringement is not a natural consequence of the financial service provided. The processing of funds is a mere condition forming part of the environment in which infringing transactions occur, and payment intermediaries are therefore ‘nonfeasance’ intermediaries only.<sup>307</sup>

### 5.3 Intermediaries that facilitate peer-to-peer filesharing

The online phenomenon that has most concerned copyright owners over the last fifteen years has been the proliferation of peer-to-peer filesharing networks that enable massive, widespread copyright infringement by users who are difficult to identify and locate.<sup>308</sup> Copyright owners have initiated litigation against intermediaries including Napster,<sup>309</sup> Grokster<sup>310</sup> and Sharman<sup>311</sup> for distributing

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<sup>305</sup> Dominic Rushe and Ryan Devereaux, ‘Sopa support drops off as blackout protest rattles the internet’, *The Guardian* (online), 19 January 2012, <http://www.theguardian.com/technology/2012/jan/18/sopa-wikipedia-blackout-google-reddit>; Julianne Pepitone, ‘SOPA and PIPA postponed indefinitely after protests’, *CNN Money* (online), 20 January 2012, [http://money.cnn.com/2012/01/20/technology/SOPA\\_PIPA\\_postponed/](http://money.cnn.com/2012/01/20/technology/SOPA_PIPA_postponed/); Chend Ngak, ‘SOPA and PIPA Internet blackout aftermath, staggering numbers’, *CBS News* (online), 19 December 2012, <http://www.cbsnews.com/news/sopa-and-pipa-internet-blackout-aftermath-staggering-numbers/>.

<sup>306</sup> There are ongoing efforts to extend the reach of copyright laws via the Trans-Pacific Partnership Agreement (TPP), a multi-lateral trade deal that is currently being negotiated in secret by the United States, Australia, Canada, Japan, New Zealand, Malaysia, Chile, Singapore, Peru, Mexico, Brunei and Vietnam. The Intellectual Property chapter of the Agreement was leaked by Wikileaks and is available on the Knowledge Ecology International website <http://keionline.org/tpp/11may2015-ip-text>. See further, Matthew Rimmer, ‘New TPP leak reveals how we’re trading our sovereignty for cheap tariffs’, Crikey, 1 April 2015, <http://www.crikey.com.au/2015/04/01/new-tpp-leak-reveals-how-were-trading-our-sovereignty-for-cheap-tariffs/> and ‘The Trans-Pacific Partnership: A Halloween horror-Show’, Crikey, 17 October 2014, <http://www.crikey.com.au/2014/10/17/the-trans-pacific-partnership-a-halloween-horror-show/>.

<sup>307</sup> Similar conclusions can easily be reached for other ‘high level’ intermediaries, including advertising intermediaries, infrastructure intermediaries that provide cables and electricity, and general search engines like Google (as opposed to indexing sites).

<sup>308</sup> See, for example, Randal C. Picker, ‘Copyright as Entry Policy: The Case of Digital Distribution’ (2002) 47 *Antitrust Bulletin* 423; Ronald J. Mann and Seth R. Belzley, ‘The Promise of Internet Intermediary Liability’ (2005) 47 *William & Mary Law Review* 239; John Logie, *Peers, Pirates, & Persuasion: Rhetoric in the Peer-to-Peer Debates* (Parlor Press, 2006); Jessica Litman, *Digital Copyright* (Prometheus Books, 2001).

<sup>309</sup> *A & M Records, Inc. v. Napster, Inc.* 239 F. 3d 1004 (9<sup>th</sup> Cir. 2001). Napster was one of the pioneering peer-to-peer filesharing services, which focused on sharing audio files – mostly popular music – in MP3 format.

filesharing software, and Cooper,<sup>312</sup> Newzbin Ltd.,<sup>313</sup> The Pirate Bay<sup>314</sup> and many others for running websites that link to or index copyright infringing files.

Intermediaries that distribute filesharing software will almost always be misfeasance intermediaries under the causation framework. Courts have repeatedly found that filesharing software is overwhelmingly used for copyright infringement.<sup>315</sup> Infringement is therefore a common exploitation of the opportunity provided by the software. When software is distributed to enable the sharing of music and video files without reference to whether the sharing is done with permission, under a legal exception to infringement or in an infringing manner, then infringement is a likely (not just foreseeable) consequence if precautions are not taken to minimise the risk. The same is true for intermediaries that index copyrighted content, such as The Pirate Bay. Copyright infringement is clearly a natural consequence of this indexing service by enabling users to find and access (and upload and download) copyrighted content.

## 5.4 Developers and distributors of technologies that enable copying

Developers and distributors of copying enabling technologies present a more difficult case for the causation framework, best illustrated by the *Sony* case.<sup>316</sup> As

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<sup>310</sup> *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005). The respondents in this case distributed peer-to-peer filesharing software that was mostly used to share copyrighted music and video files without legal authorisation. See more detailed case description in Chapter Three.

<sup>311</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242. The *Sharman* case is the Australian counterpoint to the U.S. *Grokster* case. Respondents developed and distributed p2p filesharing software (called “Kazaa”), which users used to share infringing music files. A full case description is included in Chapter Three.

<sup>312</sup> *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714. Cooper ran a website, ‘MP3s4FREE’, which contained a list of hyperlinks that directed users to infringing music files.

<sup>313</sup> *Twentieth Century Fox Film Corporation v Newzbin Ltd.* [2010] EWHC 608 (Ch). Newzbin Ltd. operated a site (“Newzbin”) which indexed Usenet files, and which the court found was used primarily to source copyrighted content. The court granted an injunction to restrain the defendants from infringing the plaintiffs’ copyrights. Following the case, Newzbin ceased operation. However, a new site soon appeared in the same location to perform the same functions (“Newzbin2”). Rightsholders then successfully brought an action against the ISP, British Telecom, to compel it to block access to Newzbin2 under s97A of the *Copyright Designs and Patents Act 1988* (UK): *Twentieth Century Fox Film Corporation v. British Telecom PLC* [2011] EWHC 1981 (Ch).

<sup>314</sup> In 2009, four individuals (Fredrik Neij, Gottfrid Svartholm, Peter Sunde and Carl Lundstrom) who ran and developed The Pirate Bay were subject to civil and criminal prosecution in Sweden for facilitating copyright infringement. An English translation of the Swedish judgment (commissioned by International Federation of the Phonographic Industry (IFPI)) is available here: <http://www.ifpi.org/content/library/Pirate-Bay-verdict-English-translation.pdf>. See further, [https://en.wikipedia.org/wiki/The\\_Pirate\\_Bay\\_trial](https://en.wikipedia.org/wiki/The_Pirate_Bay_trial).

<sup>315</sup> See, for example, *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [154], [288]; *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 922-3, 926, 939 (2005); *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714 [2], [42].

<sup>316</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417 (1984).

noted in part 4, the *Sony* case concerned Sony's manufacture and sale of the Betamax VTR player, which facilitated the home recording of television programs onto tapes. Whether copyright infringement was a natural consequence or a common exploitation of the opportunity for home copying provided by the Betamax player is a contentious question. In *Sony*, the U.S. Supreme Court held 'time shifting' to be a fair use under the U.S. Copyright Act,<sup>317</sup> and further held that a substantial proportion of users were likely to employ the Betamax player for this purpose.<sup>318</sup> By contrast, a much smaller proportion were likely to use the player to build home libraries of copied programs and films, which would be an infringing use.<sup>319</sup> There is a sensible argument that the natural consequences test might reasonably incorporate the *Sony* substantial non-infringing uses doctrine in the copyright context. Where the technology or service is substantially used for non-infringing purposes, then we might say that it is not commonly exploited for copyright infringement.

However, my view is that the better approach is to recognise, as a threshold matter, that the distribution of a copying enabling technology like the Betamax player is likely to result in copyright infringement. The focus of the causation framework is on the *risk of infringement* and not the potential beneficial or legitimate uses of the technology. In tort, where a defendant leaves a plaintiff's house, which is in his care, unlocked, the fact that a helpful neighbour is likely to enter the house uninvited to bring in the mail does not diminish the risk that a thief is also likely to enter the house, even if the neighbour's presence is substantially more likely. What is *unlikely* to happen is that a pyromaniac will enter the unlocked house and use stored

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<sup>317</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 442, 447-456 (1984). 17 U.S.C. §107 establishes the fair use limitation on exclusive rights, providing that a fair use is not an infringement of a copyrighted work, and setting out four factors for the courts to consider in determining whether a use is fair: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. In Australia, section 111 of the *Copyright Act 1968* (Cth) now permits a person to make a copy of a cinematograph film or sound recording solely for private and domestic use by watching or listening to the material broadcast at a time more convenient than the time when the broadcast is made. This provision was inserted by the *Copyright Amendment Act 2006* (Cth).

<sup>318</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 421 (holding that the average member of the public used the Betamax VTR for time-shifting), 424 (note 4) (finding, based on survey evidence, that 96% of Betamax owners had used the machine for time-shifting) (1984).

<sup>319</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 424 (note 4) (finding, based on survey evidence, that more than half of Betamax owners had fewer than ten tapes in their collection), 442 (1984).



firewood to start a fire.<sup>320</sup> The relevant question is whether the risk is *the very type of thing* that we would expect to occur *as a result of* the opportunity provided by the defendant. In *Sony*, copyright infringement is the very risk we would expect to eventuate from the manufacture and sale of equipment that enables the recording of television broadcasts. This is a risk that is different in kind, not just degree, from the risk that arises when ISPs provide access to the internet. The technology in *Sony* enables copying that is *prima facie* infringing unless excused (by law or by licence), whereas ordinary internet use is not *prima facie* infringing. Sony, as the intermediary, is closer to the risk of infringement than are intermediaries like internet service providers and payment intermediaries.

These conclusions may appear to undermine the rule set down in *Sony* that the sale of copying equipment does not constitute contributory infringement if the equipment is capable of substantial non-infringing uses (“the *Sony* rule”).<sup>321</sup> But treating intermediaries like Sony as ‘misfeasance intermediaries’ is not problematic at this early stage of determining legal responsibility. All it does, for now, it impose a duty on Sony to take such precautions to minimise the risk of infringement *as are reasonable in the circumstances*. This focus on reasonableness is critical. It may be that in the circumstances, the reasonable response of a prudent person would be to do nothing, in which case the duty of care would not be breached.<sup>322</sup> The process of deciding whether Sony has breached its duty requires a court to consider such things as the level of infringement that is likely to occur as a result of users having the Betamax VTR; the seriousness of the harm that such infringement would inflict on copyright owners; the social utility of the Betamax VTR, including its facilitation of lawful and beneficial uses; and whether and to what extent it is actually reasonable to ask Sony to take particular steps to limit the range of uses that its technology makes possible.<sup>323</sup> As I argue in Chapter Four, these are exactly the sorts of considerations that influenced the *Sony* Supreme Court and which are likely to be relevant to any future application of the *Sony* rule in copyright cases. For this reason, there is nothing concerning about treating Sony as a ‘misfeasance intermediary’ under the causation framework.

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<sup>320</sup> See H.L.A. Hart and Tony Honoré, *Causation in the Law* (Oxford University Press, 2<sup>nd</sup> edition, 1985), 60.

<sup>321</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

<sup>322</sup> *New South Wales v Fahy* (2007) 232 CLR 486; 236 ALR 406 [7] (Gleeson CJ).

<sup>323</sup> See further, Chapter Four, part 6.1.

## **5.5 Content sharing platforms**

In the online environment, there are many intermediaries that develop and operate content sharing platforms. These platforms include Facebook, Instagram, YouTube and Vimeo. Some of these platforms, such as Instagram and YouTube, are entirely dedicated to sharing copyrighted content; the primary variable is whether the content originates from the user or has been copied and shared from elsewhere. Other platforms, like Facebook, are focused more on users communicating their own experiences (status updates) and engaging in dialogue with each other, though users do have the capability to share copyrighted content such as images and video clips. The question is whether the posting of unauthorised copyrighted content is the very type of thing likely to result from the use of these platforms. As with technologies that enable copying, there is no easy answer to this question for platforms that enable content sharing. Determinations may differ from platform to platform. Certainly for YouTube, for example, the sharing of unlicensed copyright content is more than merely foreseeable. It is a probable consequence of the structure and functionalities of the platform. Further, for the reasons explained in part 5.4, where it is not entirely clear whether copyright infringement is a natural consequence of the use of the platform, it is best to err on the side of caution and classify the intermediary as a ‘misfeasance intermediary’ as a threshold matter. The purpose of the causation framework is to separate out from the rest, at an early stage, those intermediaries that clearly have no causal role in infringement. For other intermediaries that are closer to the risk of infringement – even where their causal role in infringement is complicated – it is better to proceed through the more careful and thorough reasonableness analysis associated with misfeasance intermediaries and the breach of a duty to act.

## **6. The causation framework is a threshold test**

The above application of the causation framework to a selection of intermediaries demonstrates how the framework helps to determine whether an intermediary has contributed to the creation of the risk of infringement in a causally significant way. This is important because it determines how we should approach the intermediary’s conduct under law. If the intermediary has contributed to the risk of infringement then it has engaged in misfeasance. There will be a duty imposed on the intermediary

to take reasonable precautions to minimise those aspects of the risk that it has created or contributed to. The issue of whether the intermediary is liable for authorising infringement can therefore be determined by assessing whether the intermediary has fulfilled its duty. This is an application of the ordinary rules of negligence, which require a plaintiff to prove the elements of duty, breach and damage.<sup>324</sup> In Chapter Four, I explore this next step in dealing with intermediaries that have contributed to the creation of risk. I discuss how a negligence analysis makes sense for the issue of copyright infringement by authorisation.

Where an intermediary has merely provided the conditions that form a backdrop to the infringement but which do not contribute to it in a causally significant way, the intermediary's failure to prevent infringement will be a nonfeasance only. The general 'no duty to rescue' rule will apply – the intermediary is under no duty to act to help copyright owners, *unless* the intermediary is in a relationship of control with the third parties who caused the harm. In Chapter Five, I consider the role of control with respect to those intermediaries that have not causally contributed to the risk of infringement and explain the circumstances in which liability may be imposed for the failure to control infringing third parties.

As noted in part 5, in cases where the application of the causation framework does not resolve the question of whether the intermediary's conduct is misfeasance or nonfeasance, it is best to treat the conduct as misfeasance and proceed by determining whether the intermediary has breached a duty to take precautions to minimise the risk. This is because the negligence-based assessment of duty, breach and damage provides greater scope to consider a range of relevant factors including: what measures were available to the intermediary to minimise the risk; the difficulty and expense of those measures; whether precautions would adversely impact on legitimate uses of the technology or service or on user rights; and whether the imposition of liability is desirable from a public policy perspective. The misfeasance assessment is more comprehensive and therefore more likely than the nonfeasance approach to reach the right conclusion.

It is critical to emphasise that the causation framework provides a threshold test to establish the intermediary's role in *contributing to the risk* of copyright infringement. It does not establish liability. Causation must be established before

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<sup>324</sup> See Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 131-137.

fault or responsibility for the harm can be imputed.<sup>325</sup> But causation and fault are not one and the same. Causation refers to the characteristics of an action and its effects, whereas fault refers to a particular judgment made about what the defendant ought or ought not to have done in the circumstances.<sup>326</sup> One may have *caused* something but not be held responsible for it; there may be mitigating circumstances or considerations that absolve the defendant from legal responsibility.<sup>327</sup> These are the kinds of policy considerations that are common in negligence actions, and I discuss them in detail in Chapter Four.

## 7. Advantages of the causation framework

The causation framework offers a significant improvement on current approaches to copyright authorisation. Its most important contribution is that it provides a clear means to separate those intermediaries that have a causal role in copyright infringement from those that do not – a feature that is presently lacking in the approaches to authorisation liability under Australian copyright law. Anchoring liability to causation provides the limiting principle that is missing from the authorisation doctrine,<sup>328</sup> and is a clearer approach than simply trying to apply dictionary synonyms for the word ‘authorise’. It also accords with the legislative intent expressed in sections 39B and 112E of the *Copyright Act 1968* that persons, including carriage service providers, should not be liable for merely providing the physical facilities that are used for copyright infringement.<sup>329</sup> Further, the causation

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<sup>325</sup> Fault in these circumstances may also be called ‘responsibility-liability’: see Chapter One, part 4.1.

<sup>326</sup> See further, Bernard Weiner, *Judgments of Responsibility: A Foundation for a Theory of Social Conduct* (The Guilford Press: New York, 1995), 7-8.

<sup>327</sup> *Ibid.*

<sup>328</sup> The principle being that there is no liability if the intermediary’s conduct is not causally related to the harm.

<sup>329</sup> Section 112E provides: “A person (including a carrier or carriage service provider) who provides facilities for making, or facilitating the making of, a communication is not taken to have authorised any infringement of copyright in an audio-visual item merely because another person uses the facilities so provided to do something the right to do which is included in the copyright.” Section 39B provides the same in relation to copyright in a work. The Explanatory Memorandum to the legislation inserting these provisions stated that sections 39B and 112E ensure “that carriers and carriage service providers will not be liable for having authorising an infringement of copyright in a work [or an audio-visual item] merely because they provide the facilities by which that material is communicated to the public (e.g., the server used to access the online material). The reference to ‘facilities’ is intended to include physical facilities and the use of cellular, satellite and other technologies”: The Parliament of the Commonwealth of Australia, House of Representatives, Copyright Amendment (Digital Agenda) Bill 1999, Explanatory Memorandum, Item 42 and Item 95, available at <http://www.comlaw.gov.au/Details/C2004B00540/Explanatory%20Memorandum/Text>.

framework introduces a principled approach to questions of liability for omissions to act by incorporating ideas about duty as well as causation. It makes clear that an intermediary's 'indifference' to infringement will only be relevant where the intermediary has a *duty* to act to prevent infringement and not otherwise. This helps to avoid conflicting case law based on whether the presiding judge interprets the defendant's indifference as 'remaining neutral' or 'turning a blind eye'.<sup>330</sup>

A negligence-influenced approach to authorisation accords with copyright's consequentialist underpinnings. In the United States, courts have shifted intermediary copyright liability from its traditional torts-based approaches<sup>331</sup> by introducing a theory of liability that focuses on intent.<sup>332</sup> The *Grokster* inducement doctrine premises liability on "purposeful, culpable expression and conduct."<sup>333</sup> Yet copyright law has not historically been concerned with intent.<sup>334</sup> Copyright law cares about whether there has been infringement – it is focused on *results*. There is no liability, for example, for intending to infringe or attempting to infringe.<sup>335</sup> It is not

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In *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) at [113], Justices Gummow and Hayne held that s. 112E was enacted from an abundance of caution. They considered that while s. 112E purported to protect an intermediary that has provided the facilities for making a communication and nothing more, and intermediary will not have authorised infringement in these circumstances anyway. This determination left the law in a strange position where sections of the *Copyright Act 1968* were held to have no meaning. My approach, while not purporting to give new meaning or significance to these provisions, accords with the legislature's intent in enacting them.

<sup>330</sup> See Chapter One and discussion concerning *Performing Right Society Limited v Ciry Theatrical Syndicate Limited* [1924] 1 KB 1, *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481, *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, and *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575.

<sup>331</sup> The U.S. has historically grounded intermediary liability for copyright infringement in tort law concepts of vicarious liability and contributory infringement (which is based upon principles of joint tortfeasorship): Julie E. Cohen, Lydia Pallas Loren, Ruth L. Okediji, and Maureen A. O'Rourke, *Copyright in a Global Information Economy* (Aspen Publishers, 3<sup>rd</sup> ed., 2010) 476.

<sup>332</sup> See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.* 545 U.S. 913 (2005); *Columbia Pictures Industries Inc. v. Fung* 710 F. 3d 1020 (2013).

<sup>333</sup> *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.* 545 U.S. 913, 937 (2005).

<sup>334</sup> I note that intent features in actions for the circumvention of technological protection measures (TPMs); for example, the *Copyright Act 1968* s. 116AO provides that a copyright owner may bring an action against a person who manufactures or imports into Australia a circumvention device with the intention of providing it to another person. Finally, intent appears in some of the criminal provisions inserted into the *Copyright Act 1968* (Cth) by the *Copyright Amendment Act 2006* (Cth). For example, section 132AD(1) makes it an indictable offence to make an infringing copy of a work or other subject matter with the intention of selling it, letting it for hire, or obtaining a commercial advantage or profit from it. See further, sections 132AF – 132AJ, 132AL.

<sup>335</sup> The calculation of damages for copyright infringement may take into account intentional infringement. While damages for infringement are generally compensatory in nature – see *Copyright Act 1968* (Cth), s. 115(2); *Eagle Rock Entertainment Ltd v Caisley* [2005] FCA 1238 (5 September 2005) [10] (Tamberlin J) – subsection 115(4) of the *Copyright Act* allows a court to award damages where the defendant's infringement is 'flagrant'. This is intended to punish infringement that is "deliberate, deceitful and serious and involving a calculated disregard of the [copyright owner]'s rights rather than mere carelessness or inadvertence": *Eagle Rock Entertainment Ltd v Caisley* [2005] FCA 1238 (5 September 2005) [21] (Tamberlin J); see also *Raben Footwear Pty Limited v Polygram*

clear why intermediary liability should be any different. Whether an intermediary actually causes users to infringe copyright is surely the more pertinent question; an intermediary's intention is irrelevant to whether its technology or service actually contributes to copyright infringement.<sup>336</sup> The causation framework considers a defendant intermediary's conduct as measured against legal and community standards to determine if the intermediary *actually* contributed to third party copyright infringement. This is an assessment of fault, which does not depend on the defendant's intent.<sup>337</sup>

A final advantage of the causation framework is that it disrupts the liberty/efficiency binary described in Chapter One. As a legal approach grounded in responsibility theory it offers a kind of 'middle way': it rejects the liberty position, which privileges intermediaries by focusing on the "freedom to innovate", because it imposes liability where it is deserved – where the intermediary has participated in the risk of infringement and caused the harm. On the other hand, it recognises that 'efficiency' is the wrong benchmark, and that technology providers have legitimate concerns about how a broad authorisation doctrine might impede the functionality of their products and services. As will be seen in Chapter Four, the next stage of analysis under the 'breach of duty' rubric provides ample scope to consider policy concerns including the financial burden on intermediaries of taking reasonable steps to prevent infringement and whether measures to minimise the risk of infringement will impede beneficial and fair uses of the technology in question. Critically, it also provides space to recognise and respect the interests of copyright users. User interests are considered in detail in Chapter Three.

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*Records Inc.* (1997) 75 FCR 88, 103-4 (Tamberlin J); *Sullivan v FNH Investments* (2003) 57 IPR 63 [85] (Jacobsen J).

<sup>336</sup> See Rebecca Giblin-Chen, 'On Sony, Streamcast, and Smoking Guns' (2007) 29(6) *European Intellectual Property Review* 215, 224. Intent should be distinguished from knowledge, which is a feature of authorisation liability. Justice Gibbs in the *Moorhouse* case said, "[T]he word 'authorize' connotes a mental element and it could not be inferred that a person had, by mere inactivity, authorized something to be done if he neither knew nor had reason to suspect that the act might be done": *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J).

<sup>337</sup> For more on the difference between intent and fault in tort law, see Peter Cane, 'Mens Rea in Tort Law' (2000) 20(4) *Oxford Journal of Legal Studies* 533; Avihay Dorfman and Assaf Jacob, 'Copyright as Tort' (2011) 12(1) *Theoretical Inquiries in Law* 59.

## 8. Conclusion

In this chapter, I have proposed a causation framework for copyright authorisation. A causation framework considers whether an intermediary has acted or failed to act in a way that is *causally relevant* to the harm of third party copyright infringement. My framework is adapted from principles in the common law of tort. Generally, tort law will not impose a duty on someone to come to the rescue of another who has been harmed by third parties. The law distinguishes between misfeasance – acts or omissions which cause harm – and nonfeasance – the failure to prevent harm. Where a defendant has had no role in the creation of the risk of harm, his failure to rescue the plaintiff from that harm is nonfeasance only and does not give rise to liability. Yet where a defendant has made a causally significant contribution to the risk of harm, a duty arises to take reasonable precautions against the risk coming to fruition. A failure to act in these circumstances will be a misfeasance and may subject the defendant to liability.

It is not always clear whether a defendant has contributed to the creation of risk in a causally significant way. However, scholars have argued that causally significant conditions can be distinguished from mere preconditions to the harm by asking two questions:

- Did the condition make the difference to the normal state of affairs such that it produced the harm?
- Did the third party's harmful act arise as a natural consequence or common exploitation of the opportunity provided by the defendant?

If the answer to either or both of these questions is 'yes', then the condition is causally significant and the defendant's failure to act will be misfeasance.

In this chapter, I proposed that the second of these questions be applied to copyright authorisation cases. Claims of authorisation in the online environment are usually based on the allegation that the intermediary provided an opportunity to users to infringe copyright and then did nothing to minimise the risk of infringement. I seek to interrogate these claims by asking whether copyright infringement is a *natural consequence* of the opportunity provided by the intermediary's technology or service. It is only if infringement is the very type of thing likely to happen as a result

of the use of the technology or service that the intermediary should be under a duty to act to prevent infringement.

A cursory application of this framework to a selection of intermediaries demonstrates that, in general, where an intermediary has provided a high-level, broad-based service, such as physical infrastructure, internet access or payment processing, copyright infringement will not be a ‘natural consequence’ of that service. In these situations, the intermediaries should be treated as though their failure to act to prevent infringement is a nonfeasance only. There will be no duty to act to protect copyright owners *unless* the intermediary has a high degree of control over the third party infringers. The legal issues around control are explored in Chapter Five. Where intermediaries have contributed to the creation of the risk of infringement, such as in the cases of *Grokster* and YouTube, their liability can be assessed using the ordinary negligence elements of duty, breach and damage. The duty in these situations will be the duty to take reasonable precautions to minimise the risk of harm. A failure to do anything at all will not always be a breach of this duty – it will depend on whether reasonable precautions are possible and what they are. The court can consider various factors under the ‘breach’ element, including the difficulty and expense of taking precautions and any relevant policy considerations. The negligence elements are examined in Chapter Four.

In Chapter One I set out a number of problems with current authorisation law. There are two problems that stand out as particularly serious. One is the lack of limiting principles within authorisation law to constrain the scope of liability, and the other is the treatment of copyright users. This chapter has advanced a framework for dealing with the first serious problem, and I elaborate on this framework in subsequent chapters of this thesis. I now turn to consider the second serious problem – the treatment of users. In the following chapter I discuss how users are treated within authorisation law and why this is concerning. In Chapter Four I outline how users’ interests can be accommodated as part of the breach of duty analysis in a negligence-based assessment of liability.



## **Chapter 3**

# **User rights theory and its relevance to intermediary liability**

## **1. Introduction: users and copyright**

Authorisation liability as it is currently construed under copyright law has serious problems of scope. The guiding principles are vague and easily confused. The potential conflation of the ‘power to prevent’ and ‘reasonable steps’ elements under the *Copyright Act 1968* means that there are no clear boundaries demarcating when intermediaries should be liable for authorising copyright infringement and when they should not be. This presents problems not only for intermediaries and for courts struggling to preserve the legitimacy of the law but also for members of the public who are impacted by the law.

As noted in Chapter One, when intermediary liability laws, including the authorisation doctrine in Australia, are applied in the online environment, they are directed towards regulating the ways in which users are able to interact online with copyrighted content and with each other. Exerting legal and regulatory pressure on intermediaries forces them to take more responsibility for the actions of users who are on their networks or using their services by adopting measures targeted towards impeding users’ abilities to infringe copyright. Such measures may include disabling an infringing user’s access to the network or service, blocking or filtering copyrighted content retrieved via the network or service, or redesigning the network or service to prevent particular uses. The authorisation doctrine, therefore, can strongly affect how users engage online.

What is surprising, then, is the conspicuous absence of users from debate about intermediary liability and from case law addressing questions of intermediary liability. The effect on users’ interests of the legal and regulatory measures surrounding intermediaries is seldom considered; more often, users’ interests are

either disregarded or dismissed as irrelevant because the users in question are considered to be thieves or pirates.<sup>338</sup>

The absence of users from intermediary liability discourse is concerning for a number of reasons. Firstly, copyright litigation between rightholders and intermediaries creates an unusual situation where a case law holding has a direct impact on the liberties of people who are not parties to the case and who are not given any opportunity to defend their actions. Often, a court hearing an intermediary liability case presumes illegality on the part of the overwhelming majority of users of the network or system in question. As Mark Lemley and R. Anthony Reese explain, this presumption, or this lack of critical interrogation into the specific facts of users' conduct, seems necessary in suits involving intermediaries in the digital environment for important reasons of efficiency.<sup>339</sup> Yet as Lemley and Reese also note:

The problem with these claims is that they lack the granularity of suits against direct infringers. For example, in the *Grokster* case, the Central District of California had to decide either to ban the distribution of software that permits users to connect to the

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<sup>338</sup> The content industries have employed strong rhetoric, through campaigns such as the MPAA's anti-piracy advertisement (played in cinemas) (video available on YouTube: <http://www.youtube.com/watch?v=GH5LPqp9Irs> (accessed 2 January 2012)), which promotes an analogy between infringement (especially downloading) and theft that has infiltrated the public consciousness and even the reasoning of some judges. See, for example, Justice Kozinski in *Perfect 10, Inc. v. Visa International Service Assn.*, 494 F. 3d 788, 823 (9<sup>th</sup> Cir. 2007) ("The weak link in the pirates' nefarious scheme is their need to get paid; for this they must use the services of legitimate financial institutions. If the plaintiff's allegations are to be believed, the financial institutions (the defendants here) collect billions for sellers of stolen merchandise") and Justice Charleton in *EMI Records & Ors. v. Eircom Ltd.* [2010] IEHC 108 at [1], [3], [7]-[8] (where His Honour repeatedly referred to downloading as "stealing", "copyright theft" and "filching" and to users' behaviour as "repugnant"). See further, John Logie, *Peers, Pirates, & Persuasion: Rhetoric in the Peer-to-Peer Debates* (Parlor Press, 2006) 52-54, 68-69, 82-83. Further, the content industries increasingly use the term "piracy" to refer not just to concentrated, mass infringement, but also to singular acts of infringement by individual users: see for example, Recording Industry Association of America (RIAA), *Piracy: Online and On the Street*, <http://www.riaa.com/physicalpiracy.php> (accessed April 3, 2011); see also Jessica Litman, *Digital Copyright* (Prometheus Books, 2001) 85: "Then there's the remarkable expansion of what we call piracy. Piracy used to be about folks who made and sold large numbers of counterfeit copies. Today, the term "piracy" seems to describe any unlicensed activity - especially if the person engaging in it is a teenager. The content industry calls some behavior piracy despite the fact it is unquestionably legal." A number of scholars have criticized these rhetorical flourishes. For example, Patricia Loughlan has stated, "The insulting and inflammatory language of theft, in short, reduces a difficult policy debate, with significant economic and cultural consequences, to a crude and simplistic moral drama": Patricia Loughlan, "'You Wouldn't Steal A Car': Intellectual Property and the Language of Theft' (2007) *European Intellectual Property Review* 401. See further, Patricia Loughlan, 'Pirates, Parasites, Reapers, Sowers, Fruits, Foxes...The Metaphors of Intellectual Property' (2006) 28 *Sydney Law Review* 211; Jessica Reyman, *The Rhetoric of Intellectual Property: Copyright Law and the Regulation of Digital Culture* (Routledge, 2010).

<sup>339</sup> Mark A. Lemley and R. Anthony Reese, 'Reducing Digital Copyright Infringement Without Restricting Innovation' (2004) 56 *Stanford Law Review* 1345, 1379-1380: "Suits against third parties in the digital environment do not - indeed generally cannot - address specific conduct by particular end users. Suits against facilitators premised on individual cases of infringement would pose the same economic problem for copyright owners as suits against the individual infringers themselves."

Morpheus network or not to ban it. That essentially binary choice is ill-suited to the realities of the Morpheus network, over which individual end users trade lots of plaintiffs' content, trade some content that either is in the public domain or for which the copyright owner has given permission, trade some files of a type that tends not to be copyrighted at all, and trade significantly more content that might be copyrighted, but whose owner has neither granted permission for its use nor sought its removal by joining in the lawsuit.<sup>340</sup>

Where rightsholders prevail in these lawsuits, as they did in the *Grokster* litigation (discussed below), the result is usually that the network or system is shut down or the provider of the network or system (the intermediary) is required by law to make some technical or procedural changes to the way the system functions to restrain what users can do. Sometimes these restraints affect uses that are otherwise lawful or which the law has traditionally left unregulated, such as certain forms of personal use.<sup>341</sup> Yet within intermediary liability law, these orders are made without any careful analysis of whether it is socially desirable to restrain users in this way and with scant attention given to the impact of these restrictions on individual autonomy (to choose when and how to view or listen to copyrighted works), personal growth (from exposure to cultural products) and new forms of creativity (from active engagement and reactive creation).<sup>342</sup>

To a very real extent, intellectual property laws, including those relating to intermediary liability, control people's ability to participate in cultural development and are at the heart of what Madhavi Sunder has called the "struggles over discursive power – the right to create, and control, cultural meanings."<sup>343</sup> Expansive concepts of intermediary liability, and the technological restraints which flow from such broad

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<sup>340</sup> Mark A. Lemley and R. Anthony Reese, 'Reducing Digital Copyright Infringement Without Restricting Innovation' (2004) 56 *Stanford Law Review* 1345, 1379-1380.

<sup>341</sup> See, Tim Wu, 'Tolerated Use' (2007-2008) 31 *Columbia Journal of Law & Arts* 617; Jessica Litman, 'Real Copyright Reform' (2010) 96 *Iowa Law Review* 1, 16; Jessica Litman, 'Lawful Personal Use' (2007) 85 *Texas Law Review* 1871.

<sup>342</sup> Nicolas Suzor, 'Access, progress and fairness: rethinking exclusivity in copyright' (2013) 15(2) *Vanderbilt Journal of Entertainment and Technology Law* 297.

<sup>343</sup> Madhavi Sunder, '*Intellectual Property and Identity Politics: Playing with Fire*' (2000) 4 *Journal of Gender, Race & Justice*, 69, 70, as quoted in John Tehranian, 'Parchment, Pixels & Personhood: User Rights and the IP (Identity Politics) of IP (Intellectual Property)' (2011) 82 *University of Colorado Law Review* 1, 18-19. Rebecca Tushnet has also observed that the ability to engage in digital remixing of creative works, such as video remixing ('vidding'), is about economic power: "new technologies allow people with somewhat limited financial resources to talk back to mass culture in language that audiences are ready to hear, both because they are familiar with the references in a remix and because the quality of a remix can now be sufficient to keep it from being dismissed out of hand as ludicrously amateurish or unwatchable": Rebecca Tushnet, 'Scary Monsters: Hybrids, Mashups, and Other Illegitimate Children' (2011) 86 *Notre Dame Law Review* 2133, 2154-55.

claims, have the potential to undermine more equal distribution of discursive power by determining who gets to create cultural meaning and under what circumstances. As Rebecca Tushnet has argued, “respect for creativity, and for the possibility that every person has new meaning to contribute, should be at the core of our copyright policy.”<sup>344</sup> This is not only because of the wider creative and cultural possibilities that flow from permitting more minds and hands to participate in the practice of shaping existing culture and building new culture, but also “because of how the process of making meaning contributes to human flourishing.”<sup>345</sup> Allowing users to experience, discuss (sometimes by sharing), experiment and “tinker” with cultural products offers opportunities for self-fulfillment; it is a kind of “antidote to the poison” of an empty life.<sup>346</sup> When courts are applying (and possibly extending) a legal doctrine that limits a person’s capacity to experience culture on her own terms and to create cultural meaning (because the courts are dictating the terms of the technology that allows people to access and engage with copyright works), they should at least recognise the social consequences of that doctrine. Avoiding a critical appraisal of users’ interests only serves to obscure the full impact of that legal doctrine and the possible wider ramifications for how culture and creativity is experienced, understood and generated in society.

Another reason for concern that users are absent from the discourse is that ignoring users or treating them as criminals avoids tricky questions to do with the underlying goals of the copyright system and whether broad doctrines of intermediary liability actually further those goals. The copyright system has at least two goals – to encourage and support creativity and to facilitate access to and dissemination of creative and cultural works.<sup>347</sup> The interests of copyright users are furthered by the second of these goals and are evident in many of the central features of copyright, including that copyright protection is only granted for a limited time, after which the work enters the public domain, and that certain private actions, such

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<sup>344</sup> Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William. & Mary Law Review* 513, 539.

<sup>345</sup> *Ibid.*, 537.

<sup>346</sup> William W. Fisher, ‘The Implications for the Law of User Innovation’ (2010) 94 *Minnesota Law Review* 1417, 1469, 1471.

<sup>347</sup> “The ‘social contract’ envisaged by the Statute of Anne, and still underlying the present Act, was that an author could obtain a monopoly, limited in time, in return for making a work available to the reading public”: *IceTV Pty Limited v Nine Network Australia Pty Limited* (2009) 239 CLR 458; [2009] HCA 14 (22 April 2009), 471 [25] (French CJ, Crennan and Kiefel JJ). This statement was quoted by Crennan and Kiefel JJ in *Phonographic Performance Company of Australia Limited v Commonwealth of Australia* [2012] HCA 8 (28 March 2012) [96].

as private performance, are excluded from the copyright owner's control.<sup>348</sup> However, modern copyright scholarship and regulation tends to privilege the first goal at the expense of the second – that is, the interests of the author in protecting her work predominate over users' interests in having works made more accessible and more easily and widely distributed.<sup>349</sup>

In focusing on the first goal of incentivizing creativity, copyright theorists have devoted, over the years, considerable time and energy to developing a clear conception of the copyright author.<sup>350</sup> The author, as conceived, is staunchly individual and possesses a kind of 'creative genius'.<sup>351</sup> Yet the author is also rational, and will not create if he is not guaranteed a fair return for his creation.<sup>352</sup> More recent

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<sup>348</sup> On limited times, see *Donaldson v Beckett* (1774) 1 ER 837, where the House of Lords found that the Statute of Anne extinguished common law copyright, thereby rejecting the argument that perpetual copyright could exist in published materials; Walter Arthur Copinger, Esq., *The Law of Copyright, In Works of Literature and Art* (Steven and Haynes Law Publishers London, 1870) 56-57; Brian Fitzgerald and Benedict Atkinson, 'Third Party Copyright and Public Information Infrastructure/Registries: How much copyright tax must the public pay?' in Brian Fitzgerald and Mark Perry (eds.), *Knowledge Policy for the 21<sup>st</sup> Century* (Irwin Law, 2008), note 75 (chapter available at: <http://eprints.qut.edu.au/13627/>). On copyright duration and other limitations, see also, John Tehranian, 'Parchment, Pixels & Personhood: User Rights and the IP (Identity Politics) of IP (Intellectual Property)' (2011) 82 *University of Colorado Law Review* 1, 62; L. Ray Patterson & Stanley W. Lindberg, *The Nature of Copyright: A Law of Users' Rights* (University of Georgia Press, 1991); L. Ray Patterson, 'Eldred v. Reno: An Example of the Law of Unintended Consequences' (2001) 8 *Journal of Intellectual Property Law* 223; Jessica Litman, 'Lawful Personal Use' (2007) 85 *Texas Law Review* 1871, 1882.

<sup>349</sup> See Michael J. Madison, 'Beyond Creativity: Copyright as Knowledge Law' (2010) 12 *Vanderbilt Journal of Entertainment & Technology Law* 817; Jessica Litman, 'Lawful Personal Use' (2007) 85 *Texas Law Review* 1871, 1880: "The understanding that [copyright's] mechanism was to enable works of authorship to enrich the people who read, listened to, and viewed them has appeared in many copyright cases. Yet copyright scholarship's preoccupation with law and economics has translated those pronouncements into assertions that the public will benefit when authors and distributors have robust incentives to create and market works."

<sup>350</sup> For discussion and critiques, see Jessica Silbey, 'The Mythical Beginnings of Intellectual Property' (2008) 15 *George Mason Law Review* 319; Jessica Silbey, 'Comparative Tales of Origins and Access: Intellectual Property and the Rhetoric of Social Change' (2010) 61 *Case Western Law Review* 195; Margaret Chon, 'New Wine Bursting from Old Bottles: Collaborative Internet Art, Joint Works, and Entrepreneurship' (1996) 75 *Oregon Law Review* 257, 263-66; David Lange, 'At Play in the Fields of the Word: Copyright and the Construction of Authorship in the Post-Literate Millennium' (1992) 55 *Law & Contemporary Problems* 139, 142-43; Tim Wu, 'On Copyright's Authorship Policy' (2007) *Columbia Law School Public Law & Legal Theory Working Paper*, Number 07-148; James Boyle, *Shamans, Software, and Spleens: Law and the Construction of the Information Society* (Harvard University Press, 1996) 132-43; Mark Rose, *Authors and Owners: The Invention of Copyright* (Harvard University Press, 1993); Peter Jaszi, 'On the Author Effect: Contemporary Copyright and Collective Creativity' (1992) 10 *Cardozo Arts & Entertainment Law Journal* 293, 302, 319-20; Peter Jaszi, 'Toward a Theory of Copyright: The Metamorphoses of "Authorship"' (1991) *Duke Law Journal* 455, 460.

<sup>351</sup> As Jessica Silbey has noted, "the cult of the romantic author...runs deep in the history of...copyright law": Jessica Silbey, 'The Mythical Beginnings of Intellectual Property' (2008) 15 *George Mason Law Review* 319, 342.

<sup>352</sup> The rationale for awarding copyright protection, as traditionally understood, is that intellectual products take significant time, energy, cost and (often) talent to produce, but once reproduced they are relatively easy to copy. If authors cannot prevent free-riders from copying their work once it is created and then selling copies of that work at a lower price than the author is able to (because the free-rider

scholarship has drawn attention to the problems with this understanding of the author, by examining more closely how and why people create.<sup>353</sup> In contrast to the ideal of the ‘author-genius’, who is divinely inspired and whose creations are utterly unique, this scholarship has highlighted that authors seek inspiration from the creative works around them and often draw on these works when creating their own. Further, it has shown that many authors are not “rational” in the way that copyright’s incentive theory claims authors to be – many people create for the pure enjoyment of it or because they feel compelled to create, and not because they have conducted some kind of cost-benefit analysis based on the copyright protection they are likely to acquire.<sup>354</sup> As well as illuminating more clearly how authors create, this scholarship reveals the connection between authors and users by demonstrating that they act in notably similar ways when they experience, experiment with and produce creative works. In the context of intermediary liability discourse, it makes clear that strict or unexamined constraints on users are also likely to restrict authors and perhaps impede their creative processes. Further, by ignoring users and focusing instead on intermediaries and how intermediaries’ technologies undermine copyright holders’ exclusive rights, courts avoid altogether the messy task of examining whether fierce protection of copyright works is helpful or harmful to a productive society, including whether users are engaging in their own kind of creativity when

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has not incurred the expenses associated with creation), then it will not be worth it for the author to produce the work in the first place. Copyright provides exclusive rights, including the right to reproduce, for a limited time so that the author can recoup his or her investment. See, for example, Mark J. Davison, Ann L. Monotti and Leanne Wiseman, *Australian Intellectual Property Law* (Cambridge University Press, 2<sup>nd</sup> ed., 2012) 187; Lionel Bentley and Brad Sherman, *Intellectual Property Law* (Oxford University Press, 3<sup>rd</sup> ed., 2009) 37; *Millar v Taylor* (1769) 98 ER 201; *IceTV Pty Limited v Nine Network Australia Pty Limited* (2009) 239 CLR 458, 471; Isabella Alexander, *Copyright Law and the Public Interest in the Nineteenth Century* (Hart Publishing, 2010) Chapter 6.

<sup>353</sup> Julie Cohen, ‘Creativity and Culture in Copyright Theory’ (2007) 40 *University of California Davis Law Review* 1151; Julie Cohen, *Configuring the Networked Self: Law, Code, and the Play of Everyday Practice* (Yale University Press, 2011); Raymond Shih Ray Ku, Jiayang Sun & Yiyang Fan, ‘Does Copyright Law Promote Creativity - An Empirical Analysis of Copyright’s Bounty’ (2009) 62 *Vanderbilt Law Review* 1669; J. C. Fromer, ‘A Psychology of Intellectual Property’ (2010) 104 *Northwestern University Law Review* 1483; Roberta Rosenthal Kwall, ‘Inspiration and Innovation: The Intrinsic Dimension of the Artistic Soul’ (2005) 81 *Notre Dame Law Review* 1945; Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William. & Mary Law Review* 513.

<sup>354</sup> See Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William. & Mary Law Review* 513; Jessica Silbey, ‘Harvesting Intellectual Property: Inspired Beginnings and “Work-Makes-Work”, Two Stages in the Creative Processes of Artists and Innovators’ (2011) 86(5) *Notre Dame Law Review* 2091; Nicolas Suzor, ‘Free-riding, cooperation and ‘peaceful revolutions’ in copyright’ (2014) 28(1) *Harvard Journal of Law and Technology* 138.

using new technologies and why this creativity should not count for something too.<sup>355</sup>

Intermediary liability cases tend to distort the balance that copyright seeks to achieve between authors and users by making the issue a question of balance between rightsholders and technology developers instead. As noted in Chapter One, discussions and determinations about intermediary liability are generally characterised by a theoretical binary, which Julie Cohen has termed the liberty/efficiency binary.<sup>356</sup> Proponents of the ‘liberty’ approach tout the enormous benefits of technological innovation and therefore argue strongly that technology developers need freedom to innovate.<sup>357</sup> On this view, a copyright doctrine that finds technology developers liable for infringement by people using their product or service, and which requires modification of that product or service to make copying and sharing more difficult (such as by filtering content), is rarely a warranted restriction on the freedom to innovate.<sup>358</sup> Restrictions on technology for copyright purposes are likely to damage information flows, stifle product innovation and slow technological progress.<sup>359</sup> By contrast, the ‘efficiency’ theoretical approach takes an economic view and generally applies a least-cost avoider analysis.<sup>360</sup> It argues that where direct infringers are widely dispersed and difficult to identify and bring suit against (as on the Internet), intermediaries are usually the parties in the best position to discourage infringement.<sup>361</sup> Discouragement is achieved by intermediaries

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<sup>355</sup> “Along with the practical reasons for targeting institutions – their deep pockets, their abilities to act as chokepoints – scaling up gives the incentive story more ways to avoid talking about creativity. The standard economic move in discussions of intrinsic motivations for creativity is to punt to intermediaries/distributors, who are supposed to act like perfectly rational actors even if those crazy artists are unreachable through incentives”: Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William & Mary Law Review* 513, 543-44.

<sup>356</sup> Julie E. Cohen, ‘Configuring the Networked Citizen’ in Austin Sarat, Lawrence Douglas and Martha Merrill Umphrey (eds.), *Imagining New Legalities: Privacy and Its Possibilities in the 21<sup>st</sup> Century* (Stanford University Press, 2012) 129, 139.

<sup>357</sup> See, for example, Brief of *Amici Curiae* Sixty Intellectual Property and Technology Law Professors and the United States Public Policy Committee of the Association for Computing Machinery in support of respondents, *Metro-Goldwyn-Mayer Studios Inc., et al., v. Grokster, Ltd., et al.*, on Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, No. 04-480.

<sup>358</sup> Except, perhaps, where the product or service is designed with the sole purpose of copyright infringement.

<sup>359</sup> See Jessica Reyman, *The Rhetoric of Intellectual Property: Copyright Law and the Regulation of Digital Culture* (Routledge, 2010) 75-6.

<sup>360</sup> See, for example, Ronald J. Mann and Seth R. Belzley, ‘The Promise of Internet Intermediary Liability’ (2005) 47 *William & Mary Law Review* 239, esp. at 265-6.

<sup>361</sup> See, for example, *In Re Aimster Copyright Litigation*, 334 F.3d 643, 645 (7<sup>th</sup> Cir. 2003) (Posner CJ) (quoting Randal C. Picker, ‘Copyright as Entry Policy: The Case of Digital Distribution’ (2002) 47 *Antitrust Bulletin* 423, 442: “[C]hasing individual consumers is time consuming and is a teaspoon solution to an ocean problem”); Ronald J. Mann and Seth R. Belzley, ‘The Promise of Internet Intermediary Liability’ (2005) 47 *William & Mary Law Review* 239, 265-6; Mark MacCarthy, ‘What

monitoring their systems for infringement and then reporting this infringement to the copyright owner or ousting the direct infringers from their system, or by redesigning their technologies to make infringement more difficult. For proponents of the economic efficiency theory, these measures are appropriate, proportionate and necessary to prevent or minimize the harm of widespread copyright infringement. These two approaches are usually portrayed as conflicting, and courts struggle to find a balance that allows copyright holders to protect their rights while providing technology developers with room to innovate. This theoretical binary fails to account for copyright's dissemination goal except to the extent that it overlaps with the technology intermediary's freedom to develop innovative systems with dissemination functions.<sup>362</sup>

If this binary is a true dichotomy, then we cannot hope to get anywhere productive soon unless we broaden our gaze. Introducing another player and other interests may help to call attention to some of the shortcomings in our current approaches and demonstrate how we can do better. In short, it may assist us in reaching a more productive and more reasonable middle ground and may provide rightsholders, intermediaries, authors and users with greater certainty within the law.<sup>363</sup> As Cohen has argued, "Doctrinally, closer attention to users and their activities might serve to counteract the debilitating indeterminacy about the appropriate standard of liability to which technology developers are now subject."<sup>364</sup>

In this chapter, I explore the intersection between user rights and intermediary copyright liability. First, I examine key intermediary liability cases in Australia and the United States to demonstrate the absence of users in this area. I then look to

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Payment Intermediaries Are Doing About Online Liability and Why It Matters' (2010) 25(2) *Berkeley Technology Law Journal* 1037, 1039, 1053 (discussing and critiquing this position as advanced by others).

<sup>362</sup> There is sometimes a general expectation that technology intermediaries will, in the course of defending their own service, provide some voice for the users. Indeed, in their advertising media and through their public image, some technology companies purport to align themselves quite closely with user interests – an obvious example is the defendant technology companies in the *Napster* and *Grokster* cases, who had advertised their products with the slogan: 'Join the Revolution' (i.e. the 'revolution' against restrictive copyright controls). But I think it would be naïve to expect that the technology intermediaries will be defending much more than their own bottom line in copyright litigation.

<sup>363</sup> Julie E. Cohen, 'Configuring the Networked Citizen' in Austin Sarat, Lawrence Douglas and Martha Merrill Umphrey (eds.), *Imagining New Legalities: Privacy and Its Possibilities in the 21<sup>st</sup> Century* (Stanford University Press, 2012) 129, 137-8: "And the polarization of copyright discourse proceeds at the expense of a productive middle ground that would involve defining the obligations of technology intermediaries more carefully."

<sup>364</sup> Julie E. Cohen, 'The Place of the User in Copyright Law' (2005) 74 *Fordham Law Review* 347, 358.



Canadian case law, where courts have interpreted the exceptions to infringement in the Canadian Copyright Act broadly to give more scope to users' interests. I argue that this is a valuable approach and that Australia could take some guidance from the Canadian courts. Second, drawing on the work of Joseph Liu and Julie Cohen, I argue that the concept of the user is underdeveloped in copyright law. I posit that this may be why courts have been reluctant to engage with the concept of the user in intermediary liability case law. I present six values which I think any well-formed theory of the user should incorporate – autonomy, self-expression, personal connection, education, community and play – and I explain why they are important. These values will inform my concept of the user for the remainder of my thesis.

Importantly, under my causation framework for authorisation liability, users' interests can be easily accommodated within the negligence-based analysis of whether the intermediary has breached its duty to take reasonable precautions to minimise the risk of infringement. The 'reasonableness' aspect of this inquiry provides ample space for courts to consider a range of relevant factors, including the cost and difficulty of taking precautions and the likely impact of those precautions on users.<sup>365</sup> The existing principles for establishing authorisation liability in sections 36(1A) and 101(1A) of the *Copyright Act 1968* do not provide this same room. In this chapter, I lay down the theoretical groundwork for explaining who users are and why they matter. I tackle the incorporation of users' interests into the causation framework in Chapter Four.

## **2. Users and intermediary liability case law**

### **2.1 The absence of users in the case law**

The central purpose of this part is to demonstrate that users are predominantly absent in the Australian and US case law on intermediary liability. This is particularly true for cases heard in the last ten years; as Jessica Litman has noted, users were not always so disregarded. In her work on lawful personal use, Litman discusses a number of 19<sup>th</sup> and 20<sup>th</sup> century US cases in which, she argues, the courts exhibited a concern for users' rights by drawing a distinction between the *exploitation* of a work (which they considered should be controlled by the copyright

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<sup>365</sup> See Chapter Four.

owner) and the *enjoyment* of a work (which should not be so controlled).<sup>366</sup> One example is *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*,<sup>367</sup> in which Nintendo sued the makers of a device called Game Genie, which allowed consumers to modify how they played Nintendo games. Nintendo claimed that Game Genie caused users to create unauthorised derivative works of the audiovisual display of Nintendo games.<sup>368</sup> The court held that users did not infringe Nintendo's copyright by using a Game Genie to alter game play. The court stated:

Once having purchased, for example, a copyrighted board game, a consumer is free to take the board game home and modify the game in any way the consumer chooses, whether or not the method used comports with the copyright holder's intent. The copyright holder, having received expected value, has no further control over the consumer's private enjoyment of that game.

Because of the technology involved, owners of video games are less able to experiment with or change the method of play, absent an electronic accessory such as the Game Genie. This should not mean that holders of copyrighted video games are entitled to broader protections or monopoly rights than holders of other types of copyrighted games, simply because a more sophisticated technology is involved. Having paid Nintendo a fair return, the consumer may experiment with the product and create new variations of play, for personal enjoyment, without creating a derivative work.<sup>369</sup>

Another compelling example of a case concerned with user rights is one that is more frequently cited as a case supporting technology innovators. *Sony Corp. of America v. Universal City Studios, Inc.* ("Sony"),<sup>370</sup> considered whether Sony was

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<sup>366</sup> Jessica Litman, 'Lawful Personal Use' (2007) 85 *Texas Law Review* 1871, 1883-89, considering: *Stowe v. Thomas* 23 F. Cas. 201 (C.C.E.D. Pa. 1853) (No. 13,514) (declining to enjoin an unauthorized German translation of *Uncle Tom's Cabin* on the grounds that once a work is published the "author's conceptions have become the common property of his readers, who cannot be deprived of the use of them, nor of their right to communicate them to another clothed in their own language, by lecture or by treatise": at 206); *Fortnightly v. United Artists Television, Inc.*, 393 U.S. 390 (1968) (refusing to find an operator of cable television systems liable for transmitting a program licensed to television studios for broadcast (but not licensed to the cable company) to customers in nearby areas with poor television reception. The court considered this an act in enhancing a viewer's capacity to receive broadcast signals similar to a well-located antenna, not an act of public performance); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975) (declining to hold a restaurant owner liable for playing radio programs in the dining area of the restaurant. The court held that the restaurant owner's actions were more akin to listening than to publicly performing). In each of these cases, the court balanced enjoyment against exploitation, and found public policy reasons for giving users leeway to enjoy copyright works in novel ways.

<sup>367</sup> 780 F. Supp. 1283 (N.D. Cal. 1991), *aff'd*, 964 F. 2d 965 (9<sup>th</sup> Cir. 1992).

<sup>368</sup> *Ibid*, 1286. See also discussion by Jessica Litman in 'Lawful Personal Use' (2007) 85 *Texas Law Review* 1871, 1889-91.

<sup>369</sup> *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 780 F. Supp. 1283 at 1291 (N.D. Cal. 1991), *aff'd*, 964 F. 2d 965 (9<sup>th</sup> Cir. 1992).

<sup>370</sup> *Sony Corp. of America v. Universal Studios, Inc.* 464 U.S. 417 (1984).

indirectly liable for copyright infringement for manufacturing and selling the Betamax VTR (a home-recording device) to consumers. Consumers had used the Betamax VTR to record television programs broadcast over the public airwaves. The respondents, who owned copyright in some of these programs, argued that Sony was indirectly liable for the copyright infringements committed by these consumers because Sony had marketed and sold the means of infringement – the VTR – to them. The Supreme Court ruled in favour of Sony, holding that producers who design or distribute a product capable of substantial noninfringing uses will not be liable for enabling copyright infringement *even if* they know that some infringement will occur by use of their product.<sup>371</sup> The *Sony* decision is generally understood as a decision that champions technological innovation and supports technology developers. However, the judgment is notable for reasons beyond those usually acknowledged by courts and commentators. As some scholars have noted, the *Sony* case quite strongly supports user rights.<sup>372</sup>

The *Sony* Court determined that the Betamax VTR was capable of substantial noninfringing uses because the practice of taping programs off the air for the purpose of watching them at a more convenient time (‘time-shifting’) was a legitimate use, either because the use may be authorized by copyright holders<sup>373</sup> or because the use was covered by the doctrine of fair use.<sup>374</sup> In finding time-shifting to be a fair use,

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<sup>371</sup> “[T]he sale of copyright equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses”: *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984). This became known as the ‘*Sony* rule’.

<sup>372</sup> See Julie E. Cohen, ‘The Place of the User in Copyright Law’ (2005) 74 *Fordham Law Review* 347, 355 (“The *Napster* court read *Sony* as an opinion about when aggregate private copying should give way to markets, not an opinion about when individuals’ private copying should remain private, [though] there is much in *Sony* to support such a reading”); Joseph Liu, ‘Copyright Law’s Theory of the Consumer’ (2003) 44 *Boston College Law Review* 397, 408.

<sup>373</sup> *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 443-447 (1984). Defendants had introduced testimony at trial from representatives of various sports organisations, religious broadcasters and educational communications agencies to establish that, in general, broadcasters of sport, religious and educational programs had no objection to the practice of time-shifting: 444-445. The court held: “The respondents do not represent a class composed of all copyright holders. Yet a finding of contributory infringement would inevitably frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting”: 446. In a footnote, the court elaborated: “In the context of television programming, some producers evidently believe that permitting home viewers to make copies of their works off the air actually enhances the value of their copyrights. Irrespective of their reasons for authorizing the practice, they do so, and in significant enough numbers to create a substantial market for a noninfringing use of the Sony VTR’s... The legitimacy of that market is not compromised simply because these producers have authorized home taping of their programs without demanding a fee from the home user”: 446-447, footnote 28.

<sup>374</sup> 464 U.S. 417, 442, 447-456 (1984). 17 U.S.C. §107 establishes the fair use limitation on exclusive rights, providing that a fair use is not an infringement of a copyrighted work, and setting out four factors for the courts to consider in determining whether a use is fair: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

the court gave weight to the fact that time-shifting for private home use is a noncommercial, nonprofit activity<sup>375</sup> that merely enables a viewer to see a work at a later time which he or she has been invited to witness free of charge and in its entirety on the television.<sup>376</sup> The court also considered that there was no demonstrable effect upon the potential market for or value of a copyright work from time-shifting and that “prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.”<sup>377</sup> As such, the court took pains to carefully balance the creation and access goals of copyright. In fact, the court found that time-shifting “served the public interest in increasing access to television programming, an interest that ‘is consistent with the First Amendment policy of providing the fullest possible access to information through the public airwaves’.”<sup>378</sup> The court seemed unwilling to encroach upon people’s privacy by dictating what they could do in their own homes, particularly where there was no apparent harm to the copyright owners from the users’ actions. As Joseph Liu has argued: “[T]he language employed by the Court seemed to recognize implicitly a consumer interest in dictating when and where to view that particular work, and correspondingly, a limit on the ability of the copyright owner to dictate the circumstances of such consumption.”<sup>379</sup>

This consideration of users’ interests has not been present in more recent cases, however, particularly in those cases concerning whether providers of peer-to-peer (p2p) platforms and services can be liable for copyright infringement by users who download and share film and music files over those services. During the last decade, the major litigation in this area has played out in the United States in *A & M Records, Inc. v. Napster, Inc.* (“*Napster*”)<sup>380</sup> and *Metro-Goldwyn-Mayer Studios Inc., v.*

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(2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

<sup>375</sup> In footnote 33, (at 450), the court noted: “It has been suggested that ‘consumptive uses of copyrights by home VTR users are commercial even if the consumer does not sell the homemade tape because the consumer will not buy tapes separately sold by the copyright holder’.” The court rejected this argument, saying, “the time-shifter no more steals the program by watching it once than does the live viewer, and the live viewer is no more likely to buy prerecorded videotapes than is the time-shifter. Indeed, no live viewer would buy a prerecorded videotape if he did not have access to a VTR.”

<sup>376</sup> 464 U.S. 417, 448 (1984).

<sup>377</sup> 464 U.S. 417, 450-451 (1984).

<sup>378</sup> 464 U.S. 417, 425 (1984) per Stevens J, referring to and quoting from the District Court decision, 480 F. Supp. 429 at 454 (1979).

<sup>379</sup> Joseph Liu, ‘Copyright Law’s Theory of the Consumer’ (2003) 44 *Boston College Law Review* 397, 408.

<sup>380</sup> 239 F. 3d 1004 (9<sup>th</sup> Cir. 2001)

*Grokster Ltd.* (“*Grokster*”)<sup>381</sup> and in Australia in *Universal Music Australia Pty Ltd v Sharman Licence Holdings Ltd* (“*Sharman*”)<sup>382</sup> and *Cooper v Universal Music Australia Pty Ltd* (“*Cooper*”).<sup>383</sup> In each of these cases, users’ interests were either ignored or denied. The courts failed to engage in any detailed analysis of users’ actual downloading practices or their motivations for downloading, and arguments relating to the potential benefits of and legitimate uses for p2p technologies were readily dismissed. To demonstrate the extent of the absence of the user, I discuss the *Grokster* case in the U.S. and the *Sharman* case in Australia.

In *Grokster*, the Supreme Court found the defendant intermediary liable for distributing p2p music sharing software that enabled users to reproduce and distribute copyrighted works. The court found it relevant that the defendant had encouraged the sharing of popular music files which it should have known would be protected by copyright<sup>384</sup> and had generated revenue from advertisements placed on its website in circumstances where more visitors equaled greater revenue and the availability of copyrighted files encouraged more visitors.<sup>385</sup> Also relevant was that *Grokster* had deliberately designed its system so that communications did not pass through a central server, thereby eliminating any easy means of filtering or blocking communications.<sup>386</sup> The Supreme Court held that *Sony* was never meant to foreclose rules of fault-based liability,<sup>387</sup> and that distributing a device with the *object* of promoting infringement (“*inducement*”) would trigger liability.<sup>388</sup>

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<sup>381</sup> 545 U.S. 913 (2005).

<sup>382</sup> (2005) 220 ALR 1.

<sup>383</sup> (2006) 237 ALR 714.

<sup>384</sup> There was evidence that *Grokster* had distributed newsletters with information about how to access popular music (which it must have known was subject to copyright) and that it had responded affirmatively to requests for help in finding and playing copyrighted materials: 545 U.S. 913 at 926, 938 (2005). While ordinary acts incident to product distribution, such as providing technical support, will not in itself be enough to find culpable intent, *Grokster*’s conduct had gone beyond mere technical support: at 937.

<sup>385</sup> There was evidence that *Grokster*’s aim was to be “the next Napster”: 545 U.S. 913 at 924-25, 939 (2005). The Court found that *Grokster* generated greater advertising revenue the more visitors it had to its service, and that a vast majority of visitors came to access infringing files: at 923. This meant that *Grokster* had an incentive to encourage infringement, or at least to do nothing to prevent it: at 926, 940.

<sup>386</sup> *Grokster* had made no attempt to filter infringing files or to otherwise impede the sharing of copyrighted files: 545 U.S. 913 at 926-27, 939 (2005).

<sup>387</sup> 545 U.S. 913, 934-35 (2005).

<sup>388</sup> The court stated: “We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expressions or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties”: 545 U.S. 913, 919, 936-37 (2005). It premised its finding of inducement on three key factors: (1) efforts to satisfy a known demand for infringing content; (2) an absence of design efforts to diminish infringement; and (3) *Grokster*’s marketing strategy.

The arguments before the Court in *Grokster* fell neatly into the liberty/efficiency binary – the *amici curiae* briefs filed in the court provide apt illustration.<sup>389</sup> On the efficiency side were arguments advanced by *amici curiae* Douglas Lichtman and economic law professors that ‘indirect’ liability should be imposed where it is practical to maintain the efficacy of copyright markets.<sup>390</sup> The *amici* urged the court to “focus on obviously relevant economic factors – such as whether the indirectly liable party at low cost could have discouraged the infringing uses”.<sup>391</sup> On the other side, libertarian arguments were made in the brief of *amici curiae* sixty intellectual property and technology law professors.<sup>392</sup> The *amici* asserted that “this case is fundamentally about technology policy, not about file sharing or copyright infringement”, and expressed concern about the court applying tests for liability that might stifle innovation.<sup>393</sup> The *amici* further warned about the “undesirable effect on technical innovation wrought by entrusting courts to oversee product design.”<sup>394</sup> Similarly, the appellants in the Supreme Court, MGM, presented arguments that reflected this binary – as recounted by the court, “MGM advances the argument that granting summary judgment [in the Court of Appeals] to *Grokster*...gave too much weight to the value of innovative technology, and too little to the copyrights infringed by users of their software”.<sup>395</sup>

Justice Souter, in delivering the opinion of the court, adopted this binary; he characterised the administration of copyright law as “an exercise in managing the tradeoff” between “supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement”, and stated that the “tension between the two values is the subject of this case”.<sup>396</sup> The court’s findings then attempted to tread a

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<sup>389</sup> For a discussion of the briefs in the context of the case, see Pamela Samuelson, ‘Three Reactions to *MGM v. Grokster*’ (2006) 13 *Michigan Telecommunications and Technology Law Review* 177, 188-190.

<sup>390</sup> Brief of *Amici Curiae* Kenneth J. Arrow, Ian Ayres, Gary Becker, William M. Landes, Steven Levitt, Douglas Lichtman, Kevin Murphy, Randal Picker, Andrew Rosenfield, and Steven Shavell in support of petitioners, *Metro-Goldwyn-Mayer Studios Inc., et al., v. Grokster, Ltd., et al*, on Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, No. 04-480.

<sup>391</sup> *Ibid*, 8.

<sup>392</sup> Brief of *Amici Curiae* Sixty Intellectual Property and Technology Law Professors and the United States Public Policy Committee of the Association for Computing Machinery in support of respondents, *Metro-Goldwyn-Mayer Studios Inc., et al., v. Grokster, Ltd., et al*, on Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, No. 04-480.

<sup>393</sup> I do note that *amici* made several public interest arguments related to the “positive externalities” generated by technologies that benefit society in general: *Ibid*, 28.

<sup>394</sup> *Ibid*, 21.

<sup>395</sup> *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 932 (2005).

<sup>396</sup> 545 U.S. 913, 928 (2005).

careful line between these two competing theories. Justice Souter's balancing test is different from the traditional copyright balance between authors and users.<sup>397</sup> In fact, it omits users entirely and treats the balance as one between rightsholders and technology developers. While it is indeed important to promote innovation in new technologies, it is important to recognise that this focus may distort the way that copyright policy is understood and applied. Technological innovation is not in itself a *copyright* goal and it should not be treated as such in the copyright balance.<sup>398</sup>

The *Grokster* court's analysis was not informed by a theory of the user. The court referred repeatedly to Grokster's apparent aim of bringing users across from the Napster service, especially in the likely event that Napster was shut down by the courts for facilitating copyright infringement.<sup>399</sup> The court's assumption here was that these services attracted users who were "of a mind to infringe".<sup>400</sup> As Julie Cohen argues, "The Court's unanimous opinion envisions users in aggregate, as an installed base of would-be thieves to whose baser instincts the *Grokster* defendants deliberately appealed."<sup>401</sup> This generalized, undeveloped concept of the user does not help courts to properly consider users' legitimate interests.

The court relied on evidence that although Grokster had sent infringement warning notices to users when it received threatening correspondence from copyright holders, it had never blocked anyone from using its software to share copyright files.<sup>402</sup> Grokster's conduct here constituted a kind of ad-hoc notice-and-notice scheme. Formal notice-and-notice schemes are generally preferable to more severe termination schemes because they ensure that users are not disconnected from a system based only on unsubstantiated claims of infringement.<sup>403</sup> The *Grokster* court, however, did not discuss due process concerns. The court also considered evidence that the defendant had blocked the IP addresses of entities it believed were trying to

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<sup>397</sup> See L Ray Patterson and Stanley W Lindberg, *The Nature of Copyright: A Law of Users' Rights* (The University of Georgia Press, 1991) Chapter One.

<sup>398</sup> While I acknowledge that copyright law can impact on the development and reach of new technologies and that this should not be ignored by the courts, the main focus of copyright law is the production and dissemination of creative *expression*.

<sup>399</sup> 545 U.S. 913, 924-26, 937-39 (2005). The Court seemed particularly impressed by evidence of a proposed advertisement for Grokster that stated, "When the lights went off at Napster... where did the users go?": at 925 and 938.

<sup>400</sup> See 545 U.S. 913, 925 (2005).

<sup>401</sup> Julie E. Cohen, 'The Place of the User in Copyright Law' (2005) 74 *Fordham Law Review* 347, 355.

<sup>402</sup> *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 926 (2005).

<sup>403</sup> See Nicolas Suzor and Brian Fitzgerald, 'The Legitimacy of Graduated Response Schemes in Copyright Law' (2011) 34(1) *University of New South Wales Law Journal* 1.

monitor copyright infringement over its networks.<sup>404</sup> The defendant's decision may have been prompted by a concern for its users' privacy rather than to protect a business model based on infringement, though this was never investigated. Finally, where the court did consider beneficial uses of the Grokster network, it focused on licensed sharing and sharing of public domain works, "neither of which requires a theory of the user to explain its legality."<sup>405</sup> In other words, it failed to properly consider the multitude of reasons why users might use a system like Grokster's network, including why users might have an interest in downloading and sharing copyrighted works. The values that I propose the court should have considered are set out in Part 3 of this chapter.

In Australia, the *Sharman* case involved an almost identical fact scenario to *Grokster* and remarkably similar reasoning by the court.<sup>406</sup> The case concerned the p2p filesharing software, Kazaa, which was developed and owned by the Sharman companies and which was virtually identical to the Grokster software.<sup>407</sup> Applicants were holders of copyright in certain sound recordings. They alleged that users had downloaded and made available for download, via the Kazaa network and without licence, copies of the whole or a substantial part of recordings owned by the applicants. They claimed that Sharman had authorised this infringement by developing, operating and maintaining the Kazaa software and by failing to implement mechanisms to prevent or avoid the infringing activities.

The *Sharman* judgment is long, involving elaborate factual scenarios, significant expert testimony, and a number of disputes of fact and law. In short, however, the court held that Sharman had infringed the applicant's copyrights by authorising Kazaa users to make copies of the sound recordings and to communicate those recordings to the public via the Kazaa system.<sup>408</sup> The court held that at all material times, the respondents were aware that a major use of the Kazaa system was the transmission of copyright material.<sup>409</sup> In response to claims that Kazaa could be used

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<sup>404</sup> *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 927 (2005).

<sup>405</sup> Julie E. Cohen, 'The Place of the User in Copyright Law' (2005) 74 *Fordham Law Review* 347, 355.

<sup>406</sup> The court in this case was a single judge (Justice Wilcox).

<sup>407</sup> However, due to differences in the statutory law and in the conduct of the system's respective operators, Justice Wilcox determined that the *Grokster* decision was "of little assistance" to him in reaching his decision in this case: [30].

<sup>408</sup> [2005] FCA 1242 [410]. In reaching this finding, the Court adopted the meaning of 'authorise' laid down in *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193 - to "sanction, approve, countenance": [366].

<sup>409</sup> [2005] FCA 1242 [181].



in a non-infringing way, Justice Wilcox stated, “I do not doubt that some people use Kazaa only in a non-infringing way. However, it seems unlikely that non-infringing uses would sustain the enormous Kazaa traffic claimed by the respondents.”<sup>410</sup> Justice Wilcox also thought it important that Kazaa was sustained by advertising revenue that increased as the number of visitors to the Kazaa site increased. Justice Wilcox opined, “What is more likely to attract large numbers of visitors to the website than music, especially currently popular ‘hits’?”<sup>411</sup>

A key factor in finding liability was Sharman’s perceived power to control or prevent infringement via filtering and other technological controls. This was a contentious factual issue in the case,<sup>412</sup> because the respondents presented evidence – cautiously accepted by the court – that there was no Kazaa ‘central server’ through which Sharman could exercise substantial control over users’ activities to prevent the sharing of copyright files.<sup>413</sup> Consequently, much of the judgment focused on expert testimony as to whether Sharman could effectively implement a filter, in the absence of a central server, to prevent the display of ‘blue files’<sup>414</sup> with metadata matching the particulars of sound recordings listed in the applicants’ catalogues. One expert argued that it would be feasible to implement a filter that prevented the transfer of files based on certain words appearing in the metadata, such as the word ‘Powderfinger’ for the band, Powderfinger.<sup>415</sup> Other experts thought this was too simplistic and that there was significant risk of ‘false positives’ occurring – i.e. public domain or authorized files being wrongly filtered. For example, Professor Tygar asked the court to “imagine the difficulty in deciding which recordings of Beethoven’s Fifth Symphony are authorized for distribution”,<sup>416</sup> and Professor Ross thought that broad methods of filtering (such as filtering based on the .mp3 file extension) would be “clearly unacceptable for new artists who are looking to use P2P

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<sup>410</sup> Ibid, [184].

<sup>411</sup> Ibid, [191].

<sup>412</sup> Acknowledged by the court at [195].

<sup>413</sup> [2005] FCA 1242 [233], although the court remained somewhat suspicious that there was a central server – see [235] and [252].

<sup>414</sup> The Kazaa system distinguished between ‘blue files’ and ‘gold files’. Gold files were those files licensed by the copyright holder. They were usually of higher quality, available to users legally (most often for purchase) and protected by digital rights management (DRM) software to prevent further sharing. Blue files were all other files, including unauthorized copyright files, which were traded amongst users for free. Evidence was presented in court that “the Kazaa blue files routinely included a high proportion of the most currently popular sound recordings”: [64].

<sup>415</sup> [2005] FCA 1242 [262]. His Honour was not overly concerned that filtering in this way might inaccurately filter files that were not actually of the band Powderfinger (such as files containing music that the artist promoted, in the metadata, as being similar in style to Powderfinger).

<sup>416</sup> [2005] FCA 1242 [271].

file sharing as a marketing tool”.<sup>417</sup> Justice Wilcox accepted that some false positives were likely, but did not believe that this “would be a frequent occurrence”.<sup>418</sup> He held, “[T]he fact that a protection is imperfect is not a sufficient objection to its adoption. Even an imperfect filter would go far to protect copyright owners”.<sup>419</sup> The court determined that the filter could be implemented by an upgrade in the Kazaa software, but acknowledged that users were unlikely to upgrade if the new software imposed a keyword filter on users’ searching and sharing of files.<sup>420</sup> However, the court accepted evidence that users could be “persuaded” to upgrade by “driving them mad” with pop-up dialogue boxes for the upgrade, essentially “rendering the existing version impracticable to use”.<sup>421</sup>

Evidence was also accepted by the court of another technological method of impeding the filesharing of copyright works. This method, labeled the ‘gold file flood filter’, involved “flooding” a user’s search query results with gold files containing only copyright infringement warnings, in response to searches for copyrighted works.<sup>422</sup> This would essentially crowd out any unlicensed blue files from the search results. Justice Wilcox considered that this method “seems also to have the advantage of avoiding ‘false positives’ that would trespass on other peoples’ rights”.<sup>423</sup>

Thus, the *Sharman* court considered it perfectly acceptable, even desirable, to use technology to control users’ behaviour by “driving them mad” with pop-up notifications and thwarting their search attempts by retrieving undesired content or by filtering out desired content. It was of little concern to the court that users might be prevented from accessing content that was in the public domain or had been licensed by the copyright holder. The court also did not appear overly concerned that broad keyword-based filters might prevent the sharing of content that users had themselves created, such as a parody of a Powderfinger song, for example. Finally, like the *Grokster* Court, the *Sharman* Court gave no consideration to the user values that I set out in part 3 below.

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<sup>417</sup> Ibid [275].

<sup>418</sup> Ibid [288].

<sup>419</sup> Ibid [294].

<sup>420</sup> Ibid [300].

<sup>421</sup> See [304] – [309].

<sup>422</sup> [2005] FCA 1242 [310].

<sup>423</sup> Ibid [328].

The *Sharman* court's attitude towards users is further apparent in its analysis of Sharman's 'Join the Revolution' marketing strategy. Evidence was introduced that Sharman was encouraging users to "stick it" to the movie and music industries by sharing files.<sup>424</sup> However, there was also evidence that what this campaign was advocating was improved business models facilitated by peer-to-peer technology, and not, in fact, widespread infringement. For example, at [83] the court describes the 'Join the Revolution' website, which stated, "They need to stop fighting this technology and start working with it...Since May 2002, peer-to-peer applications like Kazaa have offered record and movie companies the ability to protect, promote and sell their works to the millions of users. Everything is in place. They just need to try it." The website described methods of licensed filesharing and encouraged users to lobby politicians and the media for change. Yet the court did not consider these more innocuous objectives of the 'Join the Revolution' campaign in any great depth. It seemed sufficient that the campaign had expressed some support of filesharing to render the entire campaign as evidence that Sharman had encouraged infringement.

In the *Sharman* judgment, as contrasted to *Sony*,<sup>425</sup> there is an undercurrent of resistance to the idea that copyright owners should reconsider their attitudes about stringent copyright protection and adapt their business models to the new p2p environment. Instead, the court wanted users to exhibit greater respect for copyright law. Yet at the same time, the court made clear that users could not be trusted to obey the law or heed copyright warnings. Notably, the court was not persuaded that stronger copyright warnings on the Kazaa website would make a great deal of difference to incidences of infringement, failing to see any reason to believe "that any significant proportion of users would care whether or not they were infringing copyright".<sup>426</sup> Later, Justice Wilcox stated, "it is not realistic to believe legal action

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<sup>424</sup> At [178], the court discusses the campaign, which included distribution of photographs of a person wearing a t-shirt with the following message: "30 years of buying the music of [sic] they think you should listen to; 30 years of watching the movies they want you to see; 30 years of paying the prices they demand; 30 years of swallowing what they're shoveling; 30 years of buying crap you don't want; 30 years of being sheep; Over; With one single click; Peer 2 peer, we're sharing files; 1 by 1, we're changing the world; Kazaa is the technology; you are the warrior; 60 million strong; And rising; Join the revolution."

<sup>425</sup> The Supreme Court in *Sony*, in holding that there was no likely harm to the copyright owners from time-shifting, quoted the District Court's statement, "The audience benefits from the time-shifting capability have already been discussed. It is not implausible that benefits could also accrue to plaintiffs, broadcasters, and advertisers, as the Betamax makes it possible for more persons to view their broadcasts": 464 U.S. 417, 454 (1984), quoting from 480 F. Supp. 429, 467 (1979).

<sup>426</sup> [2005] FCA 1242 [340].

against individual infringers will stamp out, or even significantly reduce, file-sharing infringements of copyright”.<sup>427</sup>

The *Grokster* and *Sharman* cases are useful illustrations of how users are absent in central cases in the intermediary liability landscape. When I say ‘absent’ here I mean two things: firstly, that users’ interests are not adequately considered; and secondly, that where users do feature in these cases, the ‘users’ contemplated are not real people, they are caricatures of digital thieves who care only about getting something for nothing.<sup>428</sup>

## 2.2 Contemplating opportunities for non-infringing uses

There is a worrying consequence that can follow from the absence of users within intermediary liability law. Where judges and lawmakers are accustomed to thinking of users as thieves or deviants, then it is natural to expect intermediaries to also treat users as wrongdoers as default. This may lead courts to view with suspicion those intermediaries that have provided a technology or service with the expectation that users will engage with it lawfully.<sup>429</sup> Under the causation framework, a court looks first to whether the intermediary’s technology or service contributed to the risk of infringement and then to whether the intermediary took any reasonable precautions to minimise that risk. A presumption that users will always act wrongfully may inflate the court’s perception of the risk and distort its determination of what precautions are ‘reasonable’. It is important that both courts and intermediaries contemplate the opportunities for non-infringing and beneficial uses of technologies when they are deciding what precautions should be taken against infringing use. Where non-infringing uses are both possible and likely, intermediaries should not be required to take steps that suppress those uses.

When considering the possibilities for non-infringing uses of a technology, courts can give greater regard to users’ interests by adopting broad interpretations of copyright limitations and exceptions. In the United States, the *Sony* case is a strong

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<sup>427</sup> [2005] FCA 1242 [351].

<sup>428</sup> See, for example, Justice Charleton in *EMI Records & Ors. v. Eircom Ltd.*, [2010] IEHC 108 at [1], [3], [7]-[8] (where His Honour repeatedly referred to downloading as “stealing”, “copyright theft” and “filching” and to users’ behaviour as “repugnant”).

<sup>429</sup> See, for example, *University of New South Wales v Moorhouse* (1975) 6 ALR 193, 208 (Jacobs J, with McTiernan ACJ concurring).

example of a court's willingness to adopt an expansive view of the fair use doctrine to incorporate new uses facilitated by emerging technologies. Another example in the peer-to-peer environment is *Sony BMG Music Entertainment v. Tenenbaum* ("*Tenenbaum*"),<sup>430</sup> where Joel Tenenbaum was accused of using file-sharing software as a college student to download and distribute 30 copyrighted songs belonging to the plaintiffs. The court found that Tenenbaum had infringed these works and was not entitled to rely on a fair use defence. Tenenbaum had argued that file sharing for private enjoyment should be protected by the fair use doctrine, which the court rejected as "so broad that it would swallow the copyright protections that Congress created, defying both statute and precedent."<sup>431</sup> However, the court indicated that it would have been amenable to a more tailored fair use argument; that, in fact, it "was prepared to consider a more expansive fair use argument than other courts have credited".<sup>432</sup> Justice Gertner stated, "[T]he Court does not believe the law is so monolithic, or the principles of fair use so narrow that they could not encompass some instances of file sharing copyrighted works".<sup>433</sup> The scenarios envisaged by the court where a fair use argument might succeed included file sharing to sample music prior to purchase, creating mp3 files exclusively for space-shifting music from audio CDs already purchased, and file sharing "in the technological interregnum before digital media could be purchased legally" provided the user shifted to paid outlets once they became available.<sup>434</sup> In considering the fair use standard, the court held that a use could be fair in two general circumstances – (1) where the use has little or no impact on the market for or value of the original work, and (2) where the use "devalues the copyright granted by Congress" but does so with a commensurate public benefit such as education, commentary, scholarship, or further artistic innovation.<sup>435</sup> The fair use scenarios advanced by the court, particularly sampling prior to purchase, seek to balance users' autonomy interests in listening to music in a location, time and manner most convenient to them with the

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<sup>430</sup> 673 F.Supp.2d 217 (2009). This case was ultimately appealed to the United States Court of Appeals for the First Circuit, where the District Court's findings on fair use were affirmed: *Sony BMG Music Entertainment v. Joel Tenenbaum*, Nos. 10-1883, 10-1947, 10-2052, United States Court of Appeals for the First Circuit (Sept 16, 2011).

<sup>431</sup> 672 F.Supp.2d 217, 221 (2009). The court further stated at 222, "the main purpose of Tenenbaum's file sharing was his own private enjoyment and that of his friends, that is, the very use for which the artist or copyright holder is entitled to expect payment as reward".

<sup>432</sup> 672 F.Supp.2d 217, 220 (2009).

<sup>433</sup> 672 F.Supp.2d 217, 237 (2009).

<sup>434</sup> 672 F.Supp.2d 217, 220-21, 237-38 (2009).

<sup>435</sup> 672 F.Supp.2d 217, 225-26 (2009).

copyright owner's interest in receiving remuneration should the user elect to keep the song.<sup>436</sup>

Similarly, fair dealing exceptions can be interpreted broadly to recognise user interests. The Canadian case of *CCH Canadian Ltd v Law Society of Upper Canada*<sup>437</sup> is an excellent example of how this can be done. In that case, the Supreme Court of Canada had to decide whether the Law Society of Upper Canada, which maintained the Great Library at Osgoode Hall in Toronto, had infringed copyright because it provided a request-based photocopy service for Law Society members, members of the judiciary and other authorised researchers. Under this 'custom photocopy service', legal materials were reproduced by library staff and delivered in person, by mail or by facsimile transmission to requesters. Publishers sued the Law Society, alleging copyright infringement. The Law Society denied liability on the basis that the copies were made for the purpose of research and were therefore covered by the fair dealing defence.<sup>438</sup> In finding for the Law Society, the Chief Justice (who delivered the judgment of the court) stated:

**The fair dealing exception, like other exceptions in the Copyright Act, is a user's right. In order to maintain the proper balance between the rights of a copyright owner and users' interests, it must not be interpreted restrictively...**The fair dealing exception under s.29 is open to those who can show that their dealings with a copyrighted work were for the purpose of research or private study. **"Research" must be given a large and liberal interpretation in order to ensure that users' rights are not unduly constrained.** I agree with the Court of Appeal that research is not limited to non-commercial or private contexts...Although the retrieval and photocopying of legal works are not research in and of themselves, **they are necessary conditions of research and thus part of the research process.**<sup>439</sup>  
(emphasis added)

Relevant to the court's finding was that the library had an access policy which stated that only single copies of materials would be provided for the purposes of research, private study, review and criticism as well as use in legal proceedings, and that any requests for copies in excess of 5% of the volume would be referred to the

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<sup>436</sup> See further, part 3.2.

<sup>437</sup> [2004] 1 S.C.R. 339.

<sup>438</sup> In Canada, the relevant fair dealing defence for the purpose of research or private study appears in section 29 of the *Copyright Act*, R.S.C. 1985, c. C-42, as amended. It provides, simply, "Fair dealing for the purpose of research or private study does not infringe copyright".

<sup>439</sup> *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 S.C.R. 339 [48], [51], [64].

Reference Librarian and might be refused.<sup>440</sup> Additionally, the service was provided on a not for profit basis.<sup>441</sup> Also relevant was that there were no apparent alternatives to the custom photocopy service – the court considered it unreasonable to expect that patrons would always conduct their research onsite, particularly as 20% of the library’s patrons lived outside the Toronto area.<sup>442</sup> The court held that the fact that a licence might be available for these uses did not preclude a finding of fair dealing<sup>443</sup> and that it was not incumbent upon the Law Society to adduce evidence that every patron used the material provided in a fair dealing manner – reliance on a general practice would suffice.<sup>444</sup>

Courts in Australia have reached vastly different conclusions on reasonably similar factual grounds.<sup>445</sup> The leading case on the fair dealing for research or study exception in the *Copyright Act 1968* is *De Garis v Neville Jeffress Pidler Pty Ltd*,<sup>446</sup> where the respondent, a press-clipping agency, was held to have infringed the copyrights in book reviews and newspaper articles reproduced as part of its service. The respondent monitored newspapers and other media sources and provided clippings and photocopies of material from those sources to clients in return for a fee. Materials were provided in response to general subject areas of interest as indicated by the client. When faced with suit for copyright infringement, the respondent claimed that its conduct constituted a fair dealing for research or study.<sup>447</sup> The court rejected this claim, holding that Jeffress’ dealings with the works were done for a purpose other than research, namely, for the commercial purpose of

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<sup>440</sup> Ibid, [61], [66]-[68].

<sup>441</sup> Ibid.

<sup>442</sup> Ibid, [69].

<sup>443</sup> Ibid, [70].

<sup>444</sup> Ibid, [63].

<sup>445</sup> As have courts in the United States: see *Pacific & Southern Co. Inc. v. Duncan*, 744 F. 2d 1490 (1984), *cert. denied* 471 U.S. 1004 (1985), where the Court of Appeals for the Eleventh Circuit held that a news clipping service’s unauthorized videotaping of a television station’s copyrighted news story was not a fair use. The Circuit Court was heavily influenced by the news clipping service’s commercial purpose and also by the fact that the use was “neither productive or creative in any way”: 744 F. 2d 1490 at 1496 (1984). More recent cases include *American Geophysical Union v. Texaco, Inc.*, 60 F. 3d 913 (2d Cir. 1995) (holding that photocopying of journal articles by research scientists was not a fair use because the copying was done for archival purposes (i.e. for the purpose of providing each scientist with his or her own personal copy of the article), was not transformative and impacted upon the potential market for the direct sale and distribution of individual articles by the publishers) and *Princeton Univ. Press v. Michigan Document Servs., Inc.* (MDS), 99 F. 3d 1381 (6<sup>th</sup> Cir. 1996) (en banc), *cert. denied*, 520 U.S. 1156 (1997) (holding that the reproduction of excerpts of copyrighted books and articles by a commercial copy shop for the inclusion in course packs for students was not a fair use).

<sup>446</sup> (1990) 18 IPR 292.

<sup>447</sup> The respondent also raised the fair dealing exceptions for criticism or review and for reporting the news, and argued in the alternative that it operated under an implied licence. The court rejected all of these arguments. I focus on the fair dealing for research or study here.

supplying a photocopy of material already published in return for a fee.<sup>448</sup> Importantly, the court continued, “There is another reason why s 40 cannot apply here. The relevant purpose required by s 40(1) is that of Jeffress, not that of its customer. That is to say, even if a customer were engaged in research, this would not assist Jeffress.”<sup>449</sup>

Thus, whereas the Supreme Court in Canada was willing to find that a person engaging in an act to assist another’s research or study – such as a librarian photocopying an article for a researcher – would be covered by the fair dealing for research or study, the Australian court was not so willing.<sup>450</sup> The Australian court expressed its finding as a holding of law, that the relevant purpose was that of the actor (Jeffress) and not of the customer, thereby adopting a narrow interpretation of the scope of the fair dealing exception. Indeed, the Australian exception is far more complicated than the Canadian equivalent, containing limitations and guidelines that do not exist in the Canadian exception.<sup>451</sup> Whereas section 29 of the Canadian Copyright Act provides, concisely, “Fair dealing for the purpose of research or private study does not infringe copyright”,<sup>452</sup> the Australian exception contains limitations on the right to reproduce a work or an adaptation of a work under the exception, including a list of matters for courts to consider when determining whether a fair dealing was made (which mimic, to some extent, the fair use factors in the United States)<sup>453</sup> and a table indicating what is a ‘reasonable portion’ of a work

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<sup>448</sup> (1990) 18 IPR 292, 298 (Beaumont J).

<sup>449</sup> Ibid. In the U.S., Rebecca Tushnet has argued that courts have mistakenly focused on intermediaries rather than users when determining whether particular acts fall within the fair use doctrine: “The motivations of the people uploading their videos to YouTube, and not YouTube’s more market-disciplined decisions, should guide fair use analysis”: Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William & Mary Law Review* 513, 543-44.

<sup>450</sup> For a similar holding, see *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) (regarding the flexible dealing exception for time shifting, and holding that an intermediary could not exercise the exception on behalf of users).

<sup>451</sup> *Copyright Act 1968* (Cth) s 40 (2) – (7).

<sup>452</sup> *Copyright Act*, R.S.C. 1985, c. C-42, as amended, s 29.

<sup>453</sup> *Copyright Act 1968* (Cth), s 40(2): “For the purposes of this Act, the matters to which regard shall be had, in determining whether a dealing with a literary, dramatic, musical or artistic work or with an adaptation of a literary, dramatic or musical work, being a dealing by way of reproducing the whole or part of the work or adaptation, constitutes a fair dealing with the work or adaptation for the purpose of research or study include: (a) the purpose and character of the dealing; (b) the nature of the work or adaptation; (c) the possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price; (d) the effect of the dealing upon the potential market for, or value of, the work or adaptation; and (e) in a case where part only of the work or adaptation is reproduced – the amount and substantiality of the part copied taken in relation to the whole work or adaptation.” Section 103C (2) sets out similar considerations in relation to audio-visual items.



that may be reproduced.<sup>454</sup> However, the divergence in the two courts' approaches may be more a result of factual differences in the cases than legal ones. It was arguably easier for the Canadian court to find that the Law Society had been acting as an agent of its members in exercising the fair dealing right, because only single copies were made upon request for specific items and there were various safeguards in place to prevent abuse of the system. Additionally, even though the court expressed the view that "research is not limited to non-commercial or private contexts" it helped that the service was provided on a not for profit basis.<sup>455</sup> These factors led the court to conclude that the retrieval and photocopying of works, while not research on their own, were "necessary conditions of research and thus part of the research process" and that the Law Society's activities could therefore be covered by the fair dealing exception. By contrast, although Jeffress was also involved in the retrieval and photocopying of works (arguably as a necessary condition of the research of others), the *De Garis* court found these activities outside the scope of the fair dealing exception, possibly because copies were made broadly to cover general areas of interest to Jeffress's customers rather than in response to specific requests for items, and were made for profit. It is possible that, had the factual circumstances been closer to those in *CCH* or had Jeffress been acting in a role more easily identifiable as an agent, the Australian court would have found the fair dealing exception to extend to Jeffress' activities.

The *CCH* case is compelling because it demonstrates how much of a difference a court's interpretation can make to the outcome of a case. In *CCH*, the outcome flowed from the court's choice to characterize the fair dealing exception as a *right* and not simply as a *narrow limitation* on the copyright holder's entitlement. This

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<sup>454</sup> *Copyright Act 1968* (Cth), s 40(5), (7): "Despite subsection (2), a reproduction, for the purpose of research or study, of not more than a reasonable portion of a work or adaptation that is described in an item of the table and is not contained in an article in a periodical publication is taken to be a fair dealing with the work or adaptation for the purpose of research or study. For this purpose, reasonable portion means the amount described in the item." The table accompanying s 40(5) indicates that a reasonable portion of a literary, dramatic or musical work or adaptation that is contained in a published edition of at least 10 pages is 10% of the number of pages or a single chapter, and that a reasonable portion of a literary or dramatic work or adaptation published in electronic form is 10% of the number of words or a single chapter. Computer programs and electronic compilations such as databases are excluded from this table. Subsection (7) provides that if a person has made a reproduction of a part of a published literary or dramatic work or adaptation that is not more than a reasonable portion as defined in subsection (5), subsection (5) does not apply in relation to any subsequent reproduction made by the person of any other part of the same work or adaptation.

<sup>455</sup> Though see subsequent cases that have applied the *CCH* interpretation of fair dealing for research or study in commercial settings: *Society of Composers, Authors and Music Publishers of Canada (SOCAN) v Bell Canada* 2012 SCC 36 (12 July 2012); *Alberta (Education) v Canadian Copyright Licensing Agency (Access Copyright)* 2012 SCC 37 (12 July 2012).

exhibits a far greater respect for users' interests than does the Australian approach.<sup>456</sup> Accepting fair dealing as a user's right would mean that courts would be more reluctant to require intermediaries to take steps to prevent infringing uses of technologies where those steps might stifle the range of activities falling within the fair dealing exceptions. It calls for a higher burden on plaintiff copyright owners to establish that certain precautions would be 'reasonable' in the circumstances. Users' interests and the range of dealings we deem 'fair', therefore, have a significant impact on the scope of intermediary liability under the causation framework.

## **2.3 Conclusion**

The object of this part has been to demonstrate how users are neglected in intermediary liability case law and how they can be better accommodated. In conclusion, I make two normative claims: first, courts must turn their minds to users and users' interests. In making their judgments, courts should take care not to unreasonably encroach upon the values that are critical to users' abilities to experience culture fully and to use culture in ways that promote human flourishing. Second, in recognizing users' interests, Australian courts should adopt broad constructions of the fair dealing exceptions, as the courts in Canada have done. This is essential to ensure that assessments of whether an intermediary has taken reasonable precautions to prevent infringement are done carefully, critically and in a manner that accounts for all relevant interests.

## **3. A value-driven model of the user**

### **3.1 A cast of incomplete characters: existing models of the user**

One reason why Australian and US courts may have been reluctant to engage in an assessment of users' interests is that the concept of the user as a real person is underdeveloped in copyright jurisprudence. Both Joseph Liu and Julie Cohen have made this point; here, I briefly describe their arguments.

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<sup>456</sup> See further, *National Rugby League Investments Pty Limited v Singtel Optus Ptd Ltd* [20120 FCAFC 59 (27 April 2012).

Liu has argued that copyright law tends to treat users as ‘consumers’ and that within copyright theory there exists two variations of the consumer – the passive consumer and the consumer as author.<sup>457</sup> The passive consumer, Liu explains, is the model of the consumer on which the mass-mediated market for copyrighted works is based.<sup>458</sup> This consumer simply wants access to a variety of goods at a reasonable cost in order to consume those goods passively.<sup>459</sup> Copyright solves this basic goods problem by incentivizing authors to produce works. Under this view, there is no need for extensive user rights or a broad understanding of the fair use doctrine, because consumers want simply to consume, not to interact. In fact, the fair use doctrine should be construed narrowly in case it “undercuts the strong passive consumer interest in having materials to consume.”<sup>460</sup>

The alternative vision of the consumer – the consumer as author – is equally accounted for within copyright law as that smaller group of consumers who want to move beyond consumption and into creation. Copyright law recognises, through doctrines such as the idea/expression distinction and fair use, that authors often ‘consume’ earlier works in the process of creating their own works.<sup>461</sup> Thus, this extremely active consumer is treated more as an earlier author in the creative process than as a copyright user under law. Liu argues that copyright’s theory of the consumer is incomplete because it fails to account for a model of the consumer that falls between the two extremes of passive consumer and consumer as author; in other words, there is no theory of an ‘active’ consumer who is not also an ‘author’.

Like Liu, Cohen has observed that the portrayals of users that usually feature in copyright theory are one dimensional, unrealistic and incomplete.<sup>462</sup> She describes the three ‘characters’ of users contemplated by copyright theory: the economic user, the romantic user and the postmodern user. The model of the economic user comports roughly with Liu’s description of the passive consumer – the economic user “enters the market with a given set of tastes in search of the best deal”.<sup>463</sup> Like in the case of the passive consumer, it makes sense that copyright entitlements should be broad and that exceptions to infringement should be narrow, because clear

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<sup>457</sup> Joseph Liu, ‘Copyright Law’s Theory of the Consumer’ (2003) 44 *Boston College Law Review* 397.

<sup>458</sup> *Ibid.*, 402.

<sup>459</sup> *Ibid.* (He calls this the ‘couch potato’ approach.)

<sup>460</sup> *Ibid.*, 403.

<sup>461</sup> *Ibid.*, 405.

<sup>462</sup> Julie E. Cohen, ‘The Place of the User in Copyright Law’ (2005) 74 *Fordham Law Review* 347.

<sup>463</sup> *Ibid.*, 348.

rights ensure strong incentives and “enable information providers to develop product offerings to satisfy users at different price points.”<sup>464</sup> Further, the model of the economic user provides no reason why infringers should not be vigorously pursued and strongly punished. As Cohen explains, “The economic user’s motivations for unauthorized copying are easy to understand – he is trying to get away with paying less than the market price for a particular cultural good – but thwarting them is untroubling for the same reason.”<sup>465</sup>

The romantic user is likewise similar to Liu’s consumer as author. The romantic user is the most likely of the conventional characters to become an author, because she tends to operate within the domain of transformative use. Like the romantic author, the romantic user is individual, sophisticated and cultural – she is generally portrayed as knowing exactly which works she wants to use and what message she wants to convey, and for this reason accounts of the romantic user often focus on the end product that is the result of the romantic user’s transformation rather than the *process* of engagement.<sup>466</sup>

Finally, the postmodern user struggles against economic and cultural hegemony and often fails to see how the operation of the law is relevant to her. The postmodern user “seeks out and celebrates darknets”<sup>467</sup> and operates in the margins of copyright law. She is the user who perhaps best understands the cultural contingency of creativity and the “importance of a process-based understanding of fair use” but because she rejects the ideals of romanticism and much of the established beliefs underpinning copyright law, she “cannot command the law’s sympathy long enough for her insights to matter.”<sup>468</sup> Cohen argues that “none of [these characters] provides a convincing model of how real users actually behave, and none furnishes a compelling account of how this behavior relates to copyright’s collective goals.”<sup>469</sup>

If these are the models that courts have to work with, it is no wonder that so little attention is given to users’ interests. The passive consumer and economic user models suggest that online infringement is simply opportunistic behaviour and that to cut off these opportunities would stabilize the market again for the production and

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<sup>464</sup> Ibid, 351.

<sup>465</sup> Ibid.

<sup>466</sup> Ibid, 366; see also 348.

<sup>467</sup> Ibid, 361-62.

<sup>468</sup> Ibid, 367.

<sup>469</sup> Ibid, 349.

consumption of goods. The consumer as author and romantic user models are users who are in the process of becoming authors – caterpillars becoming butterflies – whose interests would therefore actually be furthered by approaches favouring strong author rights. The postmodern user is either a rebel to be controlled or someone who misunderstands the important intricacies of copyright doctrine and must therefore be enlightened. We need something better for the courts to work with. In this part, I set out the values which I think are crucial for forming a more complete vision of the user. I draw on the important literature in this area in explaining why these values are significant and how they can inform our understanding of users as both complex and real.

### 3.2 Autonomy

The first value that is important to users is autonomy – the freedom to make choices about when, where, how, how often and under what conditions a copyright work will be accessed, consumed and engaged with.

Joseph Liu has noted that this interest in autonomy is accounted for fairly well when copyrighted works are embodied in physical goods,<sup>470</sup> but that autonomy is restricted when we are dealing with digital copies. This is because digital copies may be subject to technological restrictions imposed through digital rights management (DRM) and because the digital nature of the copies makes it possible to track and enforce against all unauthorized uses.<sup>471</sup> Importantly, Liu states,

Individuals process information in different ways. Sometimes, information needs to be processed repeatedly before it can be fully understood or appreciated. Each encounter with a creative work may give rise to a new inspiration, impression or conclusion. Thus, repeated access and some degree of freedom in interacting with a

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<sup>470</sup> For example, we may read a physical book as often as we like, wherever we like, as many times as we like, in whatever order we like, and we may even do things such as scribbling our own notes over pages, ripping out pages and blacking out words or paragraphs. We may also lend physical books to friends. By contrast, where the book is digital, these acts may implicate the copyright owner's reproduction, adaptation and display rights.

<sup>471</sup> Joseph Liu, 'Copyright Law's Theory of the Consumer' (2003) 44 *Boston College Law Review* 397, 406-7. See also, Lawrence Lessig, *The Future of Ideas: The Fate of the Commons in a Connect World* (Random House, 2001); Lawrence Lessig, *Free Culture: How Big Media Uses Technology and the Law to Lock Down Creativity* (Penguin Press, 2004); Julie E. Cohen, 'The Place of the User in Copyright Law' (2005) 74 *Fordham Law Review* 347, 349-350.

copyrighted work can lead to a richer and more complex appreciation of the work.<sup>472</sup>

This is an important point – that contrary to existing theory, users do not consume intellectual goods in a predictable manner.<sup>473</sup> Individuals consume, use, react to and process copyrighted works in different ways. Some will do so passively, some will do so actively, some will do so passively then actively or vice versa. We should not restrict an individual's ability to experience a work in the way most benefiting to her without a compelling reason to do so.

This does not mean that users' autonomy should necessarily predominate over copyright owners' preferences in marketing and distributing their works. It does, however, mean that we should be somewhat skeptical of business models or technological restrictions that are designed primarily to make it more difficult or more expensive for users to access and use copyrighted works. This is particularly the case where more user-friendly options are available to the copyright owner and it is not clear that those alternatives would reduce the copyright owner's return or cause them harm. For example, e-books are often distributed with DRM that prevents certain uses being made of the book, such as the operation of text-to-voice software in conjunction with the book, and with the technological capacity to have the book withdrawn by the copyright owner at any time, despite the fact that the user has paid for the work.<sup>474</sup> Similarly, video games are usually distributed with strong copy protection which sometimes fails, meaning that users are put to the inconvenience of having to crack the DRM to fix the bug in order to play the game,<sup>475</sup> wait for the manufacturer to supply 'patches' to fix the bug without cracking the DRM, or play games with limited functionality. My suggestion is not that these technological

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Joseph Liu, 'Copyright Law's Theory of the Consumer' (2003) 44 *Boston College Law Review* 397, 407.

<sup>473</sup> See further William W. Fisher, 'The Implications for the Law of User Innovation' (2010) 94 *Minnesota Law Review* 1417.

<sup>474</sup> For example, in November 2011, Penguin Group (USA) withdrew new e-books from libraries and refused permission for libraries to loan e-books for Amazon's Kindle. Penguin cited security concerns over the digital editions but it was widely suspected that Penguin's reaction was due to a dispute with Amazon. See Hillel Italie, 'Penguin Suspends Library E-books, Citing Security' *Huffington Post*, 21 November 2011, [http://www.huffingtonpost.com/2011/11/22/penguin-suspends-library-0\\_n\\_1107799.html](http://www.huffingtonpost.com/2011/11/22/penguin-suspends-library-0_n_1107799.html); 'Penguin Pulls Out of Ebook Lending Over Piracy Concerns' *Mashable.com*, 22 November 2011, <http://mashable.com/2011/11/22/penguin-ebook-kindle-lending/>; Greg Lamm, 'Penguin pulls e-books for Kindle from libraries over flap with Amazon' *TechFlash*, 22 November 2011, <http://www.techflash.com/seattle/2011/11/penguin-pulls-e-books-for-kindle.html>.

<sup>475</sup> Which in some cases may be unlawful in itself under *Copyright Act 1968* (Cth) s 116AN (circumventing an access control technological protection measure) or 17 U.S.C. §1201 (circumvention of copyright protection systems).

protections and restrictions should be removed entirely, but we should view with a critical eye pressure placed on intermediaries by copyright owners to adopt or implement such restrictions where those restrictions are likely to have a noticeable and detrimental impact on user autonomy. For example, this value should have informed, at least to some extent, Justice Wilcox's opinion on filtering and gold file flooding in the *Sharman* case, where such measures were likely to result in the filtering or blocking of 'false positives', preventing users from gaining lawful access to some content.

### 3.3 Self-expression

The next important user value is self-expression, being the freedom to use the cultural products to which we are exposed for our own expressive purposes, including self-determination, making sense of the world around us, and communicating to others our thoughts, beliefs, opinions and affiliations.

Liu has described acts of creative self-expression as being acts that fall short of authorship in the conventional sense because they are only minimally transformative.<sup>476</sup> However,

The value is in the whimsical and unexpected juxtapositions that can arise when consumers begin to take and adapt existing copyrighted works for their own expressive purposes. Copyright works can thus be the raw building blocks, a platform, for consumer creativity and self-expression. Moreover, this distributed self-expression can lead to greater variety of viewpoints.<sup>477</sup>

For instance, when a student decorates her school books with images from movies or television or with photographs of her favourite band she has not transformed these images in such a way as to create a new work of authorship, but she is using the act of reproduction as an act of self-expression – the images say something about what she likes, and consequently, who she is.<sup>478</sup>

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<sup>476</sup> Joseph Liu, 'Copyright Law's Theory of the Consumer' (2003) 44 *Boston College Law Review* 397, 415.

<sup>477</sup> *Ibid*, 417.

<sup>478</sup> John Tehranian has likewise noted that "[i]n a modern capitalist society, consumption – both private and conspicuous – represents an instrument component in the process of identity development": John Tehranian, 'Parchment, Pixels & Personhood: User Rights and the IP (Identity Politics) of IP (Intellectual Property)' (2011) 82 *University of Colorado Law Review* 1, 22. See also,

In the online environment, using other people's works for acts of self-expression are common – users commonly post other people's content to their blogs, Instagram pages or Facebook pages, sometimes with comments and sometimes without, or they collate 'vision boards' or digital pinboards of other people's images on services such as Pinterest.<sup>479</sup> The very act of posting content to a space that is identified as 'belonging' to a person and which is publicly available is an act of self-expression as to what that person likes, is inspired by or finds beautiful and moving.

There are countless examples of how the reproduction and use of copyrighted works can serve expressive purposes, even where use does not move into territory commonly recognised as transformative or as an act of authorship. Rebecca Tushnet has described many of these, and though I need not recount all of them here they include: the mapping of music to personal videos to give different depth or meaning to the moving images; the performance of dramatic works with changes made only to non-copyrightable elements (such as the cross-gender casting of actors) to convey a political opinion; the adoption of music by contenders in political campaigns to convey a 'feeling' (of hope, strength etc.) to their constituents; and the reciting of poetry because it seems to "express profound truths that could not be better expressed – could not even be expressed at all – with other words."<sup>480</sup> Tushnet notes that in each of these examples, the "recontextualization is not transformative in a way that copyright could ever recognize, but that does not mean that the meaning of the copied work is static."<sup>481</sup>

Why does this matter? Why should copyright afford freedom – both financial freedom and freedom of action – for people to engage in these uses? As noted in part

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Rebecca Tushnet, 'Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It' (2004) 114 *Yale Law Journal* 535, 568-69.

<sup>479</sup> <http://pinterest.com/>. The norms in all of these communities appear centred around attribution and not copy restrictions. Rebecca Tushnet has pointed out that these sorts of activities have been going on for centuries: "In early modern England, literate men (and women, though less care has generally been taken to preserve their records) often kept commonplace books, transcribing fragments of texts that caught their attention, arranged together in what we would now call collage or montage. As Robert Darnton explains, 'Reading and writing were therefore inseparable activities. They belonged to a continuous effort to make sense of things, for the world was full of signs...by keeping an account of your readings, you made a book of your own, one stamped with your personality'": Rebecca Tushnet, 'Scary Monsters: Hybrids, Mashups, and Other Illegitimate Children' (2011) 86 *Notre Dame Law Review* 2133, 2154-55, quoting Robert Darnton, 'Extraordinary Commonplaces' *New York Review of Books* (Dec. 21, 2000).

<sup>480</sup> Rebecca Tushnet, 'Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It' (2004) 114 *Yale Law Journal* 535, 568-74, quote at 573.

<sup>481</sup> *Ibid*, 573.



1, self-expression is a necessary condition for the ‘good life’.<sup>482</sup> It is important to people’s sense of worth and to their flourishing to be able to undertake a process of self-exploration to determine who they are and what they stand for and then to present this version of themselves to others. People define themselves and their opinions in relation to the people, opinions and cultural objects around them. They are influenced by the social and cultural sphere in which they live,<sup>483</sup> and over time they will form a sense of whether they stand in opposition or harmony to the views expressed by others within this cultural sphere.<sup>484</sup> It is natural for people, then, to want to use cultural works to express themselves, sometimes because they will relate strongly to what that work signifies, sometimes because that work and its meaning will be recognizable to others and so the user’s point is more easily and clearly made, and sometimes because the best way to respond to some forms of culture is with other, oppositional, forms of culture. For these reasons, when examining the construct of the user or when attempting to accommodate users’ interests, copyright law should recognise the value of using copyrighted works for self-expression even if the relevant acts of self expression do not easily fall within established doctrines of fair use, fair dealing and other copyright exceptions.<sup>485</sup>

### 3.4 Personal connection

The third value, personal connection, has significant overlap with the value of self-expression, but differs in that connection with a copyright work may be private; a user may not wish to communicate this connection to others. The main point here is that copyright law and literature has devoted considerable attention to the strength of

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<sup>482</sup> As Amartya Sen has argued, “the liberty of acting as citizens who matter and whose voices count, rather than living as well-fed, well-clothed, and well-entertained vassals” is a precondition for a dignified life: Amartya Sen, *Development as Freedom* (Anchor, 1999) 288 as quoted in William W. Fisher, ‘The Implications for the Law of User Innovation’ (2010) 94 *Minnesota Law Review* 1417, 1466.

<sup>483</sup> See Julie E. Cohen, ‘The Place of the User in Copyright Law’ (2005) 74 *Fordham Law Review* 347, 370, discussed further in Part 3.7 below.

<sup>484</sup> See further, John Tehranian, ‘Parchment, Pixels & Personhood: User Rights and the IP (Identity Politics) of IP (Intellectual Property)’ (2011) 82 *University of Colorado Law Review* 1, 31: “Individuals define their relationship with, and status in, their social milieu – be it oppositional or harmonious, insider or outsider – through their consumptive actions.”

<sup>485</sup> This argument is in direct contrast to Justice Ginsburg’s controversial statement in *Eldred v Ashcroft* that the U.S. First Amendment (relating to freedom of speech) bears less heavily on copyright law where users “assert the right to make other people’s speeches”: *Eldred v Ashcroft*, 537 U.S. 186, 221 (2003).

an author's personal connection to his work,<sup>486</sup> but for the most part it has failed to recognize that users can have equally personal and intense relationships with the creative products they encounter.<sup>487</sup> As a precursor to expressive acts, this connection helps to explain why, in many circumstances, a person will feel compelled to adapt or respond to an existing cultural work rather than create something entirely new.<sup>488</sup> But personal connection is also important as a value in and of itself, because it recognizes that copyrighted works cannot ever truly be the sole dominion of the copyright owner once they are released into the world; once "out there" they can affect users in profound and sometimes inexplicable ways.<sup>489</sup>

The value here, then, is in being able to form a personal connection with a copyright work authored by someone else and to have the law recognise that connection as valid. This may, in fact, be an easier value for the law to recognise than some of the others listed here, because acts associated with this value will often be private and are less likely to impact upon the interests of rightsholders. Jessica Litman has argued that fairness under the fair use analysis should be more clearly made out where a use is private because "its impact on the copyright owner's

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<sup>486</sup> See for example (representing a variety of views): Justin Hughes, 'The Personality Interests of Artists and Inventors in Intellectual Property' (1998) 16 *Cardozo Arts & Entertainment Law Journal* 81; Neil Netanel, 'Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law' (1994) 12 *Cardozo Arts & Entertainment Law Journal* 1; Edward J. Damich, 'The Right of Personality: A Common-Law Basis for the Protection of the Moral Rights of Authors' (1988) 23 *Georgia Law Review* 1.

<sup>487</sup> Commenting on the *Wind Done Gone* case (*Suntrust Bank v. Houghton Mifflin Co.*, 252 F.3d 1165 (11<sup>th</sup> Cir. 2001)), Rebecca Tushnet writes: "Indeed, Alice Randall's *The Wind Done Gone*, a modern prototype of transformative fair use, came out of Randall's intensely passionate relationship to *Gone With the Wind*. Margaret Mitchell's novel hurt Randall so much because she loved it and it was sexist and racist. The love and the hurt had to combine for her to write a novel in response.": Rebecca Tushnet, 'Scary Monsters: Hybrids, Mashups, and Other Illegitimate Children' (2011) 86 *Notre Dame Law Review* 2133, 2139 (citations omitted).

<sup>488</sup> To the extent that it is even possible to create something new: see, for example, the fifth golden rule of Jim Jarmusch, an independent film director: "Nothing is original. Steal from anywhere that resonates with inspiration or fuels your imagination. Devour old films, new films, music, books, paintings, photographs, poems, dreams, random conversations, architecture, bridges, street signs, trees, clouds, bodies of water, light and shadows. Select only things to steal from that speak directly to your soul. If you do this, your work (and theft) will be authentic. Authenticity is invaluable; originality is non-existent. And don't bother concealing your thievery – celebrate it if you feel like it. In any case, always remember what Jean-Luc Godard said: 'It's not where you take things from – it's where you take them to'": <http://www.todayandtomorrow.net/2009/01/21/nothing-is-original/>. See also, Pablo Picasso: "Good artists borrow, great artists steal", quoted in Rebecca Tushnet, 'Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It' (2004) 114 *Yale Law Journal* 535, 552; Austin Kleon, *How to Steal Like An Artists (And 9 Other Things Nobody Told Me)*: <http://www.austinkleon.com/2011/03/30/how-to-steal-like-an-artist-and-9-other-things-nobody-told-me/>.

<sup>489</sup> "The song doesn't really belong to us anymore; it belongs to everybody who has ever gotten solace from it": Peter Buck of R.E.M., *In Time: The Best of R.E.M.* (Warner Bros. 2003 (linear notes for *Everybody Hurts*) as quoted in John Tehranian, 'Parchment, Pixels & Personhood: User Rights and the IP (Identity Politics) of IP (Intellectual Property)' (2011) 82 *University of Colorado Law Review* 1, 3.

exploitation of her work is likely to be limited, while its contribution to the person’s reading, listening or viewing may be significant”.<sup>490</sup>

### 3.5 Education

Users have an interest in their own education, specifically, the ability to educate oneself through access to appropriate resources. In accounts of human flourishing, education commonly arises as an important means to this end – education is a vehicle for understanding, empowerment and self-development.<sup>491</sup> For example, Martha Nussbaum in her work on the Capabilities Approach, which focuses on an individual’s capacity to achieve the kind of life that he or she has reason to value, identifies at least two capabilities for human flourishing that are furthered by education.<sup>492</sup> The first, ‘senses, imagination and thought’, is the ability to use one’s senses to imagine, think, reason and seek the meaning of life.<sup>493</sup> The second, ‘practical reason’, is the ability to form a conception of the good and critically reflect upon it.<sup>494</sup> Both of these capabilities are advanced by ready access to the kinds of resources that are commonly restricted by copyright – texts, articles and accounts; novels and poetry; art; documentaries; and music. As Julie Cohen notes, users tend to appropriate existing cultural goods “as an inevitable part of the process of self-development.”<sup>495</sup>

The importance of access and use of copyrighted works for education was a key impetus behind the open access movement, which also seeks to promote distributive justice by addressing the economic discrepancies in different people’s ability to pay for access to scholarly works.<sup>496</sup> Copyright scholars as well as open access advocates have expressed concern at the impact that enormous gaps in global wealth distribution can have on users’ capacities to access cultural, creative and educational

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<sup>490</sup> Jessica Litman, ‘Lawful Personal Use’ (2007) 85 *Texas Law Review* 1871, 1915.

<sup>491</sup> See further, Hugh Breakey, *Intellectual Liberty: Natural Rights and Intellectual Property* (Ashgate, 2012).

<sup>492</sup> Martha Nussbaum, *Creating Capabilities: The Human Development Approach* (Belknap Press, 2011), 30–31.

<sup>493</sup> *Ibid.*

<sup>494</sup> *Ibid.*

<sup>495</sup> Julie E. Cohen, ‘The Place of the User in Copyright Law’ (2005) 74 *Fordham Law Review* 347, 371.

<sup>496</sup> See generally, Peter Suber, *Open Access* (MIT Press, 2012); Nicolas Suzor, ‘Access, progress and fairness: rethinking exclusivity in copyright’ (2013) 15(2) *Vanderbilt Journal of Entertainment and Technology Law* 297; Nicolas Suzor, ‘Free-riding, cooperation and ‘peaceful revolutions’ in copyright’ (2014) 28(1) *Harvard Journal of Law and Technology* 138.

resources.<sup>497</sup> It is not my intention here to canvass all of the many and varied distributive justice arguments for greater access to copyrighted works. I simply assert that education is a user interest which ought to be recognised within the copyright system.

Copyright, after all, has at its foundation the promotion of learning. The first copyright statute, the *Statute of Anne* (1710) was “*An Act for the Encouragement of Learning*”. The United States Constitution empowers Congress to make laws with respect to copyright to “promote the Progress of Science”.<sup>498</sup> It is widely acknowledged that one of the core purposes of granting exclusive copyright protection is to provide authors with the legal security necessary to publish their works to the broader community without fear of freeriding. This security is provided not solely for the author’s own economic gain, but to encourage publication for the enlightenment of the general public.<sup>499</sup> As L. Ray Patterson and Stanley Lindberg have argued:

[We cannot] forfeit the purpose of copyright (the promotion of learning) in favor of its function (to protect the author’s right to publish)... Truth and understanding are difficult enough to come by under the best of circumstances, but if we allow knowledge to be monopolized by copyright as merely another species of private property, we will dispense with an enlightened and confident public.<sup>500</sup>

### 3.6 Community

The value of community reflects the ability, through engagement with copyright works whether through simple discussion or transformative creation or at any point in between, to build and explore sustainable bonds with other people and to

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<sup>497</sup> See, for example, William W. Fisher, ‘The Implications for the Law of User Innovation’ (2010) 94 *Minnesota Law Review* 1417, 1458, referring to statistics that as at the year 2000, the richest 10% of the world’s population owned approximately 85% of global household wealth and the richest 1% owned 40%. Those statistics have only increased in the intervening years, see: Larry Elliott and Ed Pilkington, ‘New Oxfam Report says half of global wealth held by the 1%’, *The Guardian* (online), 19 January 2015 <http://www.theguardian.com/business/2015/jan/19/global-wealth-oxfam-inequality-davos-economic-summit-switzerland>.

<sup>498</sup> United States Constitution, Article 1, Section 8, Clause 8.

<sup>499</sup> See further, Jessica Litman, ‘Readers’ Copyright’ (2011) 58 *Journal of the Copyright Society of the USA* 325.

<sup>500</sup> L. Ray Patterson and Stanley W. Lindberg, *The Nature of Copyright: A Law of Users’ Rights* (The University of Georgia Press, 1991) 238, 241.

participate in freely chosen communities. It recognises that interaction with culture is not always a solitary activity; copyright works are also “social goods, consumed in a social manner”.<sup>501</sup> When exposed to a copyright work for the first time, people often want to communicate with others about that work – “to share viewpoints, to debate, and to argue”<sup>502</sup> about its meaning. In this way, the value of community has a strong correlation with the value of self-expression. However, I have set out community as a separate value because communities will often form *as a result of* people’s expressive actions and, once established, they generate a different good for users than the freedom of self-expression. The benefit derived from forming bonds with people is distinct from the benefit of communicating thoughts and feelings, though the first may be dependent on the latter. Proponents of theories associated with human flourishing, including Self-Determination Theory (a branch of social psychology) and the Capabilities Approach, have repeatedly emphasized the importance to a person’s general well-being of social interaction, relatedness to others and personal relationships.<sup>503</sup> Communities foster feelings of belonging and human connection, and contribute to social cohesion.<sup>504</sup>

The internet is replete with different kinds of communities, which form around and within games, common interests,<sup>505</sup> remix culture,<sup>506</sup> sharing platforms such as YouTube and Flickr, and even p2p networks. Members of these communities frequently share copyrighted works as part of their interactions with each other.

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<sup>501</sup> Joseph Liu, ‘Copyright Law’s Theory of the Consumer’ (2003) 44 *Boston College Law Review* 397, 412.

<sup>502</sup> *Ibid.*

<sup>503</sup> See description in William W. Fisher, ‘The Implications for the Law of User Innovation’ (2010) 94 *Minnesota Law Review* 1417, 1463-70 and associated notes, especially notes 214 and 222 (2010). Fisher refers primarily to Edward L. Deci & Richard M. Ryan, ‘The “What” and “Why” of Goal Pursuits: Human Needs and the Self-Determination of Behavior’ (2000) 11 *Psychology Inquiry* 227, 231 (for Self-Determination Theory) and Martha C. Nussbaum, *Frontiers of Justice: Disability, Nationality, Species Membership* (Belknap Press, 2006) 76-78 (for the Capabilities Approach).

<sup>504</sup> As an example of social cohesion, both Tushnet and Tehranian have observed how reciting the Pledge of Allegiance or flying the U.S. flag can, through the expression of patriotic values, bring people together into a community of “Americans”: see Rebecca Tushnet, ‘Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It’ (2004) 114 *Yale Law Journal* 535, 578-79 and John Tehranian, ‘Parchment, Pixels & Personhood: User Rights and the IP (Identity Politics) of IP (Intellectual Property)’ (2011) 82 *University of Colorado Law Review* 1, 34-36.

<sup>505</sup> William Fisher has documented the online communities that have formed around the user innovation involved in ‘tinkering’ with physical and digital goods, including wind and kite surfing, rock and ice climbing, basketball shoes, bicycling, cooking, boats, cars, woodwork, and many more: see William W. Fisher, ‘The Implications for the Law of User Innovation’ (2010) 94 *Minnesota Law Review* 1417, 1418-30, 1470.

<sup>506</sup> See Rebecca Tushnet, ‘Scary Monsters: Hybrids, Mashups, and Other Illegitimate Children’ (2011) 86 *Notre Dame Law Review* 2133, 2140. For reference to communities built around fanworks, see Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William & Mary Law Review* 513.

Copyright law, however, when evaluating this sharing, usually fails to consider the value to users of participating in these communities and how sharing can facilitate this participation. As such, it sees little problem in requiring intermediaries to filter content or block users from these communities, or to redesign platforms in which communities congregate so that they only operate in particular, more limited, ways, so long as these requirements are not an unreasonable technological or financial burden on the intermediary.

### 3.7 Play

The final user value I put forward is play. I take this concept mainly from the work of Julie Cohen, who makes play central to her model of the situated user. Cohen's situated user "appropriates cultural goods found within her immediate environment for four primary purposes: consumption, communication, self-development, and creative play."<sup>507</sup> This user consumes and engages with creative goods available to her within her own culture and from other cultures, discovered through directed effort, fortuitous connections, and the user's situatedness within a network of friends, family, colleagues and acquaintances.<sup>508</sup> It is these 'pathways of consumption', whether directed, fortuitous or determined by the user's situatedness, that differentiate the situated user from traditional models of the economic user who acquires access to works only in the context of the market.<sup>509</sup>

The situated user's copying of cultural goods is inextricably linked with her "creative play".<sup>510</sup> Cohen emphasises the importance of appreciating the process of play – how an expansive freedom to engage in open-ended play with cultural resources can lead to collective artistic and cultural development, which the copyright system values as "progress".<sup>511</sup> Here, Cohen refers to play not only as an intentional activity by individuals, but also as a fluid and relational freedom – "the

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<sup>507</sup> Julie E. Cohen, 'The Place of the User in Copyright Law' (2005) 74 *Fordham Law Review* 347, 370.

<sup>508</sup> *Ibid.*

<sup>509</sup> *Ibid.*

<sup>510</sup> *Ibid.*, 371.

<sup>511</sup> *Ibid.*, 372-3.

process by which culture bends and folds unpredictably, bringing new groups, artifacts, and practices into unexpected juxtaposition.”<sup>512</sup>

Rebecca Tushnet has also highlighted the importance of play when writing in the context of fanworks: “Fanworks exist because creativity arises out of a sense of play. Play can be serious and intense, or relaxed, but mainly play is unpredictable. Play is about possibilities, not all of which can be realized in any one text. Audiences then respond to one author’s creativity with their own.”<sup>513</sup>

Freedom to play and experiment with copyright works in the ways that Cohen and Tushnet describe may, in fact, be the most important of the six values set out here, because play can assist users in finding new and unexpected layers of meaning in a copyright work and, through this, can help them to better understand themselves and the world around them. Play, therefore, cuts across all of the values set out above; it can provide the foundations for self-determination, self-expression, deeper connections with a creative work, and community building. Additionally, play can lead to the development of new cultural meaning or even to the creation of new works of authorship. The discovery, learning and creativity generated through play, then, are at the core of copyright’s goals to encourage the creation and dissemination of expressive works for the benefit of society.

### 3.8 Conclusion

Taken together, these six values – autonomy, self-expression, personal connection, education, community and play – underpin the majority of users’ actions and experiences with creative works, which run the gamut from ‘passive’ consumption (such as watching a movie)<sup>514</sup> to more involved consumption (for example, decorating one’s personal space with copyrighted images) to active engagement (contributing to offline or online discussions about cultural works; participating in remix culture) and to ongoing creation (such as writing a sequel to *Cather in the Rye*<sup>515</sup> or re-telling *Gone with the Wind* from a different point of

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<sup>512</sup> Ibid, 372. See further, Julie Cohen, *Configuring the Networked Self: Law, Code, and the Play of Everyday Practice* (Yale University Press, 2011) Chapter 4.

<sup>513</sup> Rebecca Tushnet, ‘Economies of Desire: Fair Use and Marketplace Assumptions’ (2009) 51 *William. & Mary Law Review* 513, 527 (citations omitted).

<sup>514</sup> Though one could argue that watching a movie is never truly a ‘passive’ activity.

<sup>515</sup> *Salinger v. Colting*, 607 F. 3d 68 (2d Cir. 2010).

view<sup>516</sup>). I will be using these values – and the vision of the user they support – throughout my thesis in evaluating when intermediaries should be held liable for copyright authorisation and, accordingly, when it is appropriate to require intermediaries to take steps that constrain how users are able to engage with technology and copyrighted content. In particular, these user values will inform my assessment in Chapter Four of what is a ‘reasonable precaution’ taken in furtherance of the duty to minimise the risk of copyright infringement.

#### **4. Conclusion: users matter**

Current approaches to intermediary liability are characterised by a theoretical binary (the liberty/efficiency binary) in which users are absent. This binary prevents us from reaching workable solutions and creates considerable and persistent uncertainty about the appropriate scope of intermediary liability in the digital age. In this chapter, I have demonstrated how this binary has served to obscure users’ interests in key intermediary liability cases in Australia and the United States. I have argued that this is problematic for a number of reasons, including that by ignoring users courts are ignoring the very people whose behaviour is ultimately being regulated by and through intermediary liability actions. Additionally, ignoring users avoids tricky questions about whether intermediary liability laws actually further the goals of the copyright system to stimulate creation and facilitate access to and dissemination of creative works.<sup>517</sup>

In arguing that courts must better accommodate users’ interests, I have presented six values which I assert underpin most user interactions with creative works – autonomy in determining when, where and how a work will be consumed; self-expression; personal connection with the copyright work; education; community; and play. I have also argued that Australian courts should follow the Canadian courts’ lead in interpreting copyright exceptions broadly and recognising users’ interests.

How the law understands and treats copyright users in the digital environment is tremendously important, because the model of the user that we adopt affects the scope of entitlements that we accord users under copyright law, and how we confine

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<sup>516</sup> *Suntrust Bank v. Houghton Mifflin Co.*, 252 F.3d 1165 (11<sup>th</sup> Cir. 2001).

<sup>517</sup> See *IceTV Pty Limited v Nine Network Australia Pty Limited* (2009) 239 CLR 458; [2009] HCA 14 (22 April 2009), 471 [25] (French CJ, Crennan and Kiefel JJ).



the scope of copyright owners' entitlements. This in turn impacts the scope of intermediary liability in copyright law and the range and types of measures that we expect intermediaries to implement to limit incidents of infringement.<sup>518</sup> If we consider the majority of online users to be copyright 'thieves' then we are likely to want to limit the freedoms that we afford users to deal with copyright works online and the corresponding liability of both users and intermediaries will be broad. By contrast, if we recognise that users have a range of interests in dealing with copyright works, some of which we may want to attribute value to or encourage, then we may want to give users sufficient scope to pursue these interests and the liability of intermediaries will be accordingly limited. Intermediary liability, then, cannot just concern itself with balancing the economic harm to rightsholders from online infringement against the harm felt by technology developers when their freedom to innovate is limited. These are important considerations, but they are not the whole equation. Approaches to intermediary liability must also care about how the law affects authors and users, especially where it impacts their freedoms to engage with the cultural works to which they are exposed and to exercise their creativity in ways that feel natural to them.

The conception of the user set out in this chapter forms an important theoretical foundation for the chapters that follow. In Chapter Four, I deal with intermediaries that have causally contributed to the risk of infringement. I propose that the ordinary negligence assessment of duty-breach-damage is the best way to determine the liability of these intermediaries. The breach element in tort law allows for a range of different public policy factors to be considered when determining whether or not the defendant took reasonable measures to meet its duty. By extending this analysis to copyright authorisation we make room for the law, finally, to properly consider how the precautions taken by an intermediary might negatively impact upon legitimate user interests. In Chapter Five, I look at whether intermediaries that have not contributed to the risk of harm ('nonfeasance intermediaries') might nonetheless be held liable because they have a relationship of control with the infringing users. A more developed understanding of the user is also relevant here, because it more fully

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<sup>518</sup> The court in *Tenenbaum* recognised the link between how we conceptualise copying and infringement in the p2p context and the scope of intermediary liability – “Grokster’s secondary liability was premised on the fact that file sharing constituted a form of primary infringement, rather than a fair use. All in all, a finding that file sharing for personal enjoyment is fair would have the practical effect of overturning *Grokster*”: *Sony BMG Music Entertainment v. Tenenbaum*, 672 F.Supp.2d 217, 227 (2009).

illuminates the nature of the relationship between the intermediary and the user and whether it is indeed appropriate to hold the intermediary responsible for the user's unlawful actions.

In conclusion, users matter to intermediary liability. We will not make meaningful progress in addressing issues of online infringement and the scope of copyright authorisation unless we first adopt a more coherent model of the user and pay careful attention to how users are being treated in this space. It may be that by incorporating users' interests into evaluations involving intermediary liability, courts and legislatures will be able to move past the liberty/efficiency binary to formulate copyright law, policy and regulation that is clearer, more pragmatic and fairer to authors, users and intermediaries alike.<sup>519</sup>

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<sup>519</sup> Users need to be better accounted for within copyright law as a whole, not just with respect to intermediary liability. A detailed examination of how users can be better accommodated within copyright law more generally is outside the scope of this thesis. However, I have elsewhere argued that there may be space to consider users' interests within the *Copyright Act 1968* (Cth) where the Act distinguishes between infringing and non-infringing copying with the words "act comprised in the copyright" in sections 36(1) and 101(1). See Kylie Pappalardo and Brian Fitzgerald, 'Copyright, Fair Use and the Australian Constitution' in Brian Fitzgerald and John Gilchrist (eds.) *Copyright Perspectives: Past, Present and Prospect* (Springer, 2015) Chapter 8, 125-164.

## Chapter 4

# Breaching the duty to minimise the risk of infringement: The negligence calculus

## 1. Introduction

This thesis seeks to answer the question: how can we determine the appropriate scope of the liability of online copyright intermediaries in a way that is principled and considers the interests of users? In answering this question, I have, so far, argued that intermediaries should not be held liable for copyright infringement unless they are responsible, in a causal sense, for bringing about that infringement. Responsibility theory tells us that a person will be responsible for a harmful outcome where his or her actions caused or contributed to the harm (causation) and where harm was the foreseeable result of those actions such that the person might have acted to avoid the harm but did not (fault).<sup>520</sup> In these situations, the person will be responsible in the sense that he or she will be accountable to the person harmed, often legally and financially.<sup>521</sup> Framed algorithmically, it is possible to say: **causation + fault = responsibility.**

In Chapter Two, I tackled the first part of this equation. I argued that where copyright infringement is the very type of thing likely to result from an intermediary's technology or service, then that intermediary has a causal role in infringement. I separated intermediaries into two groups – those that do causally contribute to copyright infringement ('misfeasance intermediaries') and those that do not ('nonfeasance intermediaries'). My claim was that for misfeasance intermediaries, their causal role gives rise to a duty to act to minimise the risk of copyright infringement, at least to the extent that their technology or service has

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<sup>520</sup> Stephen R. Perry, 'The Moral Foundations of Tort Law' (1992) 77 *Iowa Law Review* 449, 513; John C. P. Goldberg and Benjamin C. Zipursky, 'Tort Law and Responsibility' in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 20-21; Emmanuel Voyiakis, 'Rights, Social Justice and Responsibility in the Law of Tort' (2012) 35(2) *UNSW Law Journal* 449, 458; Frank E. Denton, 'The Case Against a Duty to Rescue' (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 127; Peter Cane, 'Justice and Justifications for Tort Liability' (1982) 2(1) *Oxford Journal of Legal Studies* 30, 53-4.

<sup>521</sup> John C. P. Goldberg and Benjamin C. Zipursky, 'Tort Law and Responsibility' in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 18, 32.

contributed to that risk. Whether the intermediary is actually responsible for copyright infringement depends on their response to that duty.

In this chapter, I explore the second part of the equation: fault. I examine how fault is normally established in negligence law and I apply those tests to misfeasance intermediaries in copyright. In part 2, I argue that the duty of care placed on an intermediary must be formulated by reference to the facts and relationships at issue in the particular case. The scope must be carefully delineated so that it is not too broad not too specific. In part 3, I discuss the standard of care that is applied to a defendant's conduct. Generally, courts will ask: 'What is the standard of care that a reasonable person in the defendant's position would exercise in the circumstances?' This question sets a benchmark against which to determine whether the defendant's conduct falls short, resulting in a breach of the duty of care. The standard of care exhibited by a reasonable person will take into account any special skills or knowledge that a person in the defendant's position would have.

Part 4 details the test for breach of a duty of care. In deciding whether a reasonable person would have taken precautions against the risk of harm, courts will consider the probability of harm eventuating and its likely seriousness; the burden of taking precautions, in terms of expense and difficulty; and the social utility of the harm-creating activity. These factors are assessed and balanced against one another to determine whether the defendant acted reasonably in the circumstances. It may be that a reasonably prudent person in the defendant's position would do nothing in the circumstances; conversely, a reasonably prudent person might implement substantial precautions. This is an extremely fact-specific analysis. Where the defendant's conduct falls short of that of a reasonable person, then the defendant has breached their duty of care. The test for breach in negligence provides important space to incorporate users' interests when applied in the copyright context. Specifically, the 'social utility' factor would allow courts to more fully consider the social impact of the intermediary's technology or service on furthering users' interests in autonomy, self-expression, connection, education and play. It would also provide scope to consider how precautions to minimise the risk of infringement might impede the functions of the technology or service that further users' interests.

In part 5, I return, briefly, to causation. I examine the 'damage' element of the negligence analysis, in asking whether the defendant's breach of duty actually caused the damage suffered by the plaintiff. This is the point at which a defendant can be

held to be at fault. In part 6, I apply these tests to a selection of misfeasance intermediaries in copyright and consider whether, under these tests, those intermediaries would be found to be at fault for copyright authorisation. I do not deal with misfeasance intermediaries in the abstract but, rather, apply the breach and damage tests to well-known intermediary copyright cases. I consider, firstly, the responsibility of Sony for the manufacture and sale of the Betamax player; secondly, the peer-to-peer filesharing software distributors, Grokster and Sharman; and, lastly, the content-sharing platform, YouTube. I conclude by examining how this negligence-influenced framework for copyright authorisation fits within the current statutory law for determining secondary copyright liability. Namely, I discuss how my framework might influence that way that sections 36(1A) and 101(1A) in the *Copyright Act 1968* are interpreted.

## 2. Duty of care

As a general rule, the law does not impose duties on people to rescue others or protect others from harm inflicted by third parties.<sup>522</sup> An exception to this rule is that where the defendant created or causally contributed to the creation of the risk to the plaintiff, a duty of care arises.<sup>523</sup> As discussed in Chapter Two, a defendant will have causally contributed to the risk of harm in tort where he or she provided the condition that ‘made the difference’ between the normal state of affairs and the state of affairs in which the harm occurred, or where he or she provided an opportunity to third party wrongdoers and harm to the plaintiff was a ‘natural consequence’ or ‘common exploitation’ of that opportunity.<sup>524</sup>

The imposition of a duty in situations where a person has created or exacerbated a risk to another reflects a fundamental principle underlying tort law that people

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<sup>522</sup> See further, Chapter Two. Also: *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004, 1027 (Lord Reid) (“[W]hen a person has done nothing to put himself in any relationship with another person in distress...mere accidental propinquity does not require him to go to that person’s assistance. There may be a moral duty to do so, but it is not practicable to make it a legal duty”); Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 101; Les Haberfield, ‘Lowns v Wood and the Duty to Rescue’ (1998) *Tort Law Review* 56, 59, 65.

<sup>523</sup> Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 115, 117, 129; Les Haberfield, ‘Lowns v Wood and the Duty to Rescue’ (1998) *Tort Law Review* 56, 67.

<sup>524</sup> I noted in Chapter Two that for copyright intermediaries, the most appropriate test is whether the copyright infringement is a natural consequence of the intermediary’s technology or service. See Chapter Two, part 4.

should be accountable for their actions and answerable to those whom their actions harm.<sup>525</sup> It is important to highlight that causing a risk gives rise to a duty of care, but not necessarily to liability. A person will be liable – found to be legally at fault – if he or she breaches that duty of care.<sup>526</sup> Frank E. Denton has said that in situations where the defendant has created a risk to others, the duty of care will be a duty “to take whatever positive steps are necessary to keep the risk below a reasonable level.”<sup>527</sup>

The precise duty imposed on a defendant will depend on the particular facts of the case in question. A duty of care is not unlimited in scope. Justice Gummow has stated, “[D]uties of care are not owed in the abstract. Rather, they are obligations of a particular scope, and that scope may be more or less expansive depending on the relationship in question.”<sup>528</sup> His Honour has emphasised that the scope of a duty of care must be formulated carefully so that it is not too broad or too specific. In *Kuhl v Zurich Financial Services Australia Ltd*,<sup>529</sup> Chief Justice French and Justice Gummow said,

[A] duty formulated at too high a level of abstraction may leave unanswered the critical questions respecting the content of the term ‘reasonable’ and hence the content of the duty of care... The appropriate level of specificity when formulating the scope and content of the duty will necessarily depend on the circumstances of the case.<sup>530</sup>

In cases involving the creation of a risk of harm to the plaintiff that is later occasioned by a third party, the duty of care will usually be some iteration of a duty to take reasonable precautions to minimise the risk created or contributed to by the defendant.<sup>531</sup> The precise scope of the duty will be formulated by reference to the

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<sup>525</sup> John C. P. Goldberg and Benjamin C. Zipursky, ‘Tort Law and Responsibility’ in John Oberdiek (ed), *Philosophical Foundations of the Law of Torts* (Oxford University Press, 2014) 17, 17, 29. See also, David Howarth, ‘Three Forms of Responsibility: On the relationship between tort law and the welfare state’ (2001) 60(3) *Cambridge Law Journal* 553, 553.

<sup>526</sup> See Ernest Weinrib, ‘The Case for a Duty to Rescue’ (1980) 90(2) *Yale Law Journal* 247, 255,

<sup>527</sup> Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 117, 129.

<sup>528</sup> *Roads and Traffic Authority of New South Wales v Dederer* (2007) 234 CLR 330; 238 ALR 761 [43] (Gummow J).

<sup>529</sup> *Kuhl v Zurich Financial Services Australia Ltd* (2011) 243 CLR 361; 276 ALR 375.

<sup>530</sup> *Kuhl v Zurich Financial Services Australia Ltd* (2011) 243 CLR 361; 276 ALR 375 [22] (French CJ and Gummow J). However, their Honours also warned that a duty should not be formulated so that it too closely references the alleged breach: at [22].

<sup>531</sup> See also, Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 117, 129.

relationships between the defendant and the third party and the defendant and the plaintiff, and also by reference to the other relevant circumstances of the case. For example, *Home Office v Dorset Yacht Co Ltd*<sup>532</sup> involved harm to the plaintiffs' yacht inflicted by seven Borstal<sup>533</sup> boys who had escaped from the defendant's care on an island on which they were working. The plaintiffs alleged the following particulars of negligence:

- (a) that knowing the boys had criminal records, including for breaking and entering and stealing vehicles, and knowing that several of the boys had records for previous escapes from Borstal institutions, the defendants failed to exercise any effective control or supervision over the boys;
- (b) that the three officers in charge failed to keep any watch over the boys at night, but retired to bed and left the boys to their own devices;
- (c) that the officers failed make any effective arrangements to keep the boys under control at night; and
- (d) that knowing that there were craft such as the plaintiff's yacht offshore and that there was no effective barrier in the way of the boys gaining access to such craft, the defendants failed to take any adequate steps to check the movements of the boys.<sup>534</sup>

These particulars can be reframed to express the alleged duty as a duty to take reasonable precautions to minimise the risk created by the defendants. Essentially, the plaintiffs here claimed that the defendants created a risk of harm by taking boys with known criminal records for committing property offences and with histories of escaping custody to an unsecured island in close proximity to their luxury boat craft.<sup>535</sup> The risk, of course, was that the boys would escape from the island and damage the plaintiff's property. The duty to take reasonable precautions to minimise the risk might have been met here by supervising the boys, restraining the boys from freely moving about the island, or by otherwise exercising control over the boys.<sup>536</sup>

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<sup>532</sup> *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004.

<sup>533</sup> A Borstal was a kind of youth detention centre in the United Kingdom, designed to be educational rather than punitive. The borstal system was abolished in the UK by the *Criminal Justice Act 1982*. See further, 'Borstal', Wikipedia, accessed 16 October 2014, <http://en.wikipedia.org/wiki/Borstal>.

<sup>534</sup> *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004, 1007-8.

<sup>535</sup> See, *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004, 1053 (Lord Pearson).

<sup>536</sup> *Ibid.*

So, for example, Lord Morris of Borth-Y-Gest articulated the duty owed in the following terms:

The conclusion that I have reached is that the officers owed a duty to the company to take care as in all the circumstances was reasonable with a view to preventing the boys in their charge and under their control from causing damage to the nearby property of the company if that was a happening of which there was a manifest and obvious risk.<sup>537</sup>

It is important to note that both Lord Morris of Borth-Y-Gest and Lord Pearson held that the duty was *not* a general duty to prevent the boys from escaping – a duty which would have been too wide and against public policy – but was instead a duty to take reasonable steps to minimise the risk that the boys would damage the plaintiff’s nearby property if they escaped.<sup>538</sup> This was a risk that was not only foreseeable, but likely – or, in the words of Lord Morris of Borth-Y-Gest, “glaringly obvious”<sup>539</sup> – because of the physical proximity of the plaintiff’s boats, the specific criminal histories of the boys in question, and the fact that a person attempting to escape an island would be likely to seek out a boat as a means of doing so. Thus, the duty in this case was formulated and constrained by reference to the precise risk created.

In copyright authorisation cases involving ‘misfeasance intermediaries’, the risk will normally be that use of the intermediary’s technology or service will occasion third party copyright infringement. As explained in Chapter Two, the risk must be not only foreseeable but likely – the very type of thing we would expect to occur from the provision of the technology or service. Under a tort-influenced approach to authorisation liability, therefore, a duty will be imposed on misfeasance intermediaries to take reasonable steps to minimise the risk that users will use their technology or service to infringe the plaintiff’s copyright. The steps that will be sufficient to meet that duty will depend on the nature of the technology or service and other relevant circumstantial factors, which are considered below in part 4.

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<sup>537</sup> Ibid, 1035 (Lord Morris of Borth-Y-Gest). See also at 1034: “It was incumbent on the officers to avoid acts or omissions which they could reasonably foresee would be likely to injure the owners of yachts.”

<sup>538</sup> *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004, 1039 (Lord Morris of Borth-Y-Gest); 1053, 1057 (Lord Pearson); *cf.* 1057-8, 1070-1 (Lord Diplock).

<sup>539</sup> *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004, 1034 (Lord Morris of Borth-Y-Gest); see also at 1026, 1030 (Lord Reid); 1041 (Viscount Dilhorne).



### 3. Standard of care

In ascertaining whether a duty of care has been breached, courts must first determine the relevant standard of care of which the defendant's conduct is alleged to have fallen short. This is a question of law.<sup>540</sup> Courts apply an objective standard by reference to the 'reasonable person'.<sup>541</sup> They ask: 'What is the standard of care that a reasonable person in the defendant's position would exercise in the circumstances?'

The standard of care is measured according to the circumstances of each case.<sup>542</sup> Courts will take into account a range of factors, including the nature of the relationship between the plaintiff and the defendant,<sup>543</sup> and whether the defendant has special skills or knowledge owing to his or her position or occupation, such as where the defendant is a medical practitioner or lawyer.<sup>544</sup> Where the defendant has special skills or knowledge relevant to the alleged duty, the standard of care is that of a reasonable person with those skills or that knowledge.<sup>545</sup> The converse is that persons carrying out tasks that require certain skills, but who do not hold themselves out as possessing those skills, will not owe the same standard of care as persons with those skills.<sup>546</sup> In some Australian jurisdictions, the civil liability legislation provides that the 'reasonable person' in the position of the defendant is a person who had all the information that the defendant had or ought to have had at the time of the incident.<sup>547</sup>

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<sup>540</sup> *Glasgow Corporation v Muir* [1943] AC 448, 454; *Bolton v Stone* [1951] AC 850, 860; *Paris v Stepney Borough Council* [1951] AC 367, 384.

<sup>541</sup> See *Davis Contractors v Fareham Urban District Council* [1956] AC 696, 722 (Lord Radcliffe); Donal Nolan, 'Varying the Standard of Care in Negligence' (2013) 72(3) *Cambridge Law Journal* 651, 651-2 (stating that the objective standard of the reasonable person has remained constant for over 150 years).

<sup>542</sup> See *Wooldridge v Sumner* [1963] 2 Q.B. 43, 68 (Diplock LJ); Donal Nolan, 'Varying the Standard of Care in Negligence' (2013) 72(3) *Cambridge Law Journal* 651, 656; Kumaralingam Amirthalingam, 'The Shifting Sands of Negligence: Reasonable Reliance to Legitimate Expectation?' (2003) 3(1) *Oxford University Commonwealth Law Journal* 81, 89.

<sup>543</sup> *Smith v Jenkins* (1970) 119 CLR 397, 400.

<sup>544</sup> See, *Imbree v McNeilly* (2008) 236 CLR 510; 248 ALR 647 [69]; *Heydon v NRMA Ltd* (2000) 51 NSWLR 1, 117.

<sup>545</sup> *Chin Keow v Government of Malaysia* [1967] 1 WLR 813; *Lanphier v Phipos* (1838) 8 C & P 475, 479; 173 ER 581, 583; *Mahon v Osborne* [1939] 2 KB 14; *Rogers v Whitaker* (1992) 175 CLR 479, 483; *Yates Property Corporation Pty Ltd (in liq) v Boland* (1998) 85 FCR 84, 105; 157 ALR 30, 50-1.

<sup>546</sup> *Blackmore v Beames* (SASC, No. 92-709, 8 February 1993, unreported); *Caminer v Northern & London Investment Trust Ltd* [1951] AC 88, 108, 111-12; *Papantonakis v Australian Telecommunications Commission* (1985) 156 CLR 7, 21; see also, Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 229-230.

<sup>547</sup> See *Civil Law (Wrongs Act) 2002* (ACT), s.42; *Civil Liability Act 1936* (SA), s. 31. See also, Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 226, 228-9; *Roe v*

For copyright authorisation cases, the standard of care rules in negligence highlight two important considerations. The first is that online intermediaries will not, as a general rule, have special expertise in copyright law. It is true that some may have copyright lawyers on staff, and if those lawyers play an active role in responding to complaints by rightsholders then this may be a factor that bears on the standard of care in the particular case. However, this will not be the situation for all, or even most, online intermediaries. This means that a ‘reasonable person’ in the position of the defendant intermediary is most likely to be a (reasonably educated) layperson, not an intellectual property lawyer. We should not therefore expect intermediaries, when responding to allegations of third party infringement from copyright owners, to possess the special skills and knowledge of an IP lawyer in being able to assess whether a particular use is an infringement or whether it falls within a legal exception to infringement such as fair dealing.<sup>548</sup> The upshot is that copyright owners should bear a relatively heavy burden in demonstrating that the actions of users were such *clear* acts of copyright infringement that the intermediary was obliged to respond.<sup>549</sup> To do otherwise – to impose a standard of care that would require intermediaries to respond to *mere allegations* of infringement – would risk seriously undermining the legitimate interests of users online.<sup>550</sup>

The second consideration concerns the role of infringement notices and associated information provided by copyright owners. If the standard of care in an authorisation case incorporates the idea that the reasonable person is someone who was in the possession of all the information that the defendant had or ought to have had at the relevant time, then correspondence from copyright owners, including infringement notices, becomes relevant. Where copyright owners have taken considerable care to ensure that any infringement notices sent to intermediaries are clear, detailed, specific and well substantiated, this information may result in a higher standard of care. By contrast, where infringement notices are vague, contain

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*Minister of Health* [1954] 2 QB 66; *H v Royal Alexandra Hospital for Children* (1990) Aust Tort Reports ¶ 81-000.

<sup>548</sup> For a discussion of the due process concerns associated with expecting intermediaries to act on rightsholders’ allegations of infringement, see Nicolas Suzor and Brian Fitzgerald, ‘The Legitimacy of Graduated Response Schemes in Copyright Law’ (2011) 34(1) *University of New South Wales Law Journal* 1, 17-21, 24 (“When made properly, an allegation of infringement is at best a statement that the copyright owner has a good faith belief that its copyright is being infringed”: p18).

<sup>549</sup> For example, frequent and repeated copying of entire works.

<sup>550</sup> See Chapter Three. See further, Nicolas Suzor and Brian Fitzgerald, ‘The Legitimacy of Graduated Response Schemes in Copyright Law’ (2011) 34(1) *University of New South Wales Law Journal* 1, 20 (noting that intermediaries are unlikely to spend additional time and money fully investigating allegations of infringement).

errors, or where the methods for collecting data on users are inadequately explained, the standard of care will be lower.

*Roadshow Films v iiNet* provides a useful illustration of this point, despite being a case involving a ‘nonfeasance’ intermediary. There, the Australian Federation Against Copyright Theft (AFACT) employed a company which used software (“the DtecNet Agent”) to gather evidence that iiNet subscribers were infringing copyright.<sup>551</sup> Chief Justice French and Justices Crennan and Kiefel explained the technology in their reasons:

In essence, the DtecNet Agent is a BitTorrent client with an additional function – at the same time that it receives and shares pieces of a file, it gathers and records information about the peers in the swarm who are also receiving and sharing the pieces of that file. By using only .torrent files associated with the appellants’ films (identified as such by hash values) and connecting only to peers with a public IP address that matched an IP address which had been sold to iiNet, DtecNet claimed that it was able to identify instances of copyright infringement by iiNet customers.<sup>552</sup>

For a period of about a year, AFACT sent weekly notices to iiNet that alleged copyright infringement by iiNet users and which contained spreadsheets purporting to show evidence of this infringement.<sup>553</sup> iiNet gave evidence that it had difficulty understanding AFACT’s data.<sup>554</sup>

Chief Justice French and Justices Crennan and Kiefel stated that the AFACT notices did not provide the evidence “which would be expected to be filed in civil proceedings in which interlocutory relief was sought by a copyright owner in respect of an allegation of copyright infringement”.<sup>555</sup> They accepted iiNet’s claim that it could not understand the DtecNet methodology.<sup>556</sup> Similarly, Justices Gummow and Hayne began their judgment by pointing to the sheer volume of infringement notices received by iiNet – up to 350 for each day.<sup>557</sup> They noted that the judge at first

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<sup>551</sup> See *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012)[28].

<sup>552</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [29] (French CJ, Crennan and Kiefel JJ).

<sup>553</sup> *Ibid* [30] (French CJ, Crennan and Kiefel JJ).

<sup>554</sup> *Ibid* [34] (French CJ, Crennan and Kiefel JJ).

<sup>555</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [75] (French CJ, Crennan and Kiefel JJ).

<sup>556</sup> *Ibid* [74], [77]-[78] (French CJ, Crennan and Kiefel JJ); see also [138] (Gummow and Hayne JJ).

<sup>557</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [92] (Gummow and Hayne JJ).

instance did not regard these notices as reliable evidence of infringement.<sup>558</sup> Their Honours accepted iiNet's arguments that the notices did not identify any iiNet customers but only IP addresses,<sup>559</sup> and that while iiNet was prepared to cooperate with law enforcement agencies in the prosecution of offenders, "it had no obligation to employ staff in the pursuit of information for AFACT and would not take responsibility of imposing penalties on its customers 'purely on the allegations of AFACT'."<sup>560</sup>

In sum, if iiNet had been a misfeasance intermediary rather than a nonfeasance intermediary,<sup>561</sup> the standard of care imposed on iiNet in relation to the duty to take reasonable precautions to minimise the risk of infringement would be low (subject to other considerations). This would be in large part because a reasonable intermediary in the iiNet's position would not possess reliable information as to the occurrence of copyright infringement on its network.<sup>562</sup>

#### **4. Breach of the standard of care**

The primary issue for misfeasance intermediaries is whether they have breached their duty of care to minimise the risk of copyright infringement arising from their technology or service. For misfeasance intermediaries, the alleged breach is likely to be one of omission: failing to do anything at all to respond to the risk of third party infringement. In this part, I set out the legal principles relating to breach of duty as they have been developed in tort law. In part 6, I apply these principles to misfeasance intermediaries in copyright to demonstrate how a careful consideration of the relevant facts is likely to produce different results for different intermediaries.

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<sup>558</sup> Ibid.

<sup>559</sup> IP addresses may identify computers that are shared, such as terminals at schools or libraries or Wi-Fi hot spots, and so identification of an IP address does not necessarily identify an individual user.

<sup>560</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [96] (Gummow and Hayne JJ).

<sup>561</sup> As determined using the framework set out in Chapter Two.

<sup>562</sup> Unless the court determines that the intermediary had relevant information obtained from other sources.

In Australia, the test for breach of a duty of care is now set out in statute. All states and territories in Australia, excepting the Northern Territory, have enacted legislation to similar effect.<sup>563</sup> For example, the Queensland provision provides:

- (1) A person does not breach a duty to take precautions against a risk of harm unless—
  - (a) the risk was foreseeable (that is, it is a risk of which the person knew or ought reasonably to have known); and
  - (b) the risk was not insignificant; and
  - (c) in the circumstances, a reasonable person in the position of the person would have taken the precautions.
  
- (2) In deciding whether a reasonable person would have taken precautions against a risk of harm, the court is to consider the following (among other relevant things)—
  - (a) the probability that the harm would occur if care were not taken;
  - (b) the likely seriousness of the harm;
  - (c) the burden of taking precautions to avoid the risk of harm;
  - (d) the social utility of the activity that creates the risk of harm.<sup>564</sup>

The legislation is a restatement of the common law test laid down by Justice Mason in *Wyong Shire Council v Shirt* (1980) 146 CLR 40.<sup>565</sup> The codification of the common law test came about because the legislature was concerned that courts were failing to properly balance the four factors set out in *Wyong Shire Council v Shirt* and now contained in subsection (2) of the provision extracted above.<sup>566</sup> Instead,

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<sup>563</sup> *Civil Liability Act 2003* (QLD), s.9; *Civil Liability Act 2002* (NSW), s.5B; *Wrongs Act 1958* (Vic), s.48; *Civil Liability Act 1936* (SA) s.32; *Civil Liability Act 2002* (WA), s.5B; *Civil Law (Wrongs) Act 2002* (ACT), s.43; *Civil Liability Act 2002* (Tas), s.11.

<sup>564</sup> *Civil Liability Act 2003* (QLD), s.9.

<sup>565</sup> “In deciding whether there has been a breach of the duty of care the tribunal of fact must first ask itself whether a reasonable man in the defendant's position would have foreseen that his conduct involved a risk of injury to the plaintiff or to a class of persons including the plaintiff. If the answer be in the affirmative, it is then for the tribunal of fact to determine what a reasonable man would do by way of response to the risk. The perception of the reasonable man's response calls for a consideration of the magnitude of the risk and the degree of the probability of its occurrence, along with the expense, difficulty and inconvenience of taking alleviating action and any other conflicting responsibilities which the defendant may have. It is only when these matters are balanced out that the tribunal of fact can confidently assert what is the standard of response to be ascribed to the reasonable man placed in the defendant's position”: *Wyong Shire Council v Shirt* (1980) 146 CLR 40, 47-8 (Mason J).

<sup>566</sup> Commonwealth of Australia, *Review of the Law of Negligence: Final Report* (2002) (“the Ipp Report”), 102-7, esp. at 105; Barbara McDonald, ‘Legislative Intervention in the Law of Negligence: The Common Law, Statutory Interpretation and Tort Reform in Australia (2005) 27 *Sydney Law Review* 433, 464.

courts were giving inordinate attention to the first limb of Justice Mason's test and finding defendants negligent if the risk concerned was foreseeable and the defendant failed to take any steps to avoid it.<sup>567</sup> As Barbara McDonald has observed, "It was never the law that a defendant was automatically negligent for failing to guard against foreseeable risks. Foreseeability of risk was only ever half the question in regard to breach of duty."<sup>568</sup> The legislation serves as a reminder of this, and is intended to direct courts' attention to the need to balance the four factors in subsection (2).<sup>569</sup> Together, these factors are sometimes called the "negligence calculus".<sup>570</sup>

### **Harm is foreseeable, not insignificant, probable**

The first requirement for establishing a breach of duty is that the risk of harm must be foreseeable. The risk should be foreseeable prospectively, not merely with the benefit of hindsight.<sup>571</sup> Additionally, the risk must be "not insignificant". Before the test for breach was codified, the requirement at common law was that the risk was "not far-fetched or fanciful".<sup>572</sup> The inclusion of a different term in the legislation was intentional – the Ipp Report, which recommended the change, stated that "not insignificant" was intended to indicate a risk that is higher in probability

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<sup>567</sup> See, for example, *Chapman v Hearse* (1961) 106 CLR 112, 115 (Dixon J); *Romeo v Conservation Commission (NT)* (1998) 192 CLR 431; 151 ALR 263 [156] (Hayne J); *Borland v Makaуска* [2000] QCA 521. Much of this problem can seemingly be attributed to an overemphasis of the importance of the *Wagon Mound (No 2)* case, *Overseas Tankship (UK) Ltd v Miller Steamship Co Pty Ltd* [1967] AC 617, which placed reasonable foreseeability at the heart of the negligence action: see Barbara McDonald, 'Legislative Intervention in the Law of Negligence: The Common Law, Statutory Interpretation and Tort Reform in Australia (2005) 27 *Sydney Law Review* 433, 464.

<sup>568</sup> Barbara McDonald, 'Legislative Intervention in the Law of Negligence: The Common Law, Statutory Interpretation and Tort Reform in Australia (2005) 27 *Sydney Law Review* 433, 464. See also, *Tame v New South Wales*; *Annetts v Australian Stations Pty Ltd* (2002) 211 CLR 317 (holding that foreseeability of risk does not, by itself, make a defendant liable).

<sup>569</sup> Commonwealth of Australia, *Review of the Law of Negligence: Final Report* (2002) 102-7.

<sup>570</sup> This is a reference to the algebraic formula used by Justice Learned Hand to describe similar considerations in *United States v Carroll Towing Co*: "...if the probability be called P; the injury L; and the burden B; liability depends upon whether B is less than L multiplied by P: i.e. whether  $B < PL$ ": *United States v Carroll Towing Co* 159 F 2d 169, 173 (1947). See also, Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 239-40; Barbara McDonald, 'Legislative Intervention in the Law of Negligence: The Common Law, Statutory Interpretation and Tort Reform in Australia (2005) 27 *Sydney Law Review* 433, 464. As Peter Cane has noted, the formula's "air of precision is misleading", because it does not include consideration of the social utility of the defendant's act: Peter Cane, 'Justice and Justifications for Tort Liability' (1982) 2(1) *Oxford Journal of Legal Studies* 30, 43.

<sup>571</sup> *Rosenberg v Percival* (2001) 205 CLR 434; 178 ALR 577 [16] (Gleeson CJ); *Adeels Palace Pty Ltd v Moubarak* (2009) 239 CLR 420; 260 ALR 628 [40].

<sup>572</sup> *Wyong Shire Council v Shirt* (1980) 146 CLR 40, 47 (Mason J).

than “not far-fetched or fanciful” but lower in probability than “significant”.<sup>573</sup> Interestingly, the probability of the harm occurring is also listed as the first factor for consideration in subsection (2). Although it is clear that a risk may be foreseeable without being probable,<sup>574</sup> the inclusion of *both* (1)(b) (“the risk was not insignificant”) and (2)(a) (“the probability that the harm would occur if care were not taken”) has been criticised by some commentators as confusing.<sup>575</sup>

Fortunately for my purposes, whether the risk is both foreseeable and probable is unlikely to be an issue in cases involving misfeasance intermediaries. This is because a duty will only arise in the first place if the harm of copyright infringement is a ‘natural consequence’ of or ‘the very type of thing’ that we would expect to occur from use of the defendant’s technology or service. Thus, we have already determined that the risk is not only foreseeable but also probable, in the sense of ‘not insignificant’ or ‘very likely’.<sup>576</sup>

In the context of copyright authorisation, the probability factor in subsection 2(a) of the civil liability legislation can, however, incorporate a consideration of the extent to which the defendant’s technology accommodates non-infringing uses as opposed to infringing uses. Where the technology is predominately used for non-infringing purposes then the probability that infringement will occur is diminished, even though the risk of infringement is not insignificant. This, in a sense, is an embracing of the *Sony* substantial non-infringing uses test as part of the breach analysis. To revisit an example from Chapter Two, where a defendant leaves the door to his friend the plaintiff’s house wide open, there is a foreseeable and not insignificant risk that a thief will enter the house and steal the plaintiff’s possessions. The subsection 2(a) factor allows a court to weigh up the probability of this harm occurring against, for example, the more innocuous event of a trustworthy neighbour entering the house to return something borrowed or drop off the plaintiff’s mail. I discuss this idea further in the context of the *Sony* case in part 6.

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<sup>573</sup> Commonwealth of Australia, *Review of the Law of Negligence: Final Report* (2002) 105.

<sup>574</sup> See *Bolton v Stone* [1951] AC 850.

<sup>575</sup> See, for example, Barbara McDonald, ‘Legislative Intervention in the Law of Negligence: The Common Law, Statutory Interpretation and Tort Reform in Australia (2005) 27 *Sydney Law Review* 433, 465-6.

<sup>576</sup> See Chapter Two.

## **Likely seriousness of the harm**

For the ‘likely seriousness of the harm’ factor in subsection (2)(b), courts will look to the magnitude or gravity of the foreseeable potential harm.<sup>577</sup> The greater the likely seriousness of the harm, the greater precautions the court may expect from a reasonable person in the position of the defendant.<sup>578</sup> The magnitude of the harm tends to be of most relevance in personal injury cases, where courts must contemplate injuries that range from very minor to loss of limb, paralysis or severe brain injury. For cases involving copyright authorisation, this factor is likely to carry less weight because, in most cases, we are dealing only with the economic loss of potential sales.

However, the likely seriousness of the harm can incorporate a number of considerations in the copyright case. These considerations may include the likely scope of third party infringement (how far-reaching is it?), the kinds of infringing acts that the defendant’s technology or service enables (are they public or private uses?), and the likely economic impact of the defendant’s breach on the plaintiff. As to this last consideration, it is important that courts require convincing evidence of any claims of economic loss and remember that not every unlicensed download represents a lost sale.<sup>579</sup> If plaintiffs overstate their foreseeable economic losses and if courts accept those claims, then it is more likely that courts will hold that the defendants should have imposed more onerous restrictions on the use of their technologies or services. This presents a danger to the interests of users, which I described in Chapter Three. On the contrary, if courts value users’ rights and interests, as I advocate they should, then they ought to take a more skeptical view of plaintiffs’ claims of harm when assessing the likely seriousness of that harm.

## **Burden of taking precautions**

The defendant’s burden in taking precautions to alleviate the risk of harm is a factor to which courts give significant attention.<sup>580</sup> Relevant considerations include

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<sup>577</sup> *Roads and Traffic Authority of New South Wales v Dederer* (2007) 234 CLR 330; 238 ALR 761 [274] (Callinan J); Amanda Sticklely, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 242.

<sup>578</sup> Amanda Sticklely, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 242.

<sup>579</sup> See, for example, Felix Oberholzer and Koleman Strumpf, ‘The Effect of Filesharing on Record Sales: An Empirical Analysis’ (2007) 115 *Journal of Political Economy* 1, 3-4.

<sup>580</sup> Amanda Sticklely, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 243-4.



the expense, difficulty and inconvenience of taking precautions.<sup>581</sup> The court's focus will be on whether there were *reasonable* precautions available to the defendant in light of all the circumstances at the time of the alleged breach.<sup>582</sup> For example, if the likely seriousness of the harm is slight, the court may consider a warning or instruction given to the plaintiff or third party wrongdoer sufficient to discharge the defendant's duty.<sup>583</sup> In fact, a court may determine that under circumstances it was reasonable for the defendant to do nothing at all.<sup>584</sup> In *New South Wales v Fahy*,<sup>585</sup> Chief Justice Gleeson stated:

There may be cases where courts have lost sight of the ultimate criterion of reasonableness, or have adopted a mechanistic approach to questions of reasonable foreseeability, risk management or risk avoidance ... There have been occasions when judges appear to have forgotten that the response of prudent and reasonable people to many of life's hazards is to do nothing.<sup>586</sup>

One of the circumstances that courts will consider is the expense to the defendant of taking precautions.<sup>587</sup> However, a precaution will not be unreasonable simply because the defendant cannot afford to take it.<sup>588</sup> As far as copyright authorisation is concerned, this factor gives courts scope to consider the relative financial burden on misfeasance intermediaries to assist copyright owners in enforcing their rights against users.

The onus of establishing that the defendant has failed to undertake reasonable precautions rests with the plaintiff.<sup>589</sup> The fact that the risk might have been avoided if the defendant took different precautions to those that it implemented does not, in itself, give rise to liability.<sup>590</sup> The plaintiff must establish that the steps taken by the defendant were unreasonable in the circumstances and that a more reasonable option

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<sup>581</sup> *Wyong Shire Council v Shirt* (1980) 146 CLR 40, 47-8 (Mason J).

<sup>582</sup> *Thornton v Sweeney* (2011) 59 MVR 155 [131]; *Vairy v Wyong Shire Council* (2005) 223 CLR 422; 221 ALR 711 [126].

<sup>583</sup> *Roads and Traffic Authority of New South Wales v Dederer* (2007) 234 CLR 330; 238 ALR 761 esp. at [55]-[56]; *House v Forestry Tasmania* (1995) Aust Tort Reports ¶81-331.

<sup>584</sup> This will be particularly so for "obvious risks" – see *Woods v Multi-Sport Holdings Pty Ltd* (2002) 208 CLR 460 (holding that there was no breach for failing to warn indoor cricket players of the risk of eye injury from the game).

<sup>585</sup> *New South Wales v Fahy* (2007) 232 CLR 486.

<sup>586</sup> *New South Wales v Fahy* (2007) 232 CLR 486; 236 ALR 406 [7] (Gleeson CJ).

<sup>587</sup> See *Romeo v Conservation Commission (NT)* (1998) 192 CLR 431.

<sup>588</sup> *PQ v Australian Red Cross Society* [1992] 1 VR 19; cf. *Goldman v Hargrave* [1967] 1 AC 645.

<sup>589</sup> The standard of proof required is proof on the balance of probabilities: *Maher-Smith v Gaw* [1969] VR 371.

<sup>590</sup> *Civil Liability Act 2003* (QLD), s.10(b); *Civil Liability Act 2002* (NSW), s.5C(b); *Wrongs Act 1958* (Vic), s.49(b); *Civil Law (Wrongs) Act 2002* (ACT), s.44(b); *Civil Liability Act 2002* (Tas), s.12(a).

existed which the defendant failed to implement.<sup>591</sup> If the evidence before the court is equally consistent with the presence or absence of negligence on the part of the defendant then the plaintiff fails to satisfy his or her burden.<sup>592</sup>

Where misfeasance intermediaries are concerned, this places a heavier burden on copyright plaintiffs than does the copyright authorisation test of ‘sanction, approve, countenance’. In short, it is not enough for copyright plaintiffs to assert that the defendant intermediary should have taken *some* step or should have done *something* to combat infringement.<sup>593</sup> The plaintiff will need to articulate what precautions the defendant should have taken in the circumstances and will need to show that those precautions were reasonable.

### **Social utility**

The ‘social utility’ factor considers the justifiability of the defendant’s conduct in creating the risk of harm. This factor carries most weight in situations of emergency, such as the driving of an ambulance at high speed.<sup>594</sup> Since the enactment of civil liability legislation in the early 2000s, however, the courts have gradually widened the concept of social utility.<sup>595</sup> For example, in *Haris v Bulldogs Rugby League Club Ltd* [2006] NSWCA 53, the court found that attending football matches can serve a useful social purpose for some people.<sup>596</sup>

The obvious application of this factor to misfeasance intermediaries is to consider whether the intermediary’s technology or service has any social utility that might be restrained by requiring the intermediary to take particular precautions. The critical word here is ‘social’. This is a reference to society or the broader public, and

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<sup>591</sup> *Graham Barclay Oysters Pty Ltd v Ryan* (2002) 211 CLR 540; *Lynch v Shooters Saloon Bar Pty Ltd* [2006] QCA 326.

<sup>592</sup> *Maher-Smith v Gaw* [1969] VR 371; *Fitzgerald v Penn* (1954) 91 CLR 268; *National Coal Board v England* [1954] AC 403.

<sup>593</sup> A good example of this is *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012), despite that case involving a ‘nonfeasance intermediary’. There, the appellant copyright owners consistently refused to specify exactly what steps iiNet should have taken to prevent or avoid infringement under s. 101(1A)(c) of the *Copyright Act 1968*. Instead, they simply asserted that iiNet’s failure to take any steps whatsoever amounted to authorisation. The High Court was highly critical of this position. See further, Chapter Five, part 2.

<sup>594</sup> See, for example, *Daborn v Bath Tramways Motor Co Ltd* [1946] 2 All ER 333; *Watt v Hertfordshire County Council* [1954] 2 All ER 368; *Marshall v Osmond* [1983] QB 1034; *Commonwealth v Winter* (1993) 19 MVR 215.

<sup>595</sup> *Southern Properties (WA) Pty Ltd v Executive Director of Department of Conservation and Land Management* [2012] WASCA 79 [257]; Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 248.

<sup>596</sup> *Haris v Bulldogs Rugby League Club Ltd* [2006] NSWCA 53 [60].

as such this factor is more than a gateway for liberty theory arguments that champion the *technological* utility of online products and services.<sup>597</sup> Instead, this factor enables courts to assess how the intermediary's technology or service provides important *social* benefits to the public. In copyright cases, 'social utility' should be considered in part through the lens of user rights theory. Technologies that enable access, sharing and creative exploration and experimentation can contribute to individual fulfillment and human flourishing in important ways.<sup>598</sup> The 'social utility' factor provides the space sorely missing in copyright law to more fully consider the beneficial and legitimate uses of an intermediary's technology or service and whether and how precautions to minimise the risk of infringement are likely to impact on those uses. When applying the social utility factor, courts should assess how the intermediary's technology or service fosters the user interests discussed in Chapter Three; namely, autonomy in determining when, where and how a work will be consumed; self-expression and the communication of ideas, beliefs, opinions and affiliations; personal connection with creative and cultural works authored by others; community and the ability to build and explore sustainable bonds with others; education; and the freedom to engage in open-ended play. Courts should seek to analyse how precautions adopted by the intermediary might affect these interests. Where precautions would significantly inhibit the abilities of users to engage in activities that further these interests, the precautions may not be 'reasonable'.

### **Other considerations: customary standards**

The four factors listed in the civil liability legislation are inclusive, not exclusive. In fact, courts will often take account of additional factors, including customary, professional and statutory standards.<sup>599</sup> Where there are industry practices or standards in place for dealing with infringing material online and the defendant intermediary has not complied with those standards, courts may consider this as evidence of the intermediary's breach of its duty to minimise the risk of

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<sup>597</sup> See Chapter Three, part 1.

<sup>598</sup> See, for example, Rebecca Tushnet, 'Economies of Desire: Fair Use and Marketplace Assumptions' (2009) 51 *William. & Mary Law Review* 513, 537; William W. Fisher, 'The Implications for the Law of User Innovation' (2010) 94 *Minnesota Law Review* 1417, 1469, 1471. See further, Chapter Three.

<sup>599</sup> See Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 249-256.

infringement.<sup>600</sup> The intermediary's failure to adhere to the industry standard or practice will not be determinative of liability, but it may be evidence of breach.<sup>601</sup> Similarly, where the intermediary *has* followed industry practice, this may be evidence that the intermediary has not breached its duty, though it will not be persuasive where the court determines that the industry practice falls short of the objective standard required by law.<sup>602</sup>

### **Balancing the factors**

The factors in the so-called “negligence calculus” must be balanced against each other in making a judgment about reasonableness.<sup>603</sup> Specifically, the factors help courts in determining what, if any, precautions a reasonable person in the position of the defendant would have taken.<sup>604</sup> The factors impact upon each other in different ways. For example, there will be different expectations where the risk of harm is very significant but its probability is extremely low as to where both the risk and probability of harm are moderate or high.<sup>605</sup> The reasonableness of the precautions adopted (or not) by the defendant must be assessed at the time of the alleged breach and not with the benefit of hindsight.<sup>606</sup> They must also be assessed in light of all the circumstances and the other risks that the defendant had to guard against. As Justice Hayne has stated, “[B]ecause the inquiry is prospective, there is no basis for

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<sup>600</sup> For a discussion of industry codes of practice applying to ISPs and other nonfeasance intermediaries, see Chapter Six.

<sup>601</sup> See, for example, *Tucker v McCann* [1948] VLR 222 and *Sibley v Kais* (1967) 118 CLR 424 (relating to breach of statutory standards).

<sup>602</sup> *Mercer v Commissioner for Road Transport and Tramways (NSW)* (1936) 56 CLR 580 (failing to install a ‘dead man’s handle’ device on a tram was negligent notwithstanding that the device was not commonly in use in any other tram system); *Thompson v Smiths Shiprepairers (North Shields) Ltd* [1984] QB 405 (failure to provide shipyard workers with hearing protection was negligent even though it was not common practice in the industry); *Woods v Multi-Sport Holdings Pty Ltd* (2002) 208 CLR 460 (the High Court accepted evidence that it was not customary to wear helmets in indoor cricket, when assessing whether the respondent was in breach for failing to provide helmets to players).

<sup>603</sup> *Mulligan v Coffs Harbour City Council* (2005) 221 ALR 764 [2] (Gleeson CJ and Kirby J).

<sup>604</sup> See, for example, *New South Wales v Fahy* (2007) 232 CLR 486; 236 ALR 406 [57]; *Woods v Multi-Sport Holdings Pty Ltd* (2002) 208 CLR 460.

<sup>605</sup> See, for example, *Woods v Multi-Sport Holdings Pty Ltd* (2002) 209 CLR 460, where the plaintiff was blinded in the eye during a game of indoor cricket. The plaintiff alleged that the defendant, who owned the indoor cricket space, should have provided proper eye protection. The High Court held that the defendant had not breached its duty of care. They held that although the injury suffered by the plaintiff was very serious, its probability of occurring was extremely low.

<sup>606</sup> *Thornton v Sweeney* (2011) 59 MVR 155 [131]; *Vairy v Wyong Shire Council* (2005) 223 CLR 422.

assuming that the only risk to be considered by the reasonable person is the particular kind of risk that came to pass at the place and in the way it did.”<sup>607</sup>

The exercise of balancing the factors in the negligence test is reminiscent of the balancing exercise undertaken for the fair use inquiry in US copyright cases.<sup>608</sup> This approach may therefore be subject to the same criticisms that the fair use doctrine engenders: that it is uncertain, unpredictable and, possibly, dependent on whatever subjective account the presiding judge decides to give of the facts.<sup>609</sup> Given that my object is to clarify authorisation liability law and make its application more certain, these are potentially very serious concerns.

As far as fair use goes, however, empirical research by Barton Beebe, Pamela Samuelson and Matthew Sag has demonstrated that fears about the doctrine’s uncertainty are, in Sag’s words, “overblown”.<sup>610</sup> Beebe’s study found that judges do, in fact, apply the fair use doctrine systematically over time.<sup>611</sup> Beebe argues that much of the perception about the doctrine’s uncertainty is a result of commentators looking only to the “leading cases” and not to fair use case law as a whole.<sup>612</sup> Samuelson’s work, which built on Beebe’s, found that fair use is more coherent and predictable than most commentators think once one understands that case law falls into common patterns, or what Samuelson calls “policy relevant clusters”.<sup>613</sup> Similarly, Sag found consistent patterns among fair use case facts.<sup>614</sup> He concluded,

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<sup>607</sup> *Mulligan v Coffs Harbour City Council* (2005) 233 CLR 486; 221 ALR 764 [50].

<sup>608</sup> The fair use doctrine requires courts to balance the following factors to determine whether a use was ‘fair’ and therefore noninfringing: the purpose and character of the use, including whether the use is of a commercial nature or is for nonprofit educational purposes; the nature of the copyrighted work; the amount and substantiality of the portion used in relation to the copyright work as a whole; and the effect of the use upon the potential market for or value of the copyrighted work: 17 U.S.C. §107.

<sup>609</sup> See, for example, Lawrence Lessig, *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity* (Penguin, New York, 2004) 187 (characterizing fair use as “the right to hire a lawyer”); Michael W. Carroll, ‘Fixing Fair Use’ (2007) 85 *North Carolina Law Review* 1087, 1090, 1106; David Nimmer, “‘Fairest of them All” and Other Fairy Tales of Fair Use’ (2003) *Law & Contemporary Problems* 263, 280 (“Basically, had Congress legislated a dartboard rather than the particular four fair use factors embodied in the Copyright Act, it appears the upshot would be the same”); Neil Weinstock Netanel, *Copyright’s Paradox* (Oxford University Press, Oxford, 2008) 66; Michael Madison, ‘A Pattern-Oriented Approach to Fair Use’ (2004) 45 *William & Mary Law Review* 1525, 1564, 1586-7, 1666; William M. Landes and Richard A. Posner, *The Economic Structure of Intellectual Property Law* (Belknap Press, 2003) 115.

<sup>610</sup> Matthew Sag, ‘Predicting Fair Use’ (2012) 73(1) *Ohio State Law Journal* 47, 49; Barton Beebe, ‘An Empirical Study of U.S. Copyright Fair Use Opinions, 1978—2005’ (2008) 156(3) *University of Pennsylvania Law Review* 549; Pamela Samuelson, ‘Unbundling Fair Uses’ (2009) 77 *Fordham Law Review* 2537.

<sup>611</sup> Barton Beebe, ‘An Empirical Study of U.S. Copyright Fair Use Opinions, 1978—2005’ (2008) 156(3) *University of Pennsylvania Law Review* 549, 622.

<sup>612</sup> *Ibid.*, 553, 622.

<sup>613</sup> Pamela Samuelson, ‘Unbundling Fair Uses’ (2009) 77 *Fordham Law Review* 2537, 2541, 2621.

<sup>614</sup> Matthew Sag, ‘Predicting Fair Use’ (2012) 73(1) *Ohio State Law Journal* 47, 49, 79, 85-6.

“Standards are not necessarily more unpredictable than rules, nor is flexibility the same as unpredictability”.<sup>615</sup>

In law, rules are specific prescriptions that require close adherence, whereas principles are unspecific prescriptions that can be weighed against other principles when resolving legal disputes.<sup>616</sup> Legal scholarship tends to assume that while principles offer flexibility, rules promote certainty and so should be preferred in most situations.<sup>617</sup> In a 2002 paper, John Braithwaite analysed empirical research conducted on the regulation of financial services in the UK, the tax system in Australia and nursing homes in Australia and the US to investigate whether rules do produce more certainty than principles in practice.<sup>618</sup> Braithwaite found that when the type of action to be regulated “is simple and stable (not changing unpredictably across time) and does not involve huge economic interests” then rules will indeed regulate with greater certainty than principles.<sup>619</sup> However, for “complex actions in changing environments where large economic interests are at stake”, greater certainty is achieved by principles than rules or by “a prudent mix of rules and principles”.<sup>620</sup> This is because in complex situations the actors being regulated will often engage in “creative compliance” to conform to the letter of the law but not its spirit.<sup>621</sup> Braithwaite writes,

This problem multiplies as the state enacts more and more rules to plug loopholes opened up by legal entrepreneurs. The thicket of rules we end up with becomes a set of sign-posts that show the legal entrepreneur precisely what they have to steer around to defeat the purposes of the law.<sup>622</sup>

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<sup>615</sup> Matthew Sag, ‘Predicting Fair Use’ (2012) 73(1) *Ohio State Law Journal* 47, 86. Both Samuelson and Sag emphasise that the doctrine’s flexibility serves an important purpose in the law, particularly in ensuring that copyright law and fair use continues to adapt to new technologies and situations: Pamela Samuelson, ‘Unbundling Fair Uses’ (2009) 77 *Fordham Law Review* 2537, 2540, 2546, 2602; Matthew Sag, ‘Predicting Fair Use’ (2012) 73(1) *Ohio State Law Journal* 47, 86. See also, Barton Beebe, ‘An Empirical Study of U.S. Copyright Fair Use Opinions, 1978—2005’ (2008) 156(3) *University of Pennsylvania Law Review* 549, 551-2.

<sup>616</sup> John Braithwaite, ‘Rules and Principles: A Theory of Legal Certainty’ (2002) 27 *Australian Journal of Legal Philosophy* 47, 47, 50.

<sup>617</sup> *Ibid.*, 50; Joseph Raz, ‘Legal Principles and the Limits of Law’ (1972) 81 *Yale Law Journal* 823, 841.

<sup>618</sup> John Braithwaite, ‘Rules and Principles: A Theory of Legal Certainty’ (2002) 27 *Australian Journal of Legal Philosophy* 47.

<sup>619</sup> *Ibid.*, 52.

<sup>620</sup> *Ibid.*, 53, 65, 70. Braithwaite considers that “non-binding rules that can be overridden by legally binding principles” offer more certainty than “rules that are legally binding backed by non-binding justificatory principles that assist in the interpretation of those rules”: 65, 70.

<sup>621</sup> John Braithwaite, ‘Rules and Principles: A Theory of Legal Certainty’ (2002) 27 *Australian Journal of Legal Philosophy* 47, 57, 63.

<sup>622</sup> *Ibid.*, 56.

The phenomenon that Braithwaite describes is precisely what has occurred with intermediary copyright liability. Where courts and legislators have set down specific prescriptions, creative technology intermediaries have sought to innovate around them. For instance, in the *Sharman* and *Cooper* cases the defendants had attempted to navigate around the rule in Australian authorisation law that an intermediary would only be liable for authorisation where it had control over the acts of primary infringement.<sup>623</sup> The *Sharman* defendant did this by ensuring that its filesharing software had no ‘central server’ through which it could exercise control over users’ activities;<sup>624</sup> the *Cooper* defendant ran a website which linked to third party sites on which infringing content could be found, and argued that his site operated like a search engine and that he had no control over people making infringing files accessible over the internet.<sup>625</sup> In both cases, the court stretched the meaning of ‘control’ so that the rule would extend to the facts. In *Sharman*, Justice Wilcox held that control was established because the defendant might have been able to persuade users to upgrade their software to a version that included a broad, keyword based filter.<sup>626</sup> In *Cooper*, Justice Branson held that the defendant had a power to prevent infringement because he could have declined to provide the website in the first place.<sup>627</sup> As a result of these cases, the meaning of the term ‘control’ (or related: ‘power to prevent’) in Australian authorisation law has become unclear and uncertain.

Similarly, in the United States, technology intermediaries sought to ‘creatively comply’ with the *Sony* rule, which allows the distribution of a technology with some infringing potential so long as the technology also has ‘substantial non-infringing uses’.<sup>628</sup> The defendants in *Grokster* adhered to the letter of this rule by distributing peer-to-peer filesharing software that was directed to sharing copyright infringing

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<sup>623</sup> For this rule see, *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J); *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) 112 ALR 53, 56-7 (Mason CJ, Brennan, Deane and Gaudron JJ); *Copyright Act 1968* (Cth), s. 36(1A)(a) and s. 101(1A)(a); *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 582 (Bennett J). ‘Control’ in this part is equated with ‘power to prevent’. On control, see further Chapter Five.

<sup>624</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [191] (Wilcox J).

<sup>625</sup> *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714, 720 (Branson J); 738 (Kenny J).

<sup>626</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [309], [414] (Wilcox J).

<sup>627</sup> *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714, 723 (Branson J); cf. at 745 (Kenny J).

<sup>628</sup> *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

music files but which also had non-infringing uses. The defendants did not comply with the rule's spirit, which was intended to provide space for new technologies but not to protect devices distributed with the object of promoting infringement.<sup>629</sup> The Supreme Court attempted to plug this loophole by developing a new rule of fault-based liability. The court said, "We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expressions or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties".<sup>630</sup> Yet even this rule does not preclude a work-around; as one commentator has noted, the *Grokster* test "does not examine actual intent at all, but rather examines carelessly advertised evidence of intent."<sup>631</sup> As intermediaries become more savvy about masking their intent in their internal and external correspondences, there is a risk that courts will once again be forced to extend the law, further eroding its certainty.<sup>632</sup>

Arguably, then, a principle-based approach like the kind found in negligence law, which focuses on the seriousness of the foreseeable harm and the reasonableness of the defendant's response, is a sensible way to approach intermediary copyright liability. It provides the flexibility to respond to the rapidly evolving environment of online content sharing and may actually bring greater certainty to the law, not less, by allowing judges to respond to the realities of the relevant situation and make all-things-considered judgments about the reasonableness of the defendant intermediary's actions.<sup>633</sup>

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<sup>629</sup> See *Metro-Goldwyn-Mayer Studios Inc., v. Grokster Ltd.*, 545 U.S. 913, 934-35 (2005).

<sup>630</sup> *Metro-Goldwyn-Mayer Studios Inc., v. Grokster Ltd.*, 545 U.S. 913, 919, 936-37 (2005).

<sup>631</sup> Kent Schoen, 'Metro-Goldwyn-Mayer v. Grokster: Unpredictability in Digital Copyright Law' (2006) 5(1) *Northwestern Journal of Technology and Intellectual Property* 156, 156.

<sup>632</sup> For criticisms of the *Grokster* test, see, for example, Pamela Samuelson, 'Three Reactions to *MGM v. Grokster*' (2006) 13 *Michigan Telecommunications and Technology Law Review* 1, 11; Tiffany A. Parcher, 'The Fact and Fiction of *Grokster* and *Sony*: Using Factual Comparisons to Uncover the Legal Rule' (2006) 54 *University of California Los Angeles Law Review* 509, 521; Rebecca Giblin-Chen, 'On Sony, Streamcast, and Smoking Guns' (2007) 29(6) *European Intellectual Property Review* 215, 224. See also, Jane C. Ginsburg, 'Separating the *Sony* sheep from the *Grokster* goats: Reckoning the future of business plans of copyright-dependent technology entrepreneurs' (2008) 50 *Arizona Law Review* 577, 584-5, 587. Contrast, however, application of the test by Justice Berzon in *Columbia Pictures Industries Inc. v. Fung* 710 F. 3d 1020 (2013).

<sup>633</sup> See, generally, John Braithwaite, 'Rules and Principles: A Theory of Legal Certainty' (2002) 27 *Australian Journal of Legal Philosophy* 47, 67.



## 5. Damage

The third and final element in a negligence action is damage.<sup>634</sup> In *Talbet v Gett*,<sup>635</sup> Justice Kiefel said, “Damage is an essential ingredient in an action for negligence; it is the gist of the action.”<sup>636</sup> The plaintiff must have suffered damage of a kind recognised by law as a result of the defendant’s breach of duty.<sup>637</sup> The kind of damage suffered must be a reasonably foreseeable consequence of the breach.<sup>638</sup>

Ordinarily, issues of causation are considered under the ‘damage’ element. A plaintiff must show that the defendant’s breach caused his or her damage (factual causation)<sup>639</sup> and that it is appropriate to hold the defendant responsible for the plaintiff’s loss (scope of liability).<sup>640</sup> In my analysis, I have considered questions of causation and responsibility earlier, at the beginning of the action (see Chapter Two). This is because I am working with a rather unusual subset of cases that deal with harm caused by a third party to the legal action. I have examined exceptions to the general rule against a duty to rescue that arise where the defendant has created or contributed to the risk of harm from which the plaintiff needs rescuing. These situations necessarily raise questions about the defendant’s role in the risk and whether the defendant ought to be held responsible for harms committed by others. It is therefore appropriate to consider notions of causation and responsibility at the outset, when determining whether a duty of care should even be imposed on the defendant at all is the paramount concern. This is not so unorthodox. Members of the judiciary and legal commentators have acknowledged that while it may appear simple and neat to divide the negligence action into three discrete elements, in

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<sup>634</sup> It has been recognised at law that the terms ‘loss’, ‘injury’ and ‘harm’ may be used as alternatives to ‘damage’: *Harriton v Stephens* (2004) 59 NSWLR 694 [41]-[42] (Spigelman CJ).

<sup>635</sup> *Talbet v Gett* (2010) 240 CLR 537; 84 ALR 292.

<sup>636</sup> *Talbet v Gett* (2010) 240 CLR 537; 84 ALR 292 [109] (Kiefel J) (referring to a list of older authorities); see also Jane Stapleton, ‘The Gist of Negligence’ (1988) 104 *Law Quarterly Review* 213-238 (Part 1) and 389-409 (Part 2); Kumaralingam Amirthalingam, ‘The Shifting Sands of Negligence: Reasonable Reliance to Legitimate Expectation?’ (2003) 3(1) *Oxford University Commonwealth Law Journal* 81, 102 (“Currently, the one bright-line rule in negligence is that negligence is only actionable on proof of damage”).

<sup>637</sup> The law recognises property damage, personal injury including psychiatric injury, and economic loss. The damage must be non-minimal. See Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 269.

<sup>638</sup> *Overseas Tankship (UK) Ltd v Miller Steamship Co Pty Ltd (Wagon Mound (No 2))* [1967] AC 617, 641 (Lord Reid); *Chapman v Hearse* (1961) 106 CLR 112, 120-1.

<sup>639</sup> *March v E & MH Stramare Pty Ltd* (1991) 171 CLR 506.

<sup>640</sup> See, for example, *Civil Liability Act 2003* (Qld), s. 11(1).

practice it can be very difficult to separate the elements from one another or to deal with them in the designated order.<sup>641</sup>

This thesis uses theories and principles of negligence law as a way to understand, conceptualise and structure a framework for assessing the liability of online intermediaries for authorising third party copyright infringement. For those purposes, I treat copyright infringement as the relevant ‘harm’ or ‘damage’ that may result from an intermediary’s breach of duty.<sup>642</sup> This is a contentious position. There are legitimate questions to be asked and answered about whether certain acts of infringement actually harm copyright owners’ economic or reputational interests. Those questions call for careful and detailed empirical research into the evidence that exists to establish copyright harm. That is important work, but it is not my work. A thorough exploration of copyright harm is outside the scope of this thesis.<sup>643</sup> For my project, which aims to provide a *theoretical* framework for authorisation liability, it is sufficient for my purposes to assume that copyright infringement amounts to harm.

Despite undertaking an in-depth assessment of causation at the outset, where misfeasance intermediaries are concerned it will still be necessary to return to causation, at least briefly, if the intermediary is found to have breached its duty of care. Then, the copyright owner must be able to show that the copyright infringement in question occurred because the defendant intermediary breached its duty to take precautions (and that the infringement would not have occurred anyway). If it can be established that the intermediary’s breach caused the harm, then the intermediary will be liable for authorising the copyright infringement. The intermediary’s liability will be limited to the acts of infringement that occurred because of the breach – in

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<sup>641</sup> See, for example, *Harriton v Stephens* (2004) 59 NSWLR 694 [64]-[68] (Mason P); *Roe v Minister of Health* [1954] 2 Q.B. 66, 85 (Denning LJ); Amanda Stickle, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 132; Kumaralingam Amirthalingam, ‘The Shifting Sands of Negligence: Reasonable Reliance to Legitimate Expectation?’ (2003) 3(1) *Oxford University Commonwealth Law Journal* 81, 82, 84, 85, 90-1, 92.

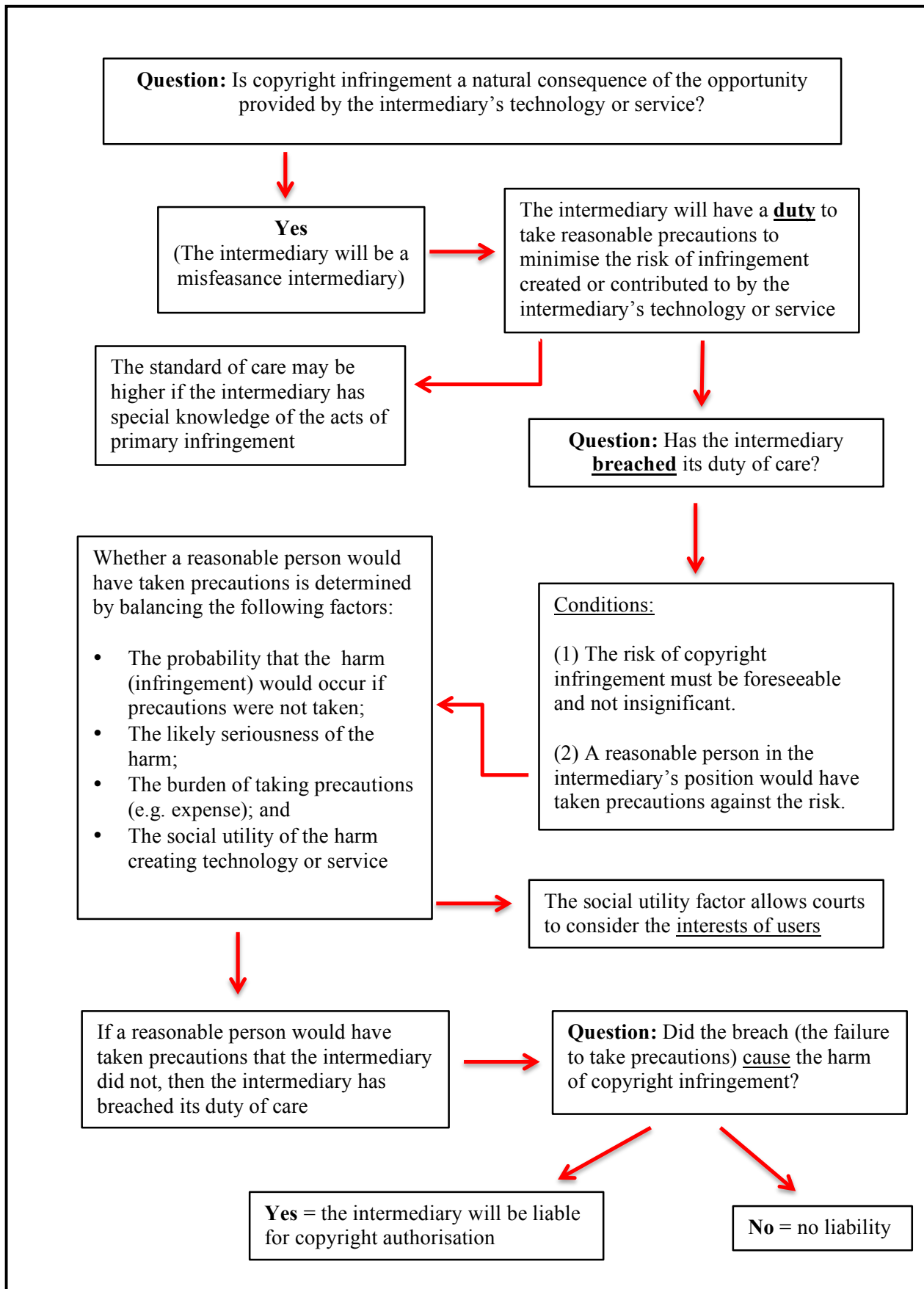
<sup>642</sup> People may have differing opinions about whether copyright infringement is damage to property or whether it is pure economic loss. That debate is not pertinent to my thesis.

<sup>643</sup> For other research that has considered copyright harm, see Wendy J. Gordon, ‘Copyright as Tort Law’s Mirror Image: ‘Harms’, ‘Benefits’ and the Uses and Limits of Analogy’ (2003) 34 *McGeorge Law Review* 533; Wendy J. Gordon, ‘Trespass-Copyright Parallels and the Harm-Benefit Distinction’ (2009) 122 *Harvard Law Review Forum* 62; Wendy J. Gordon, ‘Keynote Address: Harmless Use: Gleaning From Fields of Copyrighted Works’ (2009) 77 *Fordham Law Review* 2411; Christopher Sprigman, ‘Copyright and the Rule of Reason’ (2009) 7 *Journal on Telecommunications & High Technology Law* 317; Christina Bohannon, ‘Copyright Harm, Foreseeability, and Fair Use’ (2007) 85(5) *Washington Law Review* 969; Christina Bohannon, ‘Copyright Infringement and Harmless Speech’ (2010) 61 *Hastings Law Journal* 1083; Shyamkrishna Balganes, ‘Debunking Blackstonian Copyright’ (2009) 118 *Yale Law Journal* 1126; Mark A. Lemley, ‘Property, Intellectual Property, and Free Riding’ (2005) 83 *Texas Law Review* 1031, 1072.

other words, only those acts of primary infringement that would have been prevented by the taking of reasonable precautions.

The liability of a misfeasance intermediary will therefore depend on the intermediary's behaviour in relation to the risk of infringement caused or contributed to by the intermediary's technology or service. The intermediary will have a duty to take such precautions as a reasonable person would take in the circumstances in response to the risk. A court will determine what steps a reasonable person would take by considering the probability that the harm of copyright infringement would occur, the likely seriousness of the harm, the burden on the person of taking precautions, and how precautions would affect the social utility of the technology or service for users. Where reasonable precautions are available which the intermediary did not take, it will be in breach of its duty. It will be liable for any infringement that results from this breach, in the sense of any infringement that would have been prevented by the taking of reasonable precautions. This framework for determining the copyright liability of misfeasance intermediaries is set out visually in *Figure 4*.

**Figure 4 – The liability of misfeasance intermediaries under a tort law framework for copyright authorisation**



## 6. Application to copyright ‘misfeasance’ intermediaries

The preceding parts of this chapter have laid out the principles relating to negligence liability in tort law, particularly with respect to the element of breach. In this part, I apply these principles to three case studies involving misfeasance intermediaries to demonstrate how a framework for copyright authorisation drawn from tort law would deal with these cases.

### 6.1 Developers and distributors of technologies that enable copying

As argued in Chapter Two, intermediaries that manufacture and distribute technologies that enable copying (such as photocopier machines or recording devices) are likely to causally contribute to the risk of copyright infringement and so be classified as ‘misfeasance intermediaries’ under my framework.<sup>644</sup> The primary example of this type of case is *Sony Corp. of America v Universal City Studios, Inc.*,<sup>645</sup> where Sony manufactured and sold equipment (the “Betamax VTR”) that facilitated the recording of free-to-air television broadcasts. Under my framework, so far as Sony causally contributed to the risk of infringing copying, it had a duty to take reasonable precautions to minimise that risk. The question is whether, on the facts of that case, Sony breached its duty.

The negligence calculus asks what precautions a reasonable person would have taken in response to the risk. To determine this it is necessary to first assess the probability of the risk materializing and the likely seriousness of the consequences if it does. We know already from the discussion in Chapter Two that the risk of infringement was foreseeable and not insignificant, because it was the very type of risk that would be expected to arise from the manufacture and sale of a TV recording device. Moreover, the District Court found that Sony had constructive knowledge of the probability that the Betamax VTR would be used to record copyrighted programs, and this finding was not disturbed by the Supreme Court.<sup>646</sup> Below I consider each of the ‘calculus of negligence’ factors in turn to decide whether, under

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<sup>644</sup> This is particularly the case where the distributed technology is “disruptive”.

<sup>645</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417 (1984).

<sup>646</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 426 (1984), referring to 480 F. Supp. 429, 461 (1979).

a tort-influenced approach, Sony would have been found to be in breach of its duty of care.

### **Probability of the harm occurring**

The evidence presented to the District Court, and accepted by the Supreme Court on appeal, was that the Betamax VTR could be used to record television programs in three circumstances: the recording could be authorised, in which case it would be non-infringing;<sup>647</sup> the recording could be undertaken for the purpose of ‘time-shifting’ – viewing the program at a later time more convenient to the user than erasing or recording over the program – which the court held to be a fair use and so also non-infringing,<sup>648</sup> or programs could be recorded and kept by the user – a process known as “librarying” – which would likely be infringing.<sup>649</sup> Relying on survey evidence, the District Court found that 96% of Betamax owners had used the machine for time-shifting and that 55.8% had ten or fewer tapes in their library.<sup>650</sup> Based on this evidence, the Supreme Court concluded that the average member of the public used the Betamax VTR principally for time-shifting.<sup>651</sup> The Supreme Court also found that a “significant quantity of broadcasting” was authorised to be copied and that there was “a significant potential for future authorized copying”.<sup>652</sup> The relevance of these findings is that they show that while infringement was a foreseeable and not insignificant risk, it was not a highly probable one either. In fact, it was more probable that users would engage in a non-infringing use such as time-shifting. This has a bearing on the relative ‘reasonableness’ of the response we might expect from an intermediary in Sony’s position.

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<sup>647</sup> See *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 443-7 (1984). Authorised copying generally involved sporting, religious and educational programming.

<sup>648</sup> See generally, *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 447-56 (1984).

<sup>649</sup> See *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 442, 453 (note 39) (1984); see also Justice Blackmun’s dissenting judgment at 458-9, 483-4. See further, *Universal City Studios, Inc. v Sony Corp. of America* 480 F. Supp. 429, 467 and Section V.C. (1979).

<sup>650</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 424 (note 4) (1984), referring to 480 F. Supp. 429, 438 (1979).

<sup>651</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 421 (1984).

<sup>652</sup> *Ibid*, 444.

### Likely seriousness of the harm

The majority judges in the Supreme Court expressed strong skepticism about the plaintiff's allegations of harm. First, when deciding whether time-shifting was a fair use under U.S. copyright law, the court held that a presumption of fairness arose because copying for home use was a non-commercial and non-profit activity.<sup>653</sup> Their Honours were also influenced by the fact that the copied material was broadcast to the public *for free*.<sup>654</sup> The court stated that where there is a presumption of fairness, the copyright owner must show by a "preponderance of evidence" that the particular use is harmful or that there is a meaningful likelihood of future harm, or that if the use became widespread it would adversely affect the copyright owner's potential market.<sup>655</sup> Although the court was discussing claims of harm with respect to the fair use defence for acts of primary infringement, I think that the same considerations are relevant to an assessment of the seriousness of the risk of harm under a negligence based approach to intermediary liability. The Supreme Court held that the plaintiffs had not discharged their burden regarding a showing of harm. In fact, the plaintiffs had admitted that time-shifting does not produce "a great deal of harm" and that no actual harm had occurred to their copyrights.<sup>656</sup> The court found that there was no evidence that live television or film audiences would decrease as a result of the Betamax VTR.<sup>657</sup> – their Honours referred to the survey evidence presented in the District Court that 81.9% of Betamax users watched the same amount or a greater amount of regular television than before they owned the Betamax and that 83.2% of users reported that their frequency of movie going was unaffected by the Betamax player.<sup>658</sup> Their Honours also rejected the defendants' claims that the market for telecast reruns would be affected.<sup>659</sup> The Supreme Court agreed with the District Court's conclusion that "[h]arm from time-shifting is speculative and, at best, minimal".<sup>660</sup>

Second, the court considered that time-shifting might even *benefit* copyright owners, noting that time-shifting might enlarge a television viewing audience and

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<sup>653</sup> Ibid, 449.

<sup>654</sup> Ibid, 425.

<sup>655</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984).

<sup>656</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 451, 452, 454 (1984).

<sup>657</sup> Ibid, 424, 452-3.

<sup>658</sup> Ibid, 424 (note 5).

<sup>659</sup> Ibid, 453 (notes 38 and 39). The court noted that people already watch reruns even when they have seen the original, and that this would not change if users were time-shifting but not librarying.

<sup>660</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 454 (1984), referring to 480 F. Supp. 429, 467 (1979).

that “some producers evidently believe that permitting home-taping actually enhances the value of their copyrights.”<sup>661</sup> The evidence under this factor points to a determination that the likely seriousness of the harm was not great. This also falls in Sony’s favour.

### **Burden of taking precautions**

Once the probability and likely seriousness of the harm has been ascertained, it is necessary to consider the precautions available to the defendant and the burden of taking those precautions, including the expense and inconvenience to the defendant. For Sony, the available precautions all related to product design. Sony might have: eliminated the ‘record’ feature, so that the Betamax VTR only had a ‘play’ capacity;<sup>662</sup> eliminated the ‘pause’ or ‘fast forward’ buttons so that user would be unable to skip over advertisements;<sup>663</sup> or made the ‘fast forward’ function imprecise to diminish the ease with which users could skip commercials.<sup>664</sup> The potential precautions relating to the fast forward and pause buttons would respond to copyright owners’ claims of economic harm resulting from reduced advertising revenue which would result if advertisers perceived that users were no longer watching television commercials due to the Betamax player.<sup>665</sup> These precautions would also make accurate recording more difficult in general.

The Supreme Court did not consider the burden to Sony of implementing any of these precautions, financial or otherwise. It instead rejected them outright for other reasons discussed below. In tort law, the burden of taking precautions is assessed as at the time of the alleged breach of duty. For Sony, if the alleged breach related to the design and manufacture of the Betamax VTR then the burden was arguably slight – Sony could have incorporated any of the above precautions at the design and manufacture stage. If the alleged breach occurred at the point of distribution of the Betamax player post-production, then the burden is heavier. It would likely require

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<sup>661</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 421, 443, 446 (note 28) (referring to those producers who authorised the taping of their programs) (1984).

<sup>662</sup> See, for example, statement by Justice Posner in *In Re Aimster Copyright Litigation*, 334 F.3d 643, 648 (7<sup>th</sup> Cir. 2003).

<sup>663</sup> *Ibid.*

<sup>664</sup> See, for example, Douglas Lichtman and William Landes, ‘Indirect Liability for Copyright Infringement: An Economic Perspective’ (2003) 16 *Harvard Journal of Law & Technology* 395, 400.

<sup>665</sup> See *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 446 (note 28), 452 including note 36, 454 (1984).



Sony to withdraw the existing Betamax players from the market and redesign and re-manufacture the player, probably at considerable expense. As Randall Picker has observed, product design was “lumpy and episodic” at the time that Sony create the Betamax, meaning that design was a “one-time event” and that “Sony had no good way to control the Betamax after it was unleashed on the world”.<sup>666</sup> Picker argues that with new technologies that enable producers to make ongoing, remote upgrades, it is significantly easier to implement measures to protect copyrighted content subsequent to distribution.<sup>667</sup> This was not the case with Sony in the late 1970s and early 1980s.

The Supreme Court held that a broad remedy like an injunction preventing distribution of the Betamax player was inappropriate because it would deprive the public of the ability to use the player for non-infringing purposes and it might adversely affect producers who consented to their programs being taped.<sup>668</sup> Arguably, the court would have reached the same conclusion had it considered the reasonableness of omitting the ‘record’ function from the Betamax VTR, because it would have functionally the same result as not distributing the Betamax VTR at all. As to the other possible precautions, the court rejected the plaintiffs’ contention that the pause and fast forward features of the Betamax VTR would diminish the commercial attractiveness of television broadcasts to advertisers. The court noted that for users to pause a recording during advertisement breaks they would need to watch the original broadcast in its entirety, including the advertisements, thus defeating the plaintiffs’ claims of harm.<sup>669</sup> The court also considered that fast-forwarding through recorded advertisements was likely to be too tedious and inexact for most users to bother; they referred to the survey evidence that only 25% of Betamax owners said that they fast-forwarded through advertisements.<sup>670</sup> The Supreme Court quoted the District Court’s conclusion that “[a]dvertisers will have to make the same kinds of judgments they do now about whether persons viewing televised programs actually watch the advertisements which interrupt them.”<sup>671</sup>

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<sup>666</sup> Randal C. Picker, ‘Rewinding Sony: The Evolving Product, Phoning Home and the Duty of Ongoing Design’ (2005) 55 *Case Western Reserve Law Review* 749, 750-1.

<sup>667</sup> *Ibid.*

<sup>668</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 451, 452, 454 (1984).

<sup>669</sup> *Ibid.*, 452-3 (note 36).

<sup>670</sup> *Ibid.*

<sup>671</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 452-3 (note 36) (1984), referring to 480 F. Supp. 429, 468 (1979).

The *Sony* judgment makes clear that there were very few precautions available to Sony to minimise the risk of infringement posed by the Betamax VTR. A strictly pragmatic assessment of the burden of precautions would likely find that a requirement to alter the Betamax technology post-production and distribution would be too onerous, financially and practically. Altering the technology at the design stage to omit the record or fast-forward functions would have been less burdensome, but probably unreasonable given the low probability and seriousness of the likely harm.

### **Social utility**

The last factor is the social utility of the activity that creates the risk of harm, or, in Sony's case, the technology that contributes to the risk of harm. The court made a number of statements recognising the social benefits of the Betamax VTR and particularly its facilitation of copying for time-shifting. These statements included that the ability to record programs non-commercially and at home increased public access to freely broadcast television programs, which is an interest "consistent with the First Amendment policy of providing the fullest possible access to information through the public airwaves."<sup>672</sup> The court acknowledged users' autonomy interests by highlighting that events and responsibilities, including the "basic need to work", often inhibited users' abilities to watch programs at their scheduled times and so there was a public interest in time-shifting, especially where family programs were concerned.<sup>673</sup> Finally, the court considered that broadcasters themselves have an interest in reaching the portion of their audience that is only available through time-shifting.<sup>674</sup>

### **Balancing the factors**

The evidence and findings in this case strongly suggest that a reasonable person in Sony's position might very well have done nothing in response to the risk of infringement created by the Betamax VTR. The probability of infringement was

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<sup>672</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 425 (quoting 480 F. Supp. 429, 454 (1979)); see also at 454 (1984).

<sup>673</sup> *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417, 425 (note 8), 445 and note 27 (1984).

<sup>674</sup> *Ibid.*, 446, 454.

lower than that of fair use or authorised activity, the speculative nature of the harm made the likely seriousness of the risk low, the precautions available to Sony were unsophisticated and might unreasonably inhibit legitimate uses, and the Betamax VTR had considerable social utility in its unaltered state. Removing the record feature from the Betamax player, or even tinkering with the accuracy of the fast-forward function, would have had a significant negative impact upon users' autonomy interests in viewing television programs at a time and in a way convenient to them. It would be clearly open to the court to find that Sony had not breached its duty to minimise the risk of copyright infringement, and I think that would be the result that best aligns with responsibility theory.

I would like to finish this section with an important argument – I contend that my approach does not radically undermine the value of the *Sony* rule. The rule protecting technologies with substantial non-infringing uses is intended, I believe, to provide a means of looking at the facts of a given case in a way that gives due consideration to the potential for non-infringing uses, users' interests and the social benefits afforded by the technology, and with a critical view of unsubstantiated claims of harm made by plaintiffs seeking to constrain technological development. My framework offers the same opportunity. Indeed, the analytical process undertaken by the court in the *Sony* case is not very different from the 'calculus' undertaken when using a negligence approach. The *Sony* rule will almost always call for an analysis of this type – it is not such a clear-cut threshold rule as some might claim. In the next section, I show how the negligence calculus would deal with clearly culpable defendants like *Grokster* without the need to resort to a new intent-focused rule.

## Summary: The negligence analysis and Sony

### (1) Duty

Sony had a duty to minimise the risk of infringement created by the Betamax VTR technology.

### (2) Breach

Risk is foreseeable and not insignificant: The risk here was copyright infringement caused by the copying of films and programs broadcast on television. This was foreseeable and not insignificant. The Betamax enabled the copying of entire programs, which is *prima facie* infringement unless excused by law or licence.

Probability of harm occurring: The probability of infringement was low. Most home recording was done for time-shifting, which is a non-infringing use. A “significant quantity” of broadcasting was licensed for copying.

Likely seriousness of the harm: The likely seriousness of the harm was low. There was no evidence that time-shifting decreased the number of people viewing programs or interfered with advertising or other revenue. The court held that time-shifting might even benefit copyright owners.

Burden of taking precautions: The burden on Sony of taking precautions is unknown. The Betamax VTR is a static technology, so Sony had no control over its operation once it was distributed. Sony might have removed the ‘record’ function at the manufacturing stage, but any precautions implemented post-production would have likely involved a recall and redesign of the technology at considerable expense.

Social utility: The Betamax technology greatly enhanced users’ autonomy in viewing programs at times convenient to them. Removing the ‘record’ function would have obliterated this use.

Breach (conclusion): On the balance, Sony was unlikely to be in breach of its duty. The court held that removing the Betamax from the market would have deprived the public of the ability to use the technology for non-infringing purposes and was an inappropriate remedy. Requiring Sony to remove the record function would have had the same effect. It is likely that a reasonable person in Sony’s position would not have taken precautions against the risk, given the low probability of the risk eventuating, the low seriousness of the harm, and the high social utility of the technology. **No breach.**

### (3) Damage

Not applicable

## 6.2 Intermediaries that facilitate peer-to-peer filesharing

Intermediaries that facilitate peer-to-peer filesharing are likely to be misfeasance intermediaries. There is, of course, a broad range of intermediaries that facilitate peer-to-peer filesharing, and so the precise duty imposed on a particular intermediary will depend heavily on the facts of that intermediary's situation. To provide an illustration of how the negligence analysis might apply to these intermediaries, I consider the cases of *Metro-Goldwyn-Mayer Studios Inc., v. Grokster Ltd.*<sup>675</sup> and *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.*<sup>676</sup> Although there were differences of law in the two cases, there were very few differences of fact – both concerned the same peer-to-peer filesharing technology. I therefore consider them together here.

The *Grokster* litigation involved two primary defendants – Grokster and StreamCast. Initially, both defendants used a technology called FastTrack in their software to enable peer-to-peer filesharing. Grokster distributed a branded version of the Kazaa Media Desktop, which operated using the FastTrack technology. This is the same technology used by Sharman in their Kazaa software in Australia. StreamCast later migrated to open-source Gnutella technology and distributed its own software called Morpheus.<sup>677</sup> Both software platforms allowed users to share files freely and neither network operated through a central server.<sup>678</sup>

As explained in Chapter Two, the provision of filesharing software such as the Kazaa Media Desktop and Morpheus is a causally relevant act in contributing to the risk of copyright infringement. This invokes a duty, placed on Grokster, StreamCast and Sharman, to take reasonable steps to minimise the risk of infringement caused by their software. The absence of a central server in these filesharing networks makes the consideration of whether the intermediaries breached their duty an interesting one, because it limits the 'reasonable steps' available to the intermediaries to take. Below, I consider how the 'reasonableness' of the intermediaries' actions might be assessed and balanced under a negligence calculus.

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<sup>675</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913 (2005).

<sup>676</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242.

<sup>677</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. et al.*, 259 F. Supp. 2d 1029, 1032 (C.D. Cal., 2003). There were slight differences in the two forms of technology, the main differences being that the Gnutella technology was more decentralized than FastTrack and that StreamCast had access to the source code for its software whereas Grokster did not: *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. et al.*, 259 F. Supp. 2d 1029, 1041 (C.D. Cal., 2003).

<sup>678</sup> *Ibid*, 1039.

## Probability of the harm occurring

The filesharing networks provided by the defendant intermediaries in these cases facilitated both infringing and non-infringing sharing. The courts recognised that the networks could be used to share content that was not copyrighted, such as works by Shakespeare and other public domain literary works made available by Project Gutenberg, and historic public domain films released by the Prelinger Archive.<sup>679</sup> The networks could also be used to share licensed content, such as material made available under Creative Commons licences and material distributed with the permission of the copyright owner.<sup>680</sup> Finally, the networks could be utilised by users to share their own content – there was evidence that large research files were sometimes shared amongst collaborators using peer-to-peer software.<sup>681</sup> The District and Ninth Circuit courts and Justice Breyer in the Supreme Court all gave particular emphasis to these non-infringing uses of the peer-to-peer software.

However, there was little doubt in these cases that Kazaa and Morpheus were predominantly used to share copyright infringing files. A statistician employed by the plaintiffs in *Grokster* found that nearly 90% of the files available for download over the FastTrack system were copyrighted works.<sup>682</sup> That the works were copyrighted does not necessarily mean that they were infringing, but the plaintiffs also presented evidence that they owned around 70% of the works available on the network – some 8 million copyrighted files.<sup>683</sup> In the Supreme Court, Justice Ginsburg thought it especially significant that the plaintiffs owned copyright in the majority of files on the networks whereas in *Sony* the plaintiffs owned “well below 10% of copyrighted television programming”.<sup>684</sup> Her Honour considered this an important point of difference between the two cases. Justice Souter, who delivered the opinion of the Supreme Court, found the probable scope of copyright

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<sup>679</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 380 F.3d 1154, 1161 (9<sup>th</sup> Cir. 2004); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 923, 952-954 (2005); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [183].

<sup>680</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 952-954 (2005); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [183].

<sup>681</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 954 (2005).

<sup>682</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 922-3 (2005).

<sup>683</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 923 (2005); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 380 F.3d 1154, 1158 (9<sup>th</sup> Cir. 2004).

<sup>684</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 947 (note 3) (2005).

infringement to be “staggering”.<sup>685</sup> Likewise, in Australia, Justice Wilcox found that the Kazaa system facilitated copyright infringement “on a massive scale”.<sup>686</sup> It is clear from the evidence in these cases that, notwithstanding the non-infringing potential of the peer-to-peer filesharing systems, the probability of copyright infringement occurring was extremely high.

### **Likely seriousness of the harm**

In most cases involving online copyright infringement, the ‘likely seriousness of the harm’ factor will pose one of the greatest difficulties for courts. How much harm filesharing actually causes to copyright owners is a persistent question plaguing online copyright regulation, and possibly the most problematic. Copyright owners frequently cite dramatic statistics about the impact of copyright infringement;<sup>687</sup> for example, one study, published in 2007, claimed that copyright infringement cost the US economy \$58 billion annually.<sup>688</sup> Yet as Annemarie Bridy has noted, accurate and reliable measures of economic harm caused by filesharing are elusive.<sup>689</sup> Most estimates are not independently reviewed and many studies do not make their methodologies clear.<sup>690</sup> The US General Accountability Office found that much of the ‘proof’ provided by copyright industries of copyright harm is circular – rightsholders provide estimates to government officials, who uncritically cite them in government documents, which are then quoted back to the media by industry representatives as proof of harm.<sup>691</sup> Many of these claims of harm are based on the

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<sup>685</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 923 (2005). Though see Annemarie Bridy’s warning that the adoption of this “scale-conscious” language is partly a result of the copyright industries’ targeted strategy to influence the rhetoric used by courts, legislature and media about online copyright infringement: Annemarie Bridy, ‘Is Online Copyright Enforcement Scalable?’ (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 695, 706-707, 708.

<sup>686</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [186].

<sup>687</sup> Annemarie Bridy, ‘Is Online Copyright Enforcement Scalable?’ (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 695, 710.

<sup>688</sup> Stephen E. Siwek, ‘The True Cost of Copyright Industry Piracy to the U.S. Economy’, The Institute for Policy Innovation, 3 October 2007, [http://ipi.org/ipi\\_issues/detail/the-true-cost-of-copyright-industry-piracy-to-the-us-economy](http://ipi.org/ipi_issues/detail/the-true-cost-of-copyright-industry-piracy-to-the-us-economy).

<sup>689</sup> Annemarie Bridy, ‘Is Online Copyright Enforcement Scalable?’ (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 695, 710.

<sup>690</sup> Ibid, 711, referring to United States Government Accountability Office, ‘Intellectual Property: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods’, GAO-10-423, April 2010, 16.

<sup>691</sup> United States Government Accountability Office, ‘Intellectual Property: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods’, GAO-10-423, April 2010, 18.

idea that every download represents a lost sale, which is simply not true.<sup>692</sup> In a 2004 study conducted by two economists on the peer-to-peer filesharing of music files, the authors found that a more accurate measure was closer to five thousand downloads needed to displace a single album sale.<sup>693</sup> They concluded that “filesharing has no statistically significant effect on purchases of the average album”.<sup>694</sup> This study is interesting because it examined data of music filesharing over the OpenNap network, which the authors considered comparable to the FastTrack/Kazaa network.<sup>695</sup>

In *Grokster*, the District Court on remand held that the plaintiffs had established irreparable harm because regardless of any economic impact, the volume of infringement caused by the Morpheus software constituted an “assault” on the plaintiffs’ ability to control their exclusive intellectual property rights, including their exclusive right to decide when and how their material would be reproduced and distributed.<sup>696</sup> In the other courts in *Grokster* and in the Australian court in *Sharman*, harm was not discussed beyond noting the “massive scale” of copyright infringement. Harm simply seemed to be assumed. I have acknowledged already that copyright harm is a complex issue and that we lack reliable data to quantify it properly. There is no clear resolution to the question of how much harm the Kazaa and Morpheus software caused to copyright owners in these cases. It would have been open to the courts to conclude that the degree of harm was likely to be more serious than not given the scale of infringement. It would also have been open to the courts to hold that evidence of harm was inconclusive and that this factor did not weigh in either the plaintiffs’ or defendants’ favour. However, the courts would need to undertake at least some interrogation of harm under this factor – bald statements that IP rights have been infringed would not be enough.<sup>697</sup>

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<sup>692</sup> Felix Oberholzer and Koleman Strumpf, ‘The Effect of Filesharing on Record Sales: An Empirical Analysis’ (2007) 115 *Journal of Political Economy* 1, 3-4.

<sup>693</sup> *Ibid*, 3.

<sup>694</sup> *Ibid*, 24.

<sup>695</sup> *Ibid*, 9.

<sup>696</sup> *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1218-1219 (C.D. Cal., 2007). The defendant Grokster settled with the plaintiffs shortly after the Supreme Court decision, so this decision concerned the defendant StreamCast.

<sup>697</sup> While the economic impact of filesharing in the *Grokster* and *Sharman* cases was unclear, there is strong possibility that our methods for measuring copyright harm may improve over time for future cases.



## Burden of taking precautions

The third factor in the breach analysis is the burden on the defendant of taking precautions against harm. The pertinent question with respect to the *Grokster* and *Sharman* cases is: what precautions were reasonably available to the defendants? The nature of peer-to-peer technology made it ineffective to block users who repeatedly infringed copyright, because those users could simply and easily create another account under a new username.<sup>698</sup> The distributed nature of the technology also made *ex post* measures like notice and takedown largely ineffective.

Based on the facts, there were, broadly, two types of precautions that the defendants might have taken. The first involved filtering out copyrighted content from search results. The plaintiffs claimed that there were several forms of filtering that might have been implemented by the defendants. The Australian plaintiffs focused primarily on metadata (keyword) filtering.<sup>699</sup> This was also raised in the US case law.<sup>700</sup> Metadata filtering would prevent access to any content for which the file name, song title or artist name in the metadata of a file matched a designated list of related copyrighted content. The US plaintiffs also raised the possibility of ‘digital fingerprint’ or ‘digital watermark’ filtering. This kind of filtering was very new at the time of the *Grokster* litigation, but was being offered by start-up companies such as Audio Magic.<sup>701</sup> It purported to filter by examining the actual contents of a file. Digital fingerprint filtering involved “the creation of unique digital signatures for each music file and the identification of the files on the basis of that signature through comparison of a database of copyrighted content. The file-sharing client application would then be programmed to block files that match[ed] the signatures of known copyrighted content.”<sup>702</sup> Finally, following a finding of liability in the Supreme Court, the defendant StreamCast actually began filtering content based not just on keywords but also on the size and length of files. Its filter targeted television

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<sup>698</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 380 F.3d 1154, 1165 (9<sup>th</sup> Cir. 2004); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 992 (C.D. Cal., 2006).

<sup>699</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [262]-[288] (Wilcox J). The Australian case also discusses the possibility of a ‘flood filter’, where a user who searches for copyrighted content would not only be prevented from accessing the content but would have his or her search results flooded with copyright infringement warning notices: at [300]. This filter would also operate based on metadata queries, however, so I do not deal with it separately here.

<sup>700</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 990 (C.D. Cal., 2006).

<sup>701</sup> *Ibid*, 982.

<sup>702</sup> *Ibid*, 989-990.

and movie files that exceeded 15 minutes in running time or 100 megabytes (MB) in size.<sup>703</sup>

In terms of the burden to the defendants in implementing a filter as a precaution against infringement, the initial issue was whether this was possible at all given that the peer-to-peer software operated without a central server.<sup>704</sup> There was evidence that the defendants already offered optional filters for pornographic and obscene file names,<sup>705</sup> and the courts generally accepted that copyright filters could be incorporated through a new version of the relevant software.<sup>706</sup> This raised a related issue, however, as to how users could be encouraged to upgrade to the version of the Kazaa or Morpheus software containing a copyright filter.<sup>707</sup> The courts considered that users could be persuaded to upgrade either forcefully, through aggressive ‘pop-up’ marketing boxes and by the defendants distributing ‘do-not-infringe’ messages in the place of search results,<sup>708</sup> or more gently through general messages of encouragement and by withdrawing technical support for older versions of the software.<sup>709</sup> There are user rights concerns associated with some of these methods, but for the purposes of the current factor, there are few financial or other burdens to the defendants associated with encouraging users to upgrade to a new version of the software.

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<sup>703</sup> *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1203 (C.D. Cal., 2007).

<sup>704</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 380 F.3d 1154, 1165 (9<sup>th</sup> Cir. 2004); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 989 (C.D. Cal., 2006); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [195], [233].

<sup>705</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. et al.*, 259 F. Supp. 2d 1029, 1045 (C.D. Cal., 2003); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 982 (C.D. Cal., 2006).

<sup>706</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 939 (2005); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 982 (C.D. Cal., 2006); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [195], [300].

<sup>707</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [195], [300]; *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1208 (C.D. Cal., 2007).

<sup>708</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [195], [304]-[309]; *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1208 (C.D. Cal., 2007). Note that the US court treated the distribution of ‘do-not-infringe’ messages in place of search results as a tactic by which to compel users to upgrade the version of their software, whereas the Australian court treated this as an alternative form of filtering (‘flood filtering’). See further, *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [195], [310].

<sup>709</sup> *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1208 (C.D. Cal., 2007).

The District Court on remand in *Grokster* noted that there is no such thing as a “perfect filter” and that the defendants would not be expected to implement one.<sup>710</sup> There was some dispute between the parties on remand as to whether digital fingerprint filtering was feasible given the state of technology at the time.<sup>711</sup> The defendants made clear that they considered this technology underdeveloped.<sup>712</sup> The defendants also highlighted that they would need the assistance of the plaintiffs in determining what content should be filtered.<sup>713</sup> The court agreed, holding that the plaintiffs would need to provide basic information sufficient to constitute ‘notice’ to the defendants of what material to filter, including the names of the relevant songs and associated artists, certificates of ownership of the copyright, and some evidence that one or more files containing the works were available on the filesharing system.<sup>714</sup>

In short, the case records suggest that the expense and difficulty of implementing copyright filters would not be overly burdensome for the defendants. There are important issues concerning the potential over-inclusiveness of filters, however, which I address under ‘social utility’ below. The risks associated with the potential of filters to make mistakes and filter out non-infringing content would mean that the defendants would need to establish some sort of mechanism for redress. This would conceivably include a way for users to complain about mistakenly filtered content and have that content manually reviewed and restored within the system.<sup>715</sup> The extent of these measures would depend on the facts and the court’s determination of how disputes between rightsholders and users should be managed by the defendants. The greatest burden to the defendants would likely be the costs and resources involved in setting up and administering these procedures for redress.

The other type of precautions that the defendants might have implemented were improved warning and educational notices about copyright rights and infringement.

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<sup>710</sup> *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1235-36 (C.D. Cal., 2007). See, generally, Sonia K. Katyal and Jason M. Schultz, ‘The Unending Search for the Optimal Infringement Filter’ (2012) 112 *Columbia Law Review Sidebar* 83.

<sup>711</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 989-990 (C.D. Cal., 2006).

<sup>712</sup> *Ibid.*

<sup>713</sup> *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1203, 1237 (C.D. Cal., 2007).

<sup>714</sup> *Ibid.*, 1237-1239.

<sup>715</sup> See, for example, Sonia K. Katyal, ‘Filtering, Piracy Surveillance and Disobedience’ (2009) 34(2) *Columbia Journal of Law and the Arts* 401, 415; Jane C. Ginsburg, ‘Separating the *Sony* Sheep from the *Grokster* Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs’ (2008) 50 *Arizona Law Review* 577, 588.

The court in *Grokster* observed that there was a ‘start page’ for the software through which the defendants could communicate with users.<sup>716</sup> In *Sharman*, the court held that copyright warnings on the Kazaa system were inadequate because they lacked specificity and were not immediately obvious to users.<sup>717</sup> These shortcomings could be easily rectified. There would be almost no burden associated with the defendants providing clear and detailed information on their start pages about what constitutes copyright protection and infringement, the legal exceptions and limitations to copyright protection under the US and Australian copyright Acts (primarily, fair use and fair dealing) and examples of how the peer-to-peer software might be used for non-infringing purposes. Whether this would constitute a ‘reasonable’ precaution would depend on all the facts and a balancing of the breach factors. There is some question as to whether the provision of stronger warnings and better information would be effective in mitigating the risk of copyright infringement; Justice Wilcox in the Australian Federal Court certainly thought not.<sup>718</sup>

### **Social utility**

In the *Grokster* and *Sharman* cases, the greatest challenge to implementing filters as a precaution against infringement comes from the impact that those filters might have on the social utility of the peer-to-peer technology. Peer-to-peer filesharing offers tremendous public benefits in the form of secure, cost-effective and efficient file transfers between users and, as noted by the Supreme Court, are used by universities, government agencies, corporations and libraries to distribute files for exactly those reasons.<sup>719</sup> As highlighted above, the technology also enables users to easily share public domain or licensed works, or works created by the filesharer. The defendants in *Grokster* provided examples of creators who had used the software to voluntarily share their own works.<sup>720</sup> A striking example was the band, Wilco, who

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<sup>716</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. et al.*, 259 F. Supp. 2d 1029, 1039 (C.D. Cal., 2003); *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd. et al.*, 518 F. Supp. 2d 1197, 1204 (C.D. Cal., 2007); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [5], [67].

<sup>717</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [265], [331], [340].

<sup>718</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [340], [506].

<sup>719</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 920 (2005).

<sup>720</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 380 F.3d 1154, 1161 (9<sup>th</sup> Cir. 2004); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 922-3, 952 (2005).

had been dropped by their recording company because their music lacked “commercial potential”.<sup>721</sup> The band repurchased their album from the recording company and released it for free download through peer-to-peer networks. This decision attracted enough attention to revitalise the band members’ music careers.<sup>722</sup> Even sharing that is technically infringing can have social benefits. Following their study into the economic effects of music filesharing, Felix Oberholzer and Koleman Strumpf concluded,

If we are correct in arguing that downloading has little effect on the production of music, then file sharing probably increases aggregate welfare. Shifts from sales to downloads are simply transfers between firms and consumers. And while we have argued that file sharing imposes little dynamic cost in terms of future production, it has considerably increased the consumption of recorded music. File sharing lowers the price and allows an apparently large pool of individuals to enjoy music. The sheer magnitude of this activity, the billions of tracks which are downloaded each year, suggests the added social welfare from file sharing is likely to be quite high.<sup>723</sup>

Filesharing is also likely to further a number of the user interests identified in Chapter Three, including a person’s autonomy interest in being able to view a television episode or movie at a time convenient to them rather than when the episode or film is screened on television (time shifting), being able to access content for education or play, and being able to communicate one’s opinions and tastes with others through practices such as remixing and mash-ups. It is therefore important that peer-to-peer software functionality not be constrained in ways that would severely undermine the social utility of the technology.

Filters, if not imposed carefully and with appropriate safeguards, have the potential to drastically impact on the utility of peer-to-peer filesharing. Metadata filters are particularly problematic because of their tendency to be over-inclusive. Expert testimony in the *Sharman* case highlighted this risk that metadata filters would restrict non-infringing content,<sup>724</sup> and academic commentators have provided a number of examples, drawn from real life, where metadata filters and trackers have been over-applied. These include:

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<sup>721</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 380 F.3d 1154, 1161 (9<sup>th</sup> Cir. 2004).

<sup>722</sup> *Ibid.*

<sup>723</sup> Felix Oberholzer and Koleman Strumpf, ‘The Effect of Filesharing on Record Sales: An Empirical Analysis’ (2007) 115 *Journal of Political Economy* 1, 25.

<sup>724</sup> *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd.* [2005] FCA 1242 [271]-[275].

- The detection and requested removal of personal files uploaded by a Professor Usher at Penn State University for allegedly infringing the music copyright of the artist, Usher;<sup>725</sup> and
- A request sent to an ISP to disable a user's internet access because metadata trackers had located a file that allegedly infringed copyright in the book, *Harry Potter and the Sorcerer's Stone*. The file was titled, 'harry potter book report.rtf'.<sup>726</sup>

The Public Knowledge Foundation has also highlighted the potential for metadata filters to make errors where common terms are concerned. They use the example of copyright in the song, 'Happy Birthday'.<sup>727</sup> Armed with only the song title, how would a filter know whether a file with matching metadata is in fact an infringing copy of the song or is simply an audio or video record of a user's own birthday celebration (no copyright included)?<sup>728</sup> The Public Knowledge Foundation state, "If the filter attempts to identify the song based on its listed performer, it will run into a similar set of problems. Does the artist listed perform the song in question or is it an amateur cover of a song by that performer? Or, is the file in question simply a song performed in the style of that performer?"<sup>729</sup> There is clear potential that metadata filters will over-filter content on peer-to-peer networks. There are similar risks with StreamCast's later strategy of filtering any files that exceeded 15 minutes in length or 100MB.

Digital fingerprint or watermark filters are more sophisticated than their metadata counterparts, and so less likely to filter false positives. Even with these filters, however, there are difficulties. The issues mostly lie with a filter's inability to accurately assess whether or not a use is a fair use or fair dealing. As Jane Ginsburg

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<sup>725</sup> Sonia K. Katyal, 'Filtering, Piracy Surveillance and Disobedience' (2009) 34(2) *Columbia Journal of Law and the Arts* 401, 414; Peter Yu, 'Digital Copyright and Confuzzling Rhetoric' (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 881, 925.

<sup>726</sup> Sonia K. Katyal, 'Filtering, Piracy Surveillance and Disobedience' (2009) 34(2) *Columbia Journal of Law and the Arts* 401, 415.

<sup>727</sup> Though as at 22 September 2015, the lyrics to 'Happy Birthday' are in the public domain: *Rupa Marya et al v. Warner/Chappell Music Inc.*, Case No. CV 13-4460-GHK (MRWx) (C.D. Cal. 2015); Parker Higgins, 'Happy Birthday to Everybody: Victory for the Public Domain (With an Asterisk)', Electronic Frontiers Foundation, 23 September 2015, <https://www.eff.org/deeplinks/2015/09/happy-birthday-everybody-victory-public-domain-asterisk>.

<sup>728</sup> Mehan Jayasuriya et al., *Forcing the Net Through a Sieve: Why Copyright Filtering is Not a Viable Solution For U.S. ISPs*, Public Knowledge, White Paper, March 2012, 15.

<sup>729</sup> Ibid. Cited in Sonia K. Katyal and Jason M. Schultz, 'The Unending Search for the Optimal Infringement Filter' (2012) 112 *Columbia Law Review Sidebar* 83, 103.

points out, how does one teach a filter how to recognise a parody?<sup>730</sup> Whether or not a use is ‘fair’ is a complex determination for a human arbiter to make, let alone a machine. As I argued in part 3, a designer or programmer of a content filter will not possess the special legal knowledge necessary to make a determination about whether a particular file is likely to fall within an exception to infringement such as fair use or fair dealing.

Finally, there are some problems associated with forcing users to upgrade to a version of the Kazaa or Morpheus software that includes a filter. I have already discussed in Chapter Three the incredible disrespect that the more forceful of the ‘persuasion’ methods of inducing an upgrade demonstrates to users.<sup>731</sup> This deserves at least some consideration by courts.

In contrast to filtering, there are no obvious detrimental impacts on the social utility of peer-to-peer technology from the second range of possible precautions – improved copyright education and warning material on the relevant ‘front page’ websites – so long as the material provided is clear and accurate.

### **Balancing the factors**

In balancing the factors here, one thing is immediately apparent: unlike in *Sony*, the defendants in *Grokster* and *Sharman* could not reasonably do nothing in response to the risk of infringement created by their software. The strong probability of copyright infringement, its extensive scope, and its potential for economic harm (if actual harm came anywhere close to the claims generally made by the content industries) make that clear. At a minimum, a reasonable person might have provided more prominent copyright warnings and information about copyright limitations and exceptions. A reasonable person would not have taken certain steps that the defendants did, such as providing a ‘Top 40’ search box to direct users to content that was clearly copyrighted.<sup>732</sup> Most likely, a reasonable person would have implemented some kind of filter. The most challenging thing here is deciding what that filter might look like.

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<sup>730</sup> Jane C. Ginsburg, ‘Separating the *Sony* Sheep from the *Grokster* Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs’ (2008) 50 *Arizona Law Review* 577, 588.

<sup>731</sup> See Chapter Three, part 2.1.

<sup>732</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 926 (2005); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 987 (C.D. Cal., 2006).

Taking into account the social utility of peer-to-peer software and users' legitimate interests in using that software, a keyword filter or a filter based on the length of files is likely to be too broad. There is a significant risk that these filters would remove lawful content from search results ('false positives') and detrimentally impact the utility of the peer-to-peer software to an unreasonable extent. Digital fingerprint filtering is more likely to be accurate and not to over-filter, and therefore might be a more appropriate response. Safeguards would need to be imposed regardless of the type of filter employed to preserve space for fair use, fair dealings, and other legitimate uses as much as possible. To the extent that it is technologically possible, filters might be designed so that access is only blocked to content where the file clearly comprises an entire or almost whole work. The Electronic Frontiers Foundation has suggested that filters should only block content where at least 90% of the content is comprised of a single copyrighted work.<sup>733</sup> Similarly, Jane Ginsburg has opined that a filter might be programmed to detect where the content of a file is not in sequence or is broken up by excerpts of other content, and might "let pass" these files through to the user's search results.<sup>734</sup> This would help to protect remixes, parodies and other instances of user generated content. Where the content concerned is audiovisual, there should also be a match between both the audio and video content of the file and the copyrighted work before the file is filtered.<sup>735</sup> This would go some way to carving out a space for fair uses and fair dealings, such as parodies where video content is "dubbed",<sup>736</sup> or user-created videos that include music playing in the background.<sup>737</sup> Finally, as noted above, there would need to be some kind of complaint and redress mechanism for users who believe that their files have been wrongly or unfairly filtered.

It is not completely clear what the level of sophistication of the filtering software available to the *Grokster* and *Sharman* defendants was at the relevant time. However, broadly, a court might easily conclude that a reasonable person in the position of the defendants would have implemented a filter that removed access to the most obvious

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<sup>733</sup> See Sonia K. Katyal, 'Filtering, Piracy Surveillance and Disobedience' (2009) 34(2) *Columbia Journal of Law and the Arts* 401, 422.

<sup>734</sup> Jane C. Ginsburg, 'Separating the *Sony* Sheep from the *Grokster* Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs' (2008) 50 *Arizona Law Review* 577, 588-9.

<sup>735</sup> See Sonia K. Katyal, 'Filtering, Piracy Surveillance and Disobedience' (2009) 34(2) *Columbia Journal of Law and the Arts* 401, 422.

<sup>736</sup> E.g. the "bad lip reading" parodies: [https://en.wikipedia.org/wiki/Bad\\_Lip\\_Reading](https://en.wikipedia.org/wiki/Bad_Lip_Reading).

<sup>737</sup> Such as the now-famous home video (29 seconds) of a baby dancing to Prince's song, 'Let's Go Crazy'. See <https://www.eff.org/cases/lenz-v-universal>.



and egregious instances of copyright infringement, provided that there were appropriate safeguards to protect users interests and a means of complaint and review for users. Users could be encouraged to upgrade to new versions of the software with filters through appeals on the website and through a phasing-out of support for earlier versions. Aggressively forcing users to upgrade, however, would be disrespectful and might unreasonably impact on users' autonomy in using peer-to-peer software.

In my view, the defendants in these cases clearly breached their duties to take reasonable steps to minimise the risk of copyright infringement. They not only failed to act to implement any reasonable precautions against infringement, but they assisted users in locating and downloading content that was highly likely to be copyright infringing.<sup>738</sup>

### **Damage**

Once it is determined that the defendants breached their duty, it is still required that the plaintiffs be able to show that this breach caused their damage or harm. To the extent that the *Grokster* and *Sharman* defendants may have breached their duty by failing to provide clear and detailed copyright information and infringement warnings, it may be difficult to show that this breach caused copyright infringement. The plaintiffs would need to establish the counterfactual – that the infringement would not have occurred if the defendants had provided the information and warnings. Given what we know (or do not know) about patterns of user behaviour in response to copyright infringement warnings and information,<sup>739</sup> this would be a challenging hurdle to surmount.

It is likely that a filter which removed exact, full-length copies of copyrighted content from search results would go at least some way to reducing the amount of copyright infringement occurring over the Kazaa and Morpheus systems. Copyright owners should be able to show that the defendants' failure to implement such a filter caused at least a proportion of the harm. Accordingly, the defendants would be found

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<sup>738</sup> *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 545 U.S. 913, 923-4, 926, 939 (2005); *Metro-Goldwyn-Mayer Studios Inc. et al v. Grokster Ltd. et al.*, 454 F. Supp. 2d 966, 987 (C.D. Cal., 2006).

<sup>739</sup> Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law and the Arts* 147, 191-2, 198-200.

liable for authorising those infringements that a (carefully tailored) filter would have prevented.

## Summary: The negligence analysis and Grokster/Sharman

### (1) Duty

Grokster, SteamCast and Sharman had a duty to minimise the risk of infringement caused or contributed to by the Kazaa and Morpheus software.

### (2) Breach

Risk is foreseeable and not insignificant: Peer-to-peer filesharing software enables the easy transfer of copyrighted music and movie files between users, implicating the rights of reproduction/copying and communication. This was a foreseeable and not insignificant risk.

Probability of harm occurring: The probability of infringement was high. Although peer-to-peer filesharing software enables non-infringing sharing, the courts in these cases found that the relevant software was predominately used to share infringing files.

Likely seriousness of the harm: The likely seriousness of the harm is difficult to determine. Copyright owners claim that filesharing causes significant economic harm, but this has not been substantiated by reliable, independent studies.

Burden of taking precautions: There was almost no burden with respect to improved copyright information and warnings on the landing websites. There was some financial burden associated with implementing filters, including the costs of obtaining 'digital fingerprint' filtering software and upgrading to a new version of the filesharing software with the filter installed. The most substantial costs would likely be in establishing a system of redress for users who believe content was wrongly filtered.

Social utility: Peer-to-peer filesharing software has social utility because it provides secure, cheap and efficient file transfers for personal and research files and other non-infringing content. It can also help creators to distribute their works.

Breach (conclusion): Grokster, StreamCast and Sharman were likely in breach of their duties of care. Although filesharing software has social utility, the probability and extent of infringing filesharing likely means that some precautions should have been taken. At least, better copyright information and warnings, and at most, filtering mechanisms with appropriate safeguards for users' interests. The defendants did not take any precautions against the risk of infringement. **Likely breach.**

### (3) Damage

The defendants would be responsible for the proportion of infringement that would have been prevented by an appropriate filter (noting that causation under this element might be difficult for rightsholders to accurately prove).

### 6.3 Content Sharing Platforms

My third and final example of how the breach analysis would apply to copyright intermediaries involves YouTube, a content sharing platform. YouTube was officially launched in June 2005 and was acquired by Google in October 2006.<sup>740</sup> The website provides a simple, integrated interface which allows users to upload, view and share videos. Importantly, it allows users to do this without a great deal of technical knowledge.<sup>741</sup> YouTube's mission and the purposes for which it has been used have evolved over the years.<sup>742</sup> From the outset, however, YouTube was committed to supporting user-generated content. Its initial mission statement encouraged users to take videos of their pets and personal experiences,<sup>743</sup> and YouTube remains a place where niche content can thrive – its content includes makeup tutorials, games 'walk-throughs', product testing and reviews, DIY cooking shows, and remix culture.<sup>744</sup> Jean Burgess and Joshua Green have stated,

YouTube's value is not produced solely or even predominately by the top-down activities of YouTube, Inc. as a company. Rather, various forms of cultural, social and economic values are collectively produced by users *en masse*, via their consumption, evaluation, and entrepreneurial activities. ... For YouTube, participatory culture is not a gimmick or sideshow; it is absolutely core business.<sup>745</sup>

A comprehensive study conducted by Burgess and Green in 2007 examined 4,320 videos across four of YouTube's categories of popularity – Most Viewed, Most Favorited, Most Responded and Most Discussed – to gain an understanding of the origin of these videos (user created or the product of a traditional media company), the identity of uploaders (users or media companies) and the levels and types of

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<sup>740</sup> Jin Kim, 'The institutionalization of YouTube: From user-generated content to professionally generated content' (2012) 34(1) *Media, Culture and Society* 53, 55. Although YouTube is owned by Google, for the purposes of my discussion I refer to YouTube as the entity.

<sup>741</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 1.

<sup>742</sup> When it launched, YouTube's by-line was "Your Digital Video Repository", indicating that the website provided a personal video storage service. Now, the by-line reads, "Broadcast Yourself", evidencing a shift in values and intent from a storage facility to a platform for public self-expression. See Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 3-4.

<sup>743</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 3.

<sup>744</sup> Stuart Cunningham divides YouTube content across five main "verticals": vlogging; gameplay; style/how-to/popular knowledge; pranking; and web series: Stuart Cunningham, 'The new screen ecology: A new wave of media globalisation?' (2015) (forthcoming, draft on file with author), 7.

<sup>745</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 5-6.

engagement with these videos.<sup>746</sup> The study found that just over half of the most popular content was user-created, with the majority of those videos (nearly 40%) being vlogs.<sup>747</sup> Vlogs (short for “video logs”) are videos in which the user speaks directly to the camera and their audience, either in conversation or in the narrative tradition of video diaries. As Burgess and Green explain, the vlog is a genre of communication that inherently invites feedback, critique, debate and discussion.<sup>748</sup> Vlogs are frequently direct responses to vlogs by other users or to comments left on previous vlogs, and it is not uncommon for two users to engage in extended dialogue by posting public video responses to each other, back and forth.<sup>749</sup>

Other popular user-created content captured in the study included ‘slice of life’ footage;<sup>750</sup> reviews and ‘walk-throughs’; sketch comedy and other videos focused on humour; and videos “concerned with experimentation with the video form”, such as using green screen technology or reversed footage.<sup>751</sup> With perhaps the exception of ‘slice of life’ videos, all of these types of user-created content invite comment and engagement. Perhaps not surprisingly, then, the study found that user-created content made up more than two-thirds of the content coded in the Most Responded and Most Discussed categories.<sup>752</sup> This is dramatically higher than the traditional media content in those categories, which “doesn’t explicitly invite conversational and inter-creative participation”.<sup>753</sup>

The study found that around 42% of the sampled videos appeared to have been originally produced by traditional media sources.<sup>754</sup> This content included television programming; movie clips and trailers; clips from major news services; and music videos from popular artists.<sup>755</sup> These videos made up 66% of the Most Viewed category, with the Most Favourited category almost evenly split between traditional

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<sup>746</sup> Ibid, 38-39. The videos were sampled from six days across two weeks in each month of August, October and November in 2007: p.38. YouTube no longer offers the ability to see rankings of overall popularity.

<sup>747</sup> Ibid, 43.

<sup>748</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 54.

<sup>749</sup> Ibid.

<sup>750</sup> Jose van Dijck, ‘Users like you? Theorizing agency in user-generated content’ (2009) 31(1) *Media, Culture and Society* 41, 51.

<sup>751</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 43, 52, 53.

<sup>752</sup> Ibid, 51.

<sup>753</sup> Ibid, 54.

<sup>754</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 43.

<sup>755</sup> Ibid, 44.

media content and user-generated content.<sup>756</sup> Interestingly, most of the videos that originated from traditional media sources appeared to be uploaded by users rather than mainstream media companies (around 60%).<sup>757</sup> The authors write, “There were several instances in this sample where the type of uploads media companies such as Viacom seem to dread most appeared – entire episodes of programming divided into sections.”<sup>758</sup>

This study tells us two important things. First, YouTube has tremendous social utility. YouTube operates as meaning-making platform as much as a video-sharing platform.<sup>759</sup> The exercise of ‘favouriting’ a video operates as an indicator of taste and self-expression, in the same way that decorating a schoolbook with pictures of a favourite band or celebrity indicates a student’s preferences (as discussed in Chapter Three). When a user adds a video to his or her ‘favourites’ list, this act is broadcast to other users as a marker of personal taste.<sup>760</sup> When users comment on videos or upload their own videos, they are using YouTube to communicate with others and narrate their own cultural experiences.<sup>761</sup> The site is an enormous showcase of creativity – enabling users to publish the results of their cultural ‘play’ in the form of mash-ups, remixes and other user-generated content.<sup>762</sup> YouTube also operates as a kind of digital soap-box, allowing users to broadcast their own opinions, beliefs and political views. As noted above, vlogs often work as a kind of dialogue between users, facilitating communication and community building. YouTube has an educational function too – while not exactly formalised in the way that massive online open courses (MOOCs) are, many institutions and academics utilise YouTube in their teaching,<sup>763</sup> and users themselves post instructional (‘how to’) videos across

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<sup>756</sup> Ibid, 46.

<sup>757</sup> Ibid, 45.

<sup>758</sup> Ibid, 49. The authors also noted that content seems to be circulated on YouTube without much regard to its source – videos are valued because of their content, genre and uses, rather than whether their source is an established studio or an “amateur” user: p. 57.

<sup>759</sup> See also, Peter Yu, ‘Digital Copyright and Confuzzling Rhetoric’ (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 881, 896-7.

<sup>760</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 46.

<sup>761</sup> Ibid, 48. See also, Christele Boulaire, Guillaume Hervet and Raoul Graf, ‘Creativity chains and playing in the crossfire on the video-sharing site YouTube’ (2010) 4(2) *Journal of Research in Interactive Marketing* 111, 181, 130.

<sup>762</sup> See, for example, Rebecca Tushnet, ‘Scary Monsters: Hybrids, Mashups, and Other Illegitimate Children’ (2011) 86(5) *Notre Dame Law Review* 2133.

<sup>763</sup> Including myself: <https://www.youtube.com/channel/UCTtY5MzgrvLW9SDbPz6Jjgg>.

a broad range of topics.<sup>764</sup> Finally, YouTube helps users, whether traditional creators or otherwise, to build their audiences and businesses. Some users have been able to “develop subscriber/fan bases of significant size and often transnational composition, often generating as a consequence significant advertising and sponsorship revenue”.<sup>765</sup> One example is Louna Maroun,<sup>766</sup> a musician and blogger, whose economic success on YouTube enabled her to become a “fulltime YouTuber”.<sup>767</sup> YouTube has blended the boundaries between traditional media and “amateur” content, disrupting and illuminating “the increasingly complex relations among producers and consumers in the creation of meaning, value and agency.”<sup>768</sup>

The second thing that this study tells us is that despite the immense social utility of YouTube, there has been, at least in the past, a strong chance of copyright infringement too. In the time since this study was undertaken, YouTube, as a platform, has changed immensely. Largely in response to the lawsuit brought against it in 2007 by the mass-media company, Viacom, for allegedly inducing copyright infringements,<sup>769</sup> YouTube adopted a suite of precautions against copyright infringement (discussed in detail below). These precautions changed the shape of the platform. More than this, however, YouTube has evolved over the years into a more “mainstream player in broadcasting and film markets”.<sup>770</sup> It has leveraged “amateur cultural expression” into enterprise opportunities primarily through arrangements with online advertisers,<sup>771</sup> and it has moved into social-media-specific professional and commercial content production.<sup>772</sup> The combination of YouTube’s ‘professionalisation’ and its implemented strategies for managing copyrighted content has meant that copyright infringement is now less likely on YouTube than it

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<sup>764</sup> Stuart Cunningham includes ‘how-to’ videos as one of the five main “verticals” of YouTube content: Stuart Cunningham, ‘The new screen ecology: A new wave of media globalisation?’ (2015) (forthcoming, draft on file with author), 7.

<sup>765</sup> Ibid, 1. Cunningham states that over one million YouTube creators now receive some level of remuneration for their uploaded content: p.2.

<sup>766</sup> <https://www.youtube.com/user/Loopylady11>.

<sup>767</sup> Stuart Cunningham, ‘The new screen ecology: A new wave of media globalisation?’ (2015) (forthcoming, draft on file with author), 8.

<sup>768</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 14; see also Stuart Cunningham, ‘Emergent Innovation through the Coevolution of Informal and Formal Media Economies’ (2012) 13(5) *Television and New Media* 415.

<sup>769</sup> *Viacom International Inc. v. YouTube Inc.*, 253 F.R.D. 256 (S.D.N.Y. 2008).

<sup>770</sup> Stuart Cunningham, ‘Emergent Innovation through the Coevolution of Informal and Formal Media Economies’ (2012) 13(5) *Television and New Media* 415, 419.

<sup>771</sup> Ibid, 419, 421-2; Jose van Dijck, ‘Users like you? Theorizing agency in user-generated content’ (2009) 31(1) *Media, Culture and Society* 41, 42, 48.

<sup>772</sup> Stuart Cunningham, ‘Emergent Innovation through the Coevolution of Informal and Formal Media Economies’ (2012) 13(5) *Television and New Media* 415, 419-420.

was before. Nevertheless, the findings from the Burgess and Green study are important for a negligence analysis of YouTube. The breach factor relating to the probability of harm requires an assessment of the probability of the harm occurring if precautions are not taken. It is therefore relevant what the probability of infringement occurring on YouTube was in 2007, because this was the point in time just *before* YouTube began trialing its primary precaution against infringement: its Content ID system.<sup>773</sup>

The Burgess and Green study revealed that of the 42% of their sample of videos that had originated from traditional media sources, more than half (around 60%) had been uploaded by ordinary users.<sup>774</sup> These videos were likely infringing copies. This is somewhere in the vicinity of 1080 infringing videos appearing in YouTube's most popular lists across 18 days in August, October and November 2007.<sup>775</sup> Further, in the *Viacom v YouTube* case in 2007, Justice Stanton of the District Court found:

YouTube has filled its library with entire episodes and movies and significant segments of popular copyrighted programming from Plaintiffs and other copyright owners, that neither YouTube nor the users who submit the works are licensed to use in this manner. Because YouTube users contribute pirated copyrighted works to YouTube by the thousands, including those owned by Plaintiffs, the videos "deliver[ed]" by YouTube include a vast unauthorized collection of Plaintiffs' copyrighted audiovisual works.<sup>776</sup>

As his Honour notes, substantial parts of copyrighted television programs, music film clips and movies were readily available on YouTube. It is clear that YouTube had probable infringing, as well as non-infringing uses.<sup>777</sup>

In using YouTube as an example of a misfeasance intermediary, I want to focus on the precautions that YouTube have implemented over the years as a response to

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<sup>773</sup> Kevin J. Delaney, 'YouTube to Test Software to Ease Licensing Fights', *The Wall Street Journal* (online), 12 June 2007, <http://www.wsj.com/articles/SB118161295626932114>.

<sup>774</sup> Jean Burgess and Joshua Green, *YouTube: Online Video and Participatory Culture* (Polity Press, 2009), 45.

<sup>775</sup> *Ibid.*, 38.

<sup>776</sup> *Viacom International Inc. v. YouTube Inc.*, 253 F.R.D. 256, 258 (S.D.N.Y. 2008).

<sup>777</sup> *Viacom's case against YouTube centred primarily on whether YouTube could rely on the US safe harbour provisions. The District Court found that YouTube did come within the safe harbours, and the case was appealed to the Second Circuit: Viacom International Inc. v. YouTube Inc.*, 676 F.3d 19 (2nd Cir. 2012). Full case docket is available here:

[https://www.docketalarm.com/cases/New\\_York\\_Southern\\_District\\_Court/1--07-cv-02103/Viacom\\_International\\_Inc.\\_et\\_al\\_v.\\_Youtube\\_Inc.\\_et\\_al/](https://www.docketalarm.com/cases/New_York_Southern_District_Court/1--07-cv-02103/Viacom_International_Inc._et_al_v._Youtube_Inc._et_al/). The case was ultimately settled in 2014: see Jonathan Stempel, 'Google, Viacom settled landmark YouTube lawsuit', *Reuters*, 18 March 2014, <http://www.reuters.com/article/2014/03/18/us-google-viacom-lawsuit-idUSBREA2H11220140318>.



the risk of copyright infringement engendered by the video sharing platform. YouTube provides an excellent illustration of how steps can be taken to reduce the risk of infringement without unreasonably curtailing users' rights. I will not undertake a detailed assessment of the breach factors as I did with the *Sony* and *Grokster/Sharman* examples above, but will instead concentrate on these precautions. I have already noted the likely probability of the harm and the social utility of YouTube.<sup>778</sup> Before I discuss the precautions adopted by YouTube, I make a brief note of the likely seriousness of the harm caused by the video-sharing platform.

In the *Sony* and *Grokster/Sharman* examples, I explained the difficulties that rightsholders face in proving copyright harm under the second negligence factor. The same problems will arise for copyright owners with respect to YouTube and other content sharing platforms – rightsholders must be able to show that the appearance of their content on the platform harmed them in some way. This will not be easy – it is not at all clear that sharing videos on YouTube displaces sales of content. There is even a possibility that, like in *Sony*, copyright owners may actually gain some benefit from the wider availability of parts of their content.

The precautions implemented by YouTube to reduce the risks of copyright infringement range from basic copyright education to mechanisms for removal of content and even termination of user accounts. The simplest precaution is a 'Copyright Center' webpage, which contains information about copyright fundamentals (including a 'frequently asked questions' section), Creative Commons and fair use.<sup>779</sup> There is a 'fair use myths' video and links to other resources such as the Centre for Media and Social Impact's *Code of Best Practices in Fair Use for Online Video*.<sup>780</sup>

YouTube's most innovative precautionary measure is its 'Content ID' system, which allows qualifying rightsholder to identify and manage their content on the platform.<sup>781</sup> Copyright owners are able to provide reference copies of their content to

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<sup>778</sup> In terms of the probability of the harm occurring, I would also note that the extensive non-infringing uses of YouTube might temper a finding that the probability of copyright infringement was high, as it did in *Sony*.

<sup>779</sup> <https://www.youtube.com/yt/copyright/>.

<sup>780</sup> <https://www.youtube.com/yt/copyright/fair-use.html#yt-copyright-resources>;

<http://www.cmsimpact.org/fair-use/related-materials/codes/code-best-practices-fair-use-online-video>.

<sup>781</sup> <https://support.google.com/youtube/answer/2797370?hl=en>.

YouTube, which are loaded into a database.<sup>782</sup> YouTube states on its website that there are upwards of three million files in its database.<sup>783</sup> Once reference files are included in the database, every single video uploaded by every user is compared to the reference files database to discover instances of copyright infringement.<sup>784</sup> The Content ID system is able to make audio and video matches, partial matches, and lower quality video matches.<sup>785</sup> The system is only made available to copyright owners with exclusive rights in a substantial body of original material that is frequently uploaded by the YouTube user community.<sup>786</sup> In other words, the Content ID system operates mostly for the benefit of large commercial rightsholders. Applicants who wish to gain access to the system must provide to YouTube evidence of their copyright ownership in the relevant content. They must also own the rights in the reference files exclusively, meaning that any videos which include material that was licensed non-exclusively to the applicant will not be accepted as reference files.<sup>787</sup>

When Content ID makes a match between newly uploaded content and a reference file, YouTube will take action depending on a prior election by the rightsholder. Rightsholders may choose to have videos blocked or muted, but they may also elect to permit the video to remain as is and monetize the content or track viewing statistics.<sup>788</sup> Where a copyright owner chooses to have videos monetized, advertisements are displayed alongside or within the video content and the copyright owner receives a proportion of the revenue.<sup>789</sup> YouTube markets this as a user-friendly option, stating that it allows users to create promotional and business opportunities for their favourite artists by sharing their content.<sup>790</sup> YouTube has

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<sup>782</sup> Ibid; YouTube, *Content ID Handbook 2.0* (2012), 1.1.

<sup>783</sup> <https://support.google.com/youtube/answer/2797370?hl=en>.

<sup>784</sup> YouTube, *Content ID Handbook 2.0* (2012), 1.3.

<sup>785</sup> <https://support.google.com/youtube/answer/2797370?hl=en>.

<sup>786</sup> Ibid.

<sup>787</sup> <https://support.google.com/youtube/answer/1311402>;

[https://support.google.com/youtube/answer/2605065?hl=en&ref\\_topic=4515467](https://support.google.com/youtube/answer/2605065?hl=en&ref_topic=4515467); YouTube, *Content ID Handbook 2.0* (2012), 2.5.

<sup>788</sup> Copyright owners may select different actions for different jurisdictions. <https://support.google.com/youtube/answer/2797370?hl=en>; see also, YouTube, *Content ID Handbook 2.0* (2012), 1.1, 1.2, 3.2.

<sup>789</sup> See generally, [https://support.google.com/youtube/topic/1115889?hl=en&ref\\_topic=2676320&vid=1-635777096689281918-2523555871](https://support.google.com/youtube/topic/1115889?hl=en&ref_topic=2676320&vid=1-635777096689281918-2523555871). Percentages paid for advertisements are not standardised – they vary according to the type of advertisement and other factors.

<sup>790</sup> <https://support.google.com/youtube/answer/2797370?hl=en>.

reported that, as at May 2014, hundreds of millions of dollars in advertising revenue had been allocated via Content ID.<sup>791</sup>

YouTube states that it monitors Content ID use on an ongoing basis and will disable Content ID access for any copyright owners who repeatedly make erroneous copyright claims.<sup>792</sup> YouTube also provides a form to allow users to dispute Content ID claims if the user believes that the system misidentified their video or that they have the rights to use the content.<sup>793</sup> When a user lodges a dispute, the copyright owner is given 30 days to respond. If the copyright owner fails to respond within this period, their claim on the user's uploaded video expires.<sup>794</sup> Copyright owners may respond by 'releasing' the claim, 'upholding' the claim (i.e. asserting the correctness of their Content ID claim), or initiating a takedown process for removal of the video (explained further below).<sup>795</sup> Users have the right to appeal upheld claims, though it seems as though the only options available in response to an appeal is for the copyright owner to release the claim or initiate a takedown.<sup>796</sup> YouTube itself does not appear to get involved in Content ID disputes. If a user receives a Content ID claim in relation to the audio component of their video but not the visual component, they may elect to keep the video up and simply mute the video or change the music or sounds behind the video.<sup>797</sup>

Related to the Content ID process is a system whereby users are given 'standing' in relation to their accounts. An account in 'good standing' is one that has no copyright or community guideline strikes against it and no more than one video blocked by Content ID.<sup>798</sup> Users with accounts in good standing are assigned certain benefits that other users do not have, including the ability to appeal up to three 'upheld' Content ID disputes at a time.<sup>799</sup>

The Content ID system is an interesting example of what a precaution taken in response to the risk of infringement is likely to look like when reasonableness and

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<sup>791</sup> See Rebecca Tushnet, 'All of This Has Happened Before and All of This Will Happen Again: Innovation in Copyright Licensing' (2014) 29(3) *Berkeley Technology Law Journal* 1447, 1458.

<sup>792</sup> <https://support.google.com/youtube/answer/2797370?hl=en>.

<sup>793</sup> <https://support.google.com/youtube/answer/2797454>.

<sup>794</sup> Ibid.

<sup>795</sup> Ibid.

<sup>796</sup> Ibid.

<sup>797</sup> <https://support.google.com/youtube/answer/6013276>.

<sup>798</sup> <https://support.google.com/youtube/answer/2797387?vid=1-635777349087787617-2523555871>.

<sup>799</sup> Ibid; <https://support.google.com/youtube/answer/2797454>. Benefits also include the ability to upload videos as 'unlisted' or 'private' (rather than public); the ability to upload videos longer than 15 minutes; the ability to license their uploaded videos under Creative Commons; and access to the YouTube video editor, channel customization and live streaming.

balance are at its core. The ability to monetise or track videos rather than simply block them is an important response to both the economic concerns of rightsholders and the autonomy and expression interests of users.<sup>800</sup> It also has the potential to build a sense of relationship and mutual sharing between creators and their fans. A benefit-sharing model, rather than a notice-and-takedown model, is more likely to respect and protect the rights of users.<sup>801</sup> The Content ID system is not a perfect structure for the protection of user rights – copyright owners still have the ability to mute or block videos, and retain the balance of power in the complaints process. All complaints and appeals are “resolved” purely based on the rightsholder’s response.<sup>802</sup> Yet the Content ID system includes a number of safeguards that seek to accommodate user interests. First, applicants for the system must be able to definitively show that they exclusively own the complete copyrights in the content to be included in the reference database, and YouTube expressly excludes all other content. Second, YouTube appears to take very seriously any indication that the system is being used incorrectly or being abused by rightsholders. Third, notwithstanding its shortcomings, there is a complaints and appeals process in place that gives voice to users’ concerns and objections. YouTube does not closely monitor this process, but this is conceivably because it is too costly or too onerous to make more complete determinations about copyright claims. It is understandable that YouTube does not become too involved in copyright disputes on its platform; YouTube is not, after all, a finder of fact.

There is considerable investment and technological sophistry that goes into building a system such as Content ID.<sup>803</sup> For this reason, it may not be reasonable to

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<sup>800</sup> See Peter Yu, ‘Digital Copyright and Confuzzling Rhetoric’ (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 881, 908-9.

<sup>801</sup> Though there are distribution issues with Content ID because revenue may be shared with the copyright owner of embedded content but not the user-creator of the relevant video, meaning that some remix artists or some users who attempt to earn income from review videos, for example, may lose out financially: see Rebecca Tushnet, ‘All of This Has Happened Before and All of This Will Happen Again: Innovation in Copyright Licensing’ (2014) 29(3) *Berkeley Technology Law Journal* 1447, 1461-61, 1464.

<sup>802</sup> Rebecca Tushnet has expressed concern that YouTube’s system allows copyright owners to suppress messages (i.e. block content) that are not acceptable to them, such as criticisms and parodies of their work. The lack of transparency around the Content ID selection process and appeals process makes detecting and challenging these censorship choices difficult: Rebecca Tushnet, ‘All of This Has Happened Before and All of This Will Happen Again: Innovation in Copyright Licensing’ (2014) 29(3) *Berkeley Technology Law Journal* 1447, 1460-61.

<sup>803</sup> Google has stated that Content ID was incredibly expensive to develop, requiring more than 50,000 engineering hours and costing over 30 million dollars: Rebecca Tushnet, ‘All of This Has Happened Before and All of This Will Happen Again: Innovation in Copyright Licensing’ (2014) 29(3) *Berkeley Technology Law Journal* 1447, 1466.

require other content sharing platforms to adopt similar precautions.<sup>804</sup> For YouTube, however, this appears to be a reasonable step taken to minimise the risk of copyright infringement caused by its platform.

YouTube has additional precautions in place, the strongest being a system for notice and takedown. In support of its notice-and-takedown procedures, YouTube offers a Content Verification Program to help copyright-holding companies search for content that they believe is infringing and provide YouTube with information sufficient for YouTube to locate and remove the content under a copyright infringement notification.<sup>805</sup> Rightsholders (whether large or small) may complete a takedown notice form to request removal of particular videos on copyright grounds, but cannot request the removal of entire channels.<sup>806</sup> YouTube issues strong warnings to rightholders against making false claims,<sup>807</sup> and has a counter-notification system in place so that users can challenge any infringement notifications received.<sup>808</sup> As under the Content ID system, however, the counter-notification process has serious limitations. In particular, the reasons for which a user can issue a counter notification are limited to “mistake or misidentification of the material”.<sup>809</sup> What exactly this involves is not clearly explained, though the site states that fair use falls within its ambit.<sup>810</sup>

When YouTube removes a video under the infringement notification scheme, the user who uploaded the video receives a ‘copyright strike’ against their account.<sup>811</sup> This puts the user’s account in ‘bad standing’ and they lose access to certain features. Users with three ‘unresolved’ strikes will have their account terminated and all of their uploads deleted.<sup>812</sup> A user may ‘resolve’ a strike in one of three ways: contact

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<sup>804</sup> For example, the visual art site, DeviantART, has explained that it could not afford the expense of a Content ID system, which requires the technological ability to scan and identify thousands or millions of works, as well as the ability to embed advertising and share revenue amongst copyright owners: see Rebecca Tushnet, ‘All of This Has Happened Before and All of This Will Happen Again: Innovation in Copyright Licensing’ (2014) 29(3) *Berkeley Technology Law Journal* 1447, 1466.

<sup>805</sup> <https://support.google.com/youtube/answer/6005923?hl=en>.

<sup>806</sup> [https://www.youtube.com/copyright\\_complaint\\_form](https://www.youtube.com/copyright_complaint_form;);  
<https://support.google.com/youtube/answer/6005900?vid=1-635777351870518668-2523555871>.

<sup>807</sup> <https://support.google.com/youtube/answer/2807622/>;  
[https://www.youtube.com/copyright\\_complaint\\_form](https://www.youtube.com/copyright_complaint_form);

<https://support.google.com/youtube/answer/6005900?vid=1-635777351870518668-2523555871>.

<sup>808</sup> <https://support.google.com/youtube/answer/2807684?hl=en>.

<sup>809</sup> Ibid.

<sup>810</sup> Ibid.

<sup>811</sup> <https://support.google.com/youtube/answer/2814000?hl=en>. Interestingly, YouTube says that most copyright claims do not result in a strike.

<sup>812</sup> Ibid. Users with terminated accounts cannot create new accounts, presumably with the same identifying information such as email address.

the copyright owner and ask them to retract the infringement claim; submit a counter-notification; or complete YouTube's 'copyright school' and ensure that no further strikes are received within six months, at which point the initial strike will expire.<sup>813</sup> The 'copyright school' is a simple endeavour – the user must watch a short (5 min) video and answer four 'true or false' questions, such as, "If content is available on the internet, it is in the public domain and therefore OK to upload to YouTube: true or false?"<sup>814</sup>

While the precaution here involves the removal of content, the process seems geared towards educating rather than punishing users. The counter-notification system might be improved to include expanded reasons why a user might object to an infringement notification (including more complete reference to limitations and exceptions under law) but, overall, the scheme may be a reasonable response to the risk of copyright infringement.<sup>815</sup>

The precautions adopted by YouTube are varied, giving copyright owners a range of ways to respond to infringing uploads. The precautions include, however, a number of measures to safeguard users' interests, and seem to treat users as autonomous actors in the process rather than faceless pirates.<sup>816</sup> At worst, the vision of users inherent in the YouTube model is one of persons mistaken or ill-informed about copyright laws, rather than intentionally seeking to infringe copyright.<sup>817</sup> Given the enormous social utility of YouTube and that YouTube relies quite heavily on amateur content as part of its success, it makes sense that YouTube would take care not to alienate its user-base in adopting measures against copyright infringement. I have included YouTube as an example in this chapter for exactly this reason. It serves as a model – albeit an imperfect one – for the kinds of precautions that are most likely to be considered 'reasonable' under a negligence law approach to authorisation liability that values the role and interests of interest users. The Content ID system, in particular, in implementing a benefit-sharing model, seems to strike a relatively even balance between the interests of copyright owners and users.

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<sup>813</sup> Ibid.

<sup>814</sup> [https://www.youtube.com/copyright\\_school](https://www.youtube.com/copyright_school).

<sup>815</sup> It also ensures YouTube's compliance with the US safe harbour provisions in section 512 of the US Copyright Act.

<sup>816</sup> See generally, Sonia K. Katyal, 'Filtering, Piracy Surveillance and Disobedience' (2009) 34(2) *Columbia Journal of Law and the Arts* 401, 424.

<sup>817</sup> This vision would seem to align with the abundance of "no copyright intended" uploads on YouTube: see Andy Baio, 'No Copyright Intended', Waxy.org, 9 December 2011 (updated 11 February 2012), [http://waxy.org/2011/12/no\\_copyright\\_intended/](http://waxy.org/2011/12/no_copyright_intended/).

## Summary: The negligence analysis and YouTube

### (1) Duty

YouTube had a duty to take reasonable precautions to minimise the risk of infringement created by the video-sharing platform.

### (2) Breach

Risk is foreseeable and not insignificant: The risk was that users would upload copyrighted videos without the owner's permission and without legal excuse. This was a foreseeable and not insignificant risk.

Probability of harm occurring if precautions were not taken: The probability of infringement occurring on YouTube before precautions were implemented in 2007 was relatively high. Justice Stanton in the *Viacom* case held that the scope of infringing videos on YouTube was "vast". An independent study in the same year found that users uploaded more than half of the videos examined in that study which originated from traditional media sources.

Likely seriousness of the harm: The likely seriousness of the harm here is unknown. Copyright owners have not proved economic harm deriving from YouTube, and there is a possibility that, as in *Sony*, exposure via YouTube may actually benefit some creators and copyright owners.

Burden of taking precautions: YouTube has implemented a comprehensive range of precautions, including copyright information and education pages, the Content ID system, and notice-and-takedown procedures. There are also appeals processes for users. YouTube has surmounted the significant financial, technological and human resource burdens associated with adopting these precautions.

Social utility: The social utility of YouTube is extremely high. It provides users with opportunities to share non-infringing files, express themselves, create cultural meaning, share their own acts of creativity, and build communities.

Breach (conclusion): YouTube has responded to the probable risk of infringement as a reasonable person would do in the circumstances – by implementing a range of precautions targeted at reducing infringement while still (mostly) preserving YouTube's social utility. In fact, YouTube adopted an extremely sophisticated precaution with its Content ID system and arguably went beyond what would have been reasonably required in the circumstances. YouTube has therefore fulfilled its duty. **No breach.**

### (3) Damage

Not applicable.

## 7. The negligence framework and the Copyright Act 1968

In this chapter, I have set out a comprehensive framework for considering the liability of intermediaries that have played a causal role in bringing about copyright infringement. The framework I have proposed is influenced by negligence law, and may appear at first glance to sit outside Australia's substantive copyright laws contained in the *Copyright Act 1968* (Cth) and the associated *Copyright Regulations 1969*. It is a different framework to the factors I noted in Chapter One that Australian courts must consider when determining authorisation liability. These factors are set out in sections 36(1A) and 101(1A) of the Copyright Act:

- (a) The extent (if any) of the person's power to prevent the doing of the act concerned;
- (b) The nature of any relationship existing between the person and the person who did the act concerned;
- (c) Whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.<sup>818</sup>

However, I contend that my framework is compatible with the factors contained in these provisions or, at least, not completely divergent from them.

The first factor, the power to prevent infringement, has the least applicability to misfeasance intermediaries. A misfeasance intermediary is potentially liable for authorising infringement not because it had the power to control the primary infringing acts, but because its technology or service causally contributed to the risk of infringement. Instead, the first factor has the most relevance for nonfeasance intermediaries, whose potential liability depends on the level of control exercised by the intermediary over the infringing activity and infringing users. I discuss this further in Chapter Five. Misfeasance intermediaries fit within sections 36(1A)(a) and 101(1A)(a) through the inclusion of the words "if any" in those paragraphs. In fact, my conception of authorisation liability gives meaning to those words, which have otherwise caused considerable confusion for copyright scholars because Australian courts have always treated the power to prevent infringement as a necessary

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<sup>818</sup> *Copyright Act 1968* (Cth), ss. 36(1A) and 101(1A).



component of authorisation liability.<sup>819</sup> This was a problem with Australia's current law, which I raised in Chapter One.

In contrast to paragraph (a), the second and third factors in paragraphs (b) and (c) are extremely relevant to misfeasance intermediaries and the breach of duty analysis. The nature of the relationship between an intermediary and its infringing users is likely to impact on the kinds of precautions a court might consider 'reasonable' for the intermediary to take to fulfill its duty. The relationship may affect what the intermediary can do practically because, for example, the intermediary may be constrained by conflicting obligations in its contract or terms of use with subscribers. It may also affect a court's assessment of the social utility of the intermediary's technology or service, and therefore what actions the intermediary should take as a normative matter. The 'reasonable steps' factor in paragraph (c) is inherently suited to a negligence analysis of liability – it is basically the requirement that courts consider what precautions a reasonable person in the intermediary's position would have taken against the risk of infringement.

While my framework looks beyond the factors set out in sections 36(1A) and 101(1A) of the *Copyright Act 1968* to take account of things such as causation and the nature of the harm, it is not inconsistent with these provisions. It offers a new way of interpreting the factors contained in these sections that focuses on the causal role an intermediary plays in bringing about copyright infringement, but it does not purport to entirely displace the existing legal principles for authorisation liability in Australia. I discuss the relationship between my framework and the statutory factors further in Chapter Seven.

## 8. Conclusion

In Chapter One, I argued that Australia's authorisation liability laws are unclear and do not provide a way to sensibly contain the scope of intermediary liability for

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<sup>819</sup> Robert Burrell and Kimberlee Weatherall, 'Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*' (2011) 33 *Sydney Law Review* 724, 734; Jane Ginsburg and Sam Ricketson, 'Inducers and Authorisers: A Comparison of the US Supreme Court's *Grokster* Decision and the Australian Federal Court's *KaZaa* Ruling' (2006) 11(1) *Media and Arts Review* 1, 14. Cf. Rebecca Giblin, 'The uncertainties, baby: Hidden perils of Australia's authorisation law' (2009) 20 *Australian Intellectual Property Journal* 148, 158-9; *Universal Music v Cooper* (2005) 150 FCR 1; [2005] FCA 972 [80]; *Universal Music Australia v Sharman Licence Holdings* (2005) 65 IPR 289; [2005] FC 1242 [402].

copyright infringement. The meaning of ‘authorisation’ is both vague and broad, and we have no clear authority on when an intermediary’s indifference to infringement will be relevant to a finding of liability. I have also argued, in Chapter Three, that the intermediary liability laws in both Australia and the United States fail to properly account for the interests of copyright users when regulating online copyright infringement. In this chapter, I have sought to provide a response to the issues raised in earlier chapters and to offer a more detailed framework for assessing authorisation liability. My framework is centred on an intermediary’s causal responsibility for infringement and, I believe, provides room to better consider user interests.

In this chapter, I focused on misfeasance intermediaries, as defined in Chapter Two. I argued that misfeasance intermediaries will have a duty to minimise the risk of copyright infringement caused or contributed to by their technology or service. An intermediary will be liable for authorising copyright infringement if it breaches its duty and if that breach causes harm. For the purposes of this analysis, I treated copyright infringement as harm. An intermediary will breach its duty if it fails to take precautions that a reasonable person in the circumstances would have taken to minimise the risk of infringement. I discussed how courts in negligence law determine what those reasonable precautions are in any given case, by examining the factors in the ‘negligence calculus’: the probability that the harm would occur if care was not taken; the likely seriousness of the harm; the burden of taking precautions against the harm; and the social utility of the risk-creating activity. I argued that the social utility factor provides scope to consider how the intermediary’s technology or service helps users to pursue their interests and whether changing or curtailing the functionality of that technology or service to respond to the risk of infringement would unreasonably impact upon users’ abilities to explore their interests.

I then applied this negligence analysis to three different types of misfeasance intermediaries to demonstrate how this approach might work in practice. I considered developers and distributors of technologies that enable copying, using the *Sony* case as an example; intermediaries that facilitate peer-to-peer filesharing, using Grokser and Sharman as examples; and content sharing platforms, using YouTube as an example. I sought to show how a negligence analysis of the role of these intermediaries in causing infringement enables courts to consider a wide range of relevant factors and to focus on whether the intermediary acted reasonably in the

circumstances. In other words, this approach concentrates on the intermediary's fault in failing to respond to the risk that it caused.

An intermediary's responsibility for the infringing acts of others should be tethered to its causal role in creating the opportunities for infringement and its fault in failing to reasonably minimise those opportunities. This approach makes an intermediary accountable for its behaviour and does not simply require an intermediary to act because it has some kind of technical capacity to do so. The framework described in this chapter offers a new way of understanding authorisation liability in Australia, including the provisions of the *Copyright Act 1968* that apply to intermediaries. It provides a way of analysing issues and reaching outcomes that is inclusive of all persons affected by the law, not just the two parties to a legal dispute. This approach is principled rather than rule-based, which ensures its continuing adaptability to the online environment. Finally, the concepts of causation, covered in Chapter Two, and reasonableness, in this chapter, operate as constraints on the reach of the law, preventing the extension of liability to intermediaries with only tenuous connections to copyright harm.



## **Chapter 5**

# **Control in the absence of causation: A clearer concept**

### **1. Introduction**

The causation framework, as set out in Chapter Two, provides a threshold test for determining when an intermediary's technology or service causally contributes to the risk of copyright infringement. As a rule, where the technology or service is not causally relevant to the harm, an intermediary's failure to act to prevent copyright infringement will not be legally significant. A failure to act in this situation constitutes nonfeasance and does not attract legal liability. A copyright intermediary that has only engaged in nonfeasance will therefore not be liable for copyright authorisation in most cases.

Under the causation framework, 'nonfeasance intermediaries' are those intermediaries that have simply provided the background conditions or infrastructure to the acts of copyright infringement. They include electricity and cable providers, internet service providers (ISPs) and payment providers. The provision of mere facilities or background conditions is not enough to authorise copyright infringement without something more. As the Supreme Court of Canada stated in *SOCAN v Canadian Association of Internet Providers* [2004] 2 S.C.R. 427,<sup>820</sup> "It is not possible to impute to the Internet Service Provider, based solely on the provision of Internet facilities, an authority to download copyright material as opposed to non-copyright material."<sup>821</sup>

There is one situation, however, in which an intermediary may be held liable for authorising copyright infringement even though its technology or service did not causally contribute to the risk of infringement. This is where the intermediary has

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<sup>820</sup> This case considered whether ISPs had to pay a tariff to the collecting society, Society for Composers, Authors and Music Publishers of Canada (SOCAN), for the communication of musical works over their networks or for authorising the communication of musical works by others. The Copyright Board held in the negative because ISPs are mere conduits and the Supreme Court of Canada affirmed.

<sup>821</sup> *SOCAN v Canadian Association of Internet Providers* [2004] 2 S.C.R. 427; 2004 SCC 45 at [123].

such a degree of control over the primary infringers that it is reasonable to impose a duty on the intermediary to exercise that control to prevent infringement. At common law, there is a general rule that there is no duty to control a person to prevent harm to another. Tort law recognises exceptions to this general rule, however, and will occasionally impose a duty on a defendant to control a third party wrongdoer. One exception is where the defendant and the third party are in a special relationship of control of a kind recognised by law. Recognised categories of relationships include parents and children,<sup>822</sup> school authorities and pupils,<sup>823</sup> and prison wardens and prisoners.<sup>824</sup> Another exception is where the defendant has real and actual control over the third party wrongdoer and it is reasonable in the circumstances to impose a duty on the defendant to exercise that control to prevent harm to the plaintiff.

Control as a determining element is familiar to copyright law. Since the *Moorhouse* decision, an intermediary's control over infringing users has been the most important factor for establishing authorisation liability in Australia. As Justice Gibbs stated in that case, "A person cannot be said to authorize an infringement of copyright unless he had some power to prevent it."<sup>825</sup> There has not been a single authorisation case since *Moorhouse* that has found liability in the absence of control. Control is also a legislated factor in the *Copyright Act 1968* – sections 36(1A) and 101(1A) make it mandatory for courts to consider an intermediary's power to prevent infringement when assessing potential liability.

As highlighted in Chapter One, however, control under copyright law can be a vague concept. It is possible to interpret 'power to prevent infringement' broadly to extend to an intermediary's ability to prevent users from accessing copyrighted content at all, such as an ISP's ability to disconnect users from the internet or completely block access to websites with some infringing content. It is also possible to confuse the 'power to prevent' and 'reasonable steps' elements in the *Copyright Act* to find that because a step *might* have reduced infringement it is evidence of a power to prevent infringement. But an ability to hinder is not the same as a power to

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<sup>822</sup> *Smith v Leurs* (1945) 70 CLR 256, 259 (Latham CJ), 260 (Starke J), 262 (Dixon J); *McHale v Watson* (1964) 11 CLR 384; *Cameron v Commissioner for Railways* [1964] Qd R 480.

<sup>823</sup> *Commonwealth v Introvigne* (1982) 150 CLR 258; *Geyer v Downs* (1978) 138 CLR 91; *Carmarthenshire County Council v Lewis* [1955] AC 549.

<sup>824</sup> *Home Office v Dorset Yacht Co Ltd* [1970] AC 1004; *Ralph v Stratton* [1969] Qd R 348; *New South Wales v Godfrey* (2004) Aust. Torts Reports ¶81-741. See also *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 292 (Hayne J); cf. *Howard v Jarvis* (1958) 98 CLR 177; *Hall v Whatmore* [1961] VR 225.

<sup>825</sup> *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J).

prevent. Further, as I will demonstrate, it is certainly not *real and actual control* of the kind required to establish a duty under negligence law.

In this chapter, I examine when a nonfeasance intermediary might be liable for copyright authorisation due to its failure to control primary infringers. I start, in part 2, with *Roadshow Films v iiNet*, where, in finding that iiNet had not authorised infringement, Justices Gummow and Hayne emphasised the common law principle that “in the absence of a special relationship one person has no duty to control another person to prevent the doing of damage to a third.”<sup>826</sup> In part 3, I explore the tort law cases cited by their Honours in support of this principle, in order to ascertain when a duty to control another may arise under the common law. I determine that a duty to control may be imposed in two situations: where there is a special relationship between the defendant and the third party that falls within a recognised category at law and where the defendant’s control over the third party is significant enough that it is reasonable to impose the duty. For this second situation, the defendant must have real and actual control over the person doing the harm and not simply control over the place or platform where the wrongdoing took place. In parts 4 and 5, I apply these principles to copyright authorisation law. I argue that it will be rare for a nonfeasance copyright intermediary to have sufficient control over primary infringers such that it will be liable for copyright authorisation under this approach, though it is not impossible. Finally, in part 6, I consider how adopting a more robust notion of control influenced by tort law principles can address many of the problems with the authorisation doctrine raised in Chapter One, including the ill-defined scope of authorisation liability, the conflation of statutory factors, and conflicting case law.

## 2. Roadshow Films v iiNet Limited

In 2012, the High Court of Australia handed down its judgment in *Roadshow Films Pty Ltd v iiNet Limited*, the first authorisation case to come before the High Court since the Digital Agenda Amendments and *Moorhouse*.<sup>827</sup> As I detailed in Chapter One, the High Court unanimously held that iiNet, Australia’s second largest ISP, was not liable for the acts of its subscribers who had communicated copyrighted films to other internet users over BitTorrent. The Court found that iiNet lacked the

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<sup>826</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 [109] (Gummow and Hayne JJ).

<sup>827</sup> I give a more complete description of the case in Chapter One, part 3.1.

power to prevent the infringing uploads except by terminating its contractual relationships with its subscribers in order to disconnect those subscribers from the internet.<sup>828</sup> Justices Gummow and Hayne used a notion of control influenced by tort law to hold that a power to prevent infringement at an abstract level (by terminating internet access) did not amount to effective control over infringing users and so did not give rise to a duty to act to prevent the infringements. Their Honours relied on negligence cases in finding that there must first be a duty owed to the plaintiff before a defendant will be found liable for failing or refusing to act. In this part, I outline the tort law principles discussed by Justices Gummow and Hayne in their decision.

The appellants in *Roadshow Films Pty Ltd v iiNet Limited* had argued that even though iiNet had not taken any steps to facilitate infringement, it should nonetheless be held liable because it had not acted to stop infringement. They placed significant weight on section 101(1A)(c) of the *Copyright Act 1968*, which requires a court to consider whether an intermediary has taken any reasonable steps to prevent the infringement. The appellants argued that because iiNet had not taken any reasonable steps, it had exhibited indifference about the primary infringements. They asserted that indifference in the face of knowledge or suspicion of copyright infringement amounted to countenancing infringement and that iiNet was therefore liable for authorisation.<sup>829</sup> Justices Gummow and Hayne, in their reasons, described the appellants' case by reference to the elements of negligence:

[C]ounsel for the appellants appeared to accept that their case posited a duty upon iiNet to take steps so as not to facilitate the primary infringements and that this duty was broken because, in particular, iiNet did nothing in that regard.

So expressed, the appellants' case resembles one cast as a duty of care owed to them by iiNet, which has been broken by inactivity, causing damage to the appellants.<sup>830</sup>

In the record of oral arguments, their Honours expressed frustration with the appellants' refusal to articulate what exactly would constitute 'reasonable steps' sufficient to fulfill iiNet's apparent duty of care. Mr. Bannon, counsel for the

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<sup>828</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [69]-[70] (French CJ, Crennan and Kiefel JJ), [112], [137], [139] (Gummow and Hayne JJ).

<sup>829</sup> Recall that 'authorise' has been defined to mean 'sanction, approve, countenance': *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 6 ALR 193, 200 (Gibbs J), 207 (Jacobs J) (with McTiernan ACJ concurring).

<sup>830</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [114]-[115] (Gummow and Hayne JJ).



appellants, had repeatedly made statements such as, “The steps plainly include a warning notice, but we should not have to draft the warning notice. We should not have to predict what the response should be after that”.<sup>831</sup> Justice Hayne, especially, was critical of these statements:

**MR BANNON:** ...[W]e regularly said at least a warning notice could be sent, but it was not for us to say, we respectfully submit, that you have to tease out at that point in time precisely every step down the line as to what would or would not happen.

**HAYNE J:** Why not? The question was one of authorisation. [Section] 101(1A) requires you to take account of three matters...

You cannot take these matters to account in determining whether there is authorisation without first having your concept of what constitutes authorisation. Now, the arguments you have been presently advancing seek to begin with questions of reasonable steps, fasten upon the fact that there is no response to your notice, but then seem, if I may say so, Mr. Bannon, to slide imperceptibly by the word “therefore” to the conclusion that there is authorisation.<sup>832</sup>

Ultimately, Justices Gummow and Hayne concluded that scope of the purported duty – that iiNet must *do something* to prevent infringement – was too wide and “would present iiNet and other ISPs with an uncertain legal standard for the conduct of their operations.”<sup>833</sup>

In reaching their decision that iiNet did not owe a duty to the appellants and was not liable for authorising infringement, Justices Gummow and Hayne referred to several principles of tort law.<sup>834</sup> They stated first:

The cases in which men are liable in tort for pure omissions are in truth rare...The common law of tort deals with causes which look backwards to some act of a defendant more or less proximate to the actual damage, and looks askance at the suggestion of a liability based not upon such a causing of injury but merely upon the

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<sup>831</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2011] HCATrans 323 (30 November 2011).

<sup>832</sup> *Ibid.*

<sup>833</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [114]-[115] (Gummow and Hayne JJ).

<sup>834</sup> Interestingly, Justice Kiefel also acknowledged the close ties between tort law and authorisation liability. In oral argument, she asked, “It is more aligned to a notion of general duty of care and tort which leads one to wonder if the legislature has taken that up in section 101(1A), whether or not authorisation is really some sort of deemed effect if you have the power to prevent and you do not take reasonable steps. I mean, that is all very much the language of tort, is it not?” *Roadshow Films Pty Ltd v iiNet Limited* [2011] HCATrans 323 (30 November 2011).

omission to do something which would have prevented the mischief.<sup>835</sup>

This is an articulation of the distinction drawn in tort between misfeasance and nonfeasance, explored in Chapter Two of this thesis. Specifically, their Honours highlighted that liability is generally not imposed for omissions that are not causally related to the harm.

Justices Gummow and Hayne then discussed the personal injury case, *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (“*Modbury Triangle*”).<sup>836</sup> The facts of *Modbury Triangle* are explored in part 3 below. In *iiNet*, Justices Gummow and Hayne adopted the view that the judgments in *Modbury Triangle* were “recent affirmations of the general rule of the common law that in the absence of a special relationship one person has no duty to control another person to prevent the doing of damage to a third.”<sup>837</sup>

This rule, that there is normally no duty to control another to prevent harm to a third, embeds the general rule discussed in Chapter Two that there is no duty to rescue another from harm not caused by the defendant. It also reflects the same rationale – that placing the burden on the defendant to control another does not deter either the defendant or the third party from wrongdoing. It does not deter the defendant because the defendant has not acted wrongfully in the first place and it does not deter the third party because it does not place liability on the third party’s shoulders. Thus, unless there is a special relationship between the defendant and the wrongdoing third party, the law does not require the defendant to stop the third party from harming the plaintiff. The special relationship between the defendant and the third party may be of a type recognised by law,<sup>838</sup> or it may arise as a result of the

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<sup>835</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 [108] (Gummow and Hayne JJ), quoting from Harrison Moore, ‘Misfeasance and Non-feasance in the Liability of Public Authorities’ (1914) 30 *Law Quarterly Review* 276, 278. This passage had also been cited by the High Court previously in *Brodie v Singleton Shire Council* (2001) 206 CLR 512, 551.

<sup>836</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254. In that case, Chief Justice Gleeson said, “[T]he general rule that there is no duty to prevent a third party from harming another is based in part upon a more fundamental principle, which is that the common law does not ordinarily impose liability for omissions.”: at 265.

<sup>837</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 [109] (Gummow and Hayne JJ), referring to *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 264 (Gleeson CJ), 270 (Gaudron J), 292 (Hayne J), 299-300 (Callinan J).

<sup>838</sup> These include parents and children (*Smith v Leurs* (1945) 70 CLR 256; *McHale v Watson* (1964) 11 CLR 384; *Cameron v Commissioner for Railways* [1964] Qd R 480), school authorities and pupils (*Commonwealth v Introvigne* (1982) 150 CLR 258; *Geyer v Downs* (1978) 138 CLR 91; *Carmarthenshire County Council v Lewis* [1955] AC 549) and prison wardens and prisoners (*Home*

level of control that the defendant has over the third party. Control may reach such a degree that it can properly be said that the defendant is responsible for the third party's actions and that it is reasonable to impose a duty to control on the defendant. In the next part, I consider more closely these principles as they are raised in the negligence cases discussed by Justices Gummow and Hayne in *Roadshow Films v iiNet*.

### 3. Duty and control in tort law cases

The general rule in Australian tort law that there is no duty to control a person to prevent them from harming another is derived from a statement made by Justice Dixon in *Smith v Leurs*.<sup>839</sup> There, Justice Dixon said:

It is, however, exceptional to find in the law a duty to control another's actions to prevent harm to strangers. The general rule is that one man is under no duty of controlling another man to prevent his doing of damage to a third.<sup>840</sup>

*Smith v Leurs* was a personal injury case in which a 13-year-old boy (Leurs) had used his toy slingshot to fire a stone at another boy (Smith), hitting him in the eye and seriously damaging his sight. Smith sued Leurs's parents in negligence, for allowing Leurs to play with the slingshot and for failing to control him in his use of the slingshot. There was evidence that Leurs's parents had warned their son of the dangers of playing with a slingshot and had forbidden him to use it outside the limits of their home. The court found that this order was a genuine one and reasonable in the circumstances. There was no evidence that the parents could have expected Leurs to disobey them by taking the slingshot outside his home to play with other boys.<sup>841</sup> The court here distinguished between *capacity* and *obligation* – although the parents certainly had the capacity to deny Leurs the possession of a slingshot, the court held that it was not reasonable to oblige them to do so. Chief Justice Latham noted that a

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*Office v Dorset Yacht Co Ltd* [1970] AC 1004; *Ralph v Stratton* [1969] Qd R 348; *New South Wales v Godfrey* (2004) Aust. Torts Reports ¶81-741).

<sup>839</sup> *Smith v Leurs* (1945) 70 CLR 256.

<sup>840</sup> *Smith v Leurs* (1945) 70 CLR 256, 261-262 (Dixon J).

<sup>841</sup> *Ibid*, 259 (Latham CJ), 265 (McTiernan J).

slingshot “is a common object in boyhood life. Annoyance rather than an actual physical harm is the worst that is normally to be expected from its use.”<sup>842</sup>

In *Smith v Leurs*, a duty to control was imposed based on the special relationship between parents and child, though the court held that on the facts this duty had not been breached. The parent-child relationship is one of the special categories of relationship recognised by law that give rise to an exception to the general rule that there is no duty to control another.<sup>843</sup> Subsequent cases have explored the reach of this general rule, by asking whether a duty to control can be imposed in circumstances where a special relationship recognised by law is not present. *Modbury Triangle* is one such case.

In *Modbury Triangle Shopping Centre Pty Ltd v Anzil*,<sup>844</sup> the respondent worked in a video store in a shopping centre owned by the appellant. The shopping centre had a large outdoor car park, in which the respondent had parked his car. The car park was lit until 10pm. On the night in question, the respondent had closed and exited the video store around 10:15pm. He walked to his car in the dark, and was assaulted and badly injured by three unknown men. The respondent sued the appellant in tort for damages for personal injury, arguing that the appellant should have acted to protect employees by keeping the car park lights on at least until the last employee had left for the evening.<sup>845</sup>

A majority of the High Court found that the duty asserted by the respondent was not simply a duty to keep the car park lit at night. Instead, the respondent sought to impose a duty upon the appellant “to take reasonable steps to hinder or prevent criminal conduct of third persons which would injure persons lawfully on the appellant’s premises.”<sup>846</sup> Justice Hayne held that this amounted to a duty to take steps to affect the conduct of persons over whom the appellant had no control. He concluded, “No such duty has been or should be recognized.”<sup>847</sup> Similarly, Justice Callinan said:

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<sup>842</sup> Ibid, 259 (Latham CJ).

<sup>843</sup> *Smith v Leurs* (1945) 70 CLR 256, 259 (Latham CJ), 260 (Starke J), 262 (Dixon J); *McHale v Watson* (1964) 11 CLR 384; *Cameron v Commissioner for Railways* [1964] Qd R 480. See part 1 of this chapter.

<sup>844</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254.

<sup>845</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 259 (Gleeson CJ).

<sup>846</sup> Ibid, 291-292 (Hayne J).

<sup>847</sup> Ibid.

The respondents initially put their submission on the first issue in very broad terms indeed. They said that the scope of the duty of care owed by a landlord in control of commercial premises to employees of its tenants is to minimize the risk of injury to them by criminal acts of third parties, wherever it is reasonably foreseeable that criminal conduct may take place, and the cost of minimizing or eliminating that risk is reasonable.

The submission goes beyond any formulation of the duty to be found in any of the decided cases of this country.<sup>848</sup>

The *Modbury* court emphasised the importance of properly defining the duty said to be owed by the appellant to the respondent. Justice Hayne in particular noted the difference between a duty and reasonable steps taken in furtherance of a duty, stating, “The failure to light the car park was no more than the particular step which the respondents alleged that reasonable care required the appellant to take.”<sup>849</sup> In *Roadshow Films v iiNet*, Justices Gummow and Hayne drew on this case to criticise the appellants’ failure to properly articulate the duty said to be owed to them by iiNet. The appellants had claimed that iiNet had a duty to do *something* to prevent the infringements, but they did not state to the satisfaction of the High Court what this something was or ought to be. They indicated that, at the very least, iiNet should have sent warning notices to the subscribers identified by AFACT as infringing copyright. This is akin to the *Modbury Triangle* respondents arguing that the appellant should have prevented the criminal assault at least by leaving the lights on. Like leaving the lights on, sending a warning notice might constitute a step taken in furtherance of a duty, but it is not the duty itself.<sup>850</sup>

The critical issue for the *Modbury* court was the degree of control that the appellant had over the third party assailants. Justice Gaudron stressed “the significance of control over third parties before the law imposes a duty of care to prevent foreseeable damage from their actions.”<sup>851</sup> On the facts of the case, the appellants “had no control over the behaviour of the men who attacked the first

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<sup>848</sup> Ibid, 296-297 (Callinan J).

<sup>849</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 291-292 (Hayne J). See also at 266-267, where Chief Justice Gleeson stated, “If the appellant had a duty to prevent criminal harm to people in the position of the first respondent, at the least it would have had to leave the lights on all night; and its responsibilities would have extended beyond that.”

<sup>850</sup> See also *Lesandu Blacktown Pty Ltd v Gonzalez* [2013] NSWCA 8 [45] (Meagher JA): “Mr. Gonzalez’ case as pleaded did not formulate the scope of the duty of care for which he contended other than by reference to what were said to constitute breaches of that duty.”

<sup>851</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 270 (Gaudron J).

respondent, and no knowledge or forewarning of what they planned to do.”<sup>852</sup> Justice Hayne noted that the appellants needed control over the third party attackers before a duty would arise; control over the car park lighting was not enough.<sup>853</sup> On this point, His Honour emphasised that the ability to control a person’s actions and the ability to hinder a person engaged in wrongdoing are two different things and should not be confused.<sup>854</sup> To hold the appellant liable for failing to take small steps which might have reasonably hindered the offending behaviour, such as lighting the car park, would cast the net of tort liability too wide.<sup>855</sup> His Honour highlighted that the coherence of tort law depends upon “the notions of deterrence and individual responsibility.”<sup>856</sup> To hold the appellant liable for conduct it could not control and where its contribution to the harm was negligible would do nothing to further the goal of promoting individual responsibility for one’s actions.<sup>857</sup>

Finally, Chief Justice Gleeson distinguished between the capacity to act and a duty to act, just as the court had done in *Smith v Leurs*. He said, “The respondents submitted that the appellant assumed responsibility for the illumination of the car park. That submission confuses two different meanings of responsibility: capacity and obligation.”<sup>858</sup> While the appellant owned the car park and had the capacity to decide when to turn the car park lights on and off, that did not mean that it assumed an obligation to care for the security of people in the car park by keeping the lights on to protect them from attack by third parties.<sup>859</sup>

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<sup>852</sup> Ibid, 263 (Gleeson CJ). See also, Margaret Fordham, ‘Case Comment: Liability for the Criminal Acts of Third Parties’ (2001) *Law Quarterly Review* 178, 179.

<sup>853</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 291-292 (Hayne J). See also, Margaret Fordham, ‘Case Comment: Liability for the Criminal Acts of Third Parties’ (2001) *Law Quarterly Review* 178, 179.

<sup>854</sup> For a discussion of the meaning of ‘hinder’ within this area of tort law, see *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [95] (Heydon JA); *Tennants (Lancashire) Ltd v C S Wilson and Co Ltd* [1917] AC 495, 510, 514, 518, 522.

<sup>855</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 293 (Hayne J).

<sup>856</sup> Ibid, referring to Jane Stapleton, ‘Duty of Care: Peripheral parties and alternative opportunities for deterrence’ (1995) 111 *Law Quarterly Review* 301, 317. See also, Peter Cane, *The Anatomy of Tort Law* (Oxford Press, 1997) 3, 25.

<sup>857</sup> Jane Stapleton, ‘Duty of care: peripheral parties and alternative opportunities for deterrence’ (1995) 111(Apr) *Law Quarterly Review* 301, 312, 317; Frank E. Denton, ‘The Case Against a Duty to Rescue’ (1991) 4(1) *Canadian Journal of Law and Jurisprudence* 101, 124.

<sup>858</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 264 (Gleeson CJ).

<sup>859</sup> Ibid. For an alternative view, arguing that liability may be based on foreseeability and capacity, and referring to *Modbury Triangle*, see Stephen Tuck, ‘To the Rescue: Liability in Negligence for Third Party Criminal Acts in the United States and Australia’ (2013) 23(2) *Indiana International and Comparative Law Review* 183.

The majority's reasoning in *Modbury Triangle* has been followed in subsequent cases, including *Proprietors of Strata Plan 17226 v Drakulic* ("Drakulic"),<sup>860</sup> *Lesandu Blacktown Pty Ltd v Gonzalez* ("Lesandu"),<sup>861</sup> and *Hauser v Commissioner for Social Housing* ("Hauser").<sup>862</sup> In *Drakulic*, the plaintiff was brutally assaulted in the foyer of her apartment building by a third party who had obtained access after the building management (the defendants) had disabled the security lock on the outer door. The court held that the defendants had no control over the criminal third party. This lack of control over the third person stood in stark contrast to the control that occupiers generally have over "the capacity of the physical conditions of [their] premises to cause physical injury to visitors."<sup>863</sup> While the defendants in that case might have provided a locked door, the court found that there was no guarantee that a locked door would have prevented the third party from attacking the plaintiff. The third party might have attacked the plaintiff outside her apartment building, or gained access to the building by following another resident inside.<sup>864</sup> Justice Heydon further stated:

[T]he trial judge's reasoning in this context also begs the question to be decided. The question is whether there is a duty to provide a locked door. The proffered answer is affirmative, because there is control. But whence does control come? From the ability to provide a locked door. It cannot be right to infer a duty to do something merely from the fact that it is possible to do it.<sup>865</sup>

His Honour was influenced by the reasoning in *Modbury Triangle*, which "rests on the irrationality of making a defendant liable for not preventing conduct which the efforts of society as a whole through the legislature, the police force and the criminal courts are directed to preventing."<sup>866</sup> He also noted that the *Modbury* doctrine "further turns on the relatively minor role of civil defendants in contributing to the loss suffered by plaintiffs at the hands of criminals."<sup>867</sup>

In *Lesandu*, the respondent was knocked down and injured when two men fled the appellant's store after attempting to obtain electrical goods with false

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<sup>860</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381.

<sup>861</sup> *Lesandu Blacktown Pty Ltd v Gonzalez* [2013] NSWCA 8.

<sup>862</sup> *Hauser v Commissioner for Social Housing* [2013] ACTSC 104.

<sup>863</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [72] (Heydon JA).

<sup>864</sup> *Ibid* [75] (Heydon JA).

<sup>865</sup> *Ibid* [77].

<sup>866</sup> *Ibid* [72].

<sup>867</sup> *Ibid*.

identification papers. The respondent brought a negligence action against the appellant, arguing that the appellant should have had a system in place to prevent the men fleeing or to warn the respondent to move out of the way. In delivering his opinion, Justice Basten observed, “Where the harm feared is a consequence of the actions of third parties, the critical question may well be, as the respondent’s submissions implied, the extent to which the defendant should reasonably be expected to control the activities of those third parties.”<sup>868</sup> Relying on the general rule that there is no duty to prevent third parties from causing harm to another, the court dismissed the respondent’s case.<sup>869</sup>

In *Hauser*, the plaintiff was attacked inside his apartment, which was provided and managed by the defendant Commissioner for Social Housing. The plaintiff argued that the defendant should have provided stronger locks on his apartment doors. As in *Drakulic*, the court held that the defendants did not have sufficient control over the third party attacker, who was aggressive enough to have forced his way into the apartment by breaking down the door or a window even if stronger locks had been provided.<sup>870</sup>

The cases outlined in this part reveal several underlying principles that influence a court’s imposition of a duty of care in cases involving harm inflicted by third parties. First, a duty will not be imposed unless the defendant had control over the actions of the wrongdoing third party.<sup>871</sup> Second, the ability to take some steps to attempt to hinder the third party is not the same as having control over the third party. Third, the duty placed on the defendant should be capable of elucidation beyond a duty to “do something”. In other words, the court will consider what an exercise of control might actually look like. Last, just because a defendant can exercise some form of control does not mean that they must. There must be something that gives rise to the obligation to exercise control over the third party. In the next part, I expand on these principles and discuss how they might apply to nonfeasance intermediaries in copyright.

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<sup>868</sup> *Lesandu Blacktown Pty Ltd v Gonzalez* [2013] NSWCA 8 [14] (Basten JA).

<sup>869</sup> *Ibid* [39] (Basten JA), [48], [73] (Meagher JA), [77] (Davies J).

<sup>870</sup> *Hauser v Commissioner for Social Housing* [2013] ACTSC 104 [52] (Harper M).

<sup>871</sup> See further, GHL Fridman, ‘Non-Vicarious Liability for the Acts of Others’ (1997) *Tort Law Review* 102.



#### 4. A model of control for nonfeasance intermediaries

From the negligence cases described in part 3, it is possible to start to formulate a framework through which the liability of nonfeasance intermediaries in copyright may be analysed. The starting point, of course, is the general rule that there is no duty to prevent a third party from inflicting harm upon another. Thus, under negligence law principles, nonfeasance intermediaries such as ISPs will not be under a duty to take steps to prevent users from infringing copyright, at least at first instance. The relevant exception to the general rule is that a duty may be imposed where an intermediary has a significant degree of control over the third party infringers and their actions.

Yet what does ‘control’ mean in this context? In order to be a more useful model than the current authorisation doctrine in copyright, the conception of control derived from negligence law must be more clearly defined than copyright’s notion of ‘power to prevent’. In the negligence cases considered above, there are two primary criteria that the courts used to assess the degree of control required to ground liability. The first is whether the defendant had *real and actual* control over the *actions* of the third party who caused the harm.<sup>872</sup> In a sense, this is a feature of the closeness of the relationship between the defendant and the third party.<sup>873</sup> In most of the cases discussed in part 3, the third party was a stranger to the defendant and had acted in unpredictable and criminal ways. In all cases, what the defendant potentially had control over was the property on which the criminal acts took place, not the third parties doing the actions, and so the courts declined to impose a duty of care.

In *Modbury Triangle*, the defendant owned the land on which the plaintiff was attacked; similarly, in *Lesandu*, the defendants owned the store in which the plaintiff was injured. In both *Hauser* and *Drakulic*, the plaintiffs were attacked inside apartment buildings managed by the defendants. In none of these situations was control over the premises enough to establish control over the third party.<sup>874</sup> In

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<sup>872</sup> See GHL Fridman, ‘Non-Vicarious Liability for the Acts of Others’ (1997) *Tort Law Review* 102, 103, 119, emphasising the importance of “real, meaningful” control over the situation involving the third party. Cf. Joachim Dietrich, ‘Liability in negligence for harms resulting from third parties’ criminal acts: *Modbury Triangle Shopping Centre Pty Ltd v Anzil*’ (2001) 9 *Torts Law Journal* 1, 13.

<sup>873</sup> I consider how these principles interact with the copyright legislation in part 6.2, but note here that the closeness of the relationship between the intermediary and the primary infringer is covered by paragraph (b) of sections 36(1A) and 101(1A) of the *Copyright Act 1968* (Cth).

<sup>874</sup> See further, GHL Fridman, ‘Non-Vicarious Liability for the Acts of Others’ (1997) *Tort Law Review* 102, 103, 119.

*Modbury Triangle*, the court found that the ability to light the car park was not enough to establish a duty to act, because it did not give the appellants any degree of control over the attackers.<sup>875</sup> In both *Hauser* and *Drakulic*, the court doubted whether providing working locks or stronger locks on the apartment doors would have prevented the assaults.<sup>876</sup> In short, preventative measures exercised in relation to the premises might have discouraged the attacks, but they would not have given the defendants any real control over the offending third parties.

For nonfeasance intermediaries in copyright, this first criterion tells us that control over the premises where infringement occurs – whether real or virtual – will not be sufficient by itself to create a duty to act to stop infringement. More is required – specifically, real and actual control over the *actions* of infringing users. In the online context, this necessarily incorporates a consideration of scale and of the degree of interaction between the intermediary and the infringer user. For example, a person who runs a blog or small website is more likely to have real and actual control over content submitted by contributors and commenters and thus be able to prevent the posting of material that infringes copyright.<sup>877</sup> It will be much more difficult, however, for an ISP to exercise control over the actions of all of its subscribers in order to detect and prevent instances of copyright infringement.

This has some correlation to the distinction drawn in several copyright cases between ‘direct’ and ‘indirect’ control. In the *Adelaide Corporation* and *iiNet* cases,<sup>878</sup> for example, the courts held that control derived from a contractual relationship with the infringer was ‘indirect’ and could not create liability for permitting or authorising the infringement. In *Adelaide Corp.*, Justice Higgins held that the defendant’s power to terminate a lease agreement with the infringing performers was a broad power which did not give the defendant any real control over the performers and their choice to perform any particular work.<sup>879</sup> He said:

The *Copyright Act* does not put the lessor of the premises in the position of guarantor of copyright-owners against breach of

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<sup>875</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 291-292 (Hayne J).

<sup>876</sup> *Hauser v Commissioner for Social Housing* [2013] ACTSC 104 [52] (Harper M); *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [75] (Heydon JA).

<sup>877</sup> This is assuming that the person is classified as a nonfeasance intermediary under the causation framework. Whether infringement is a ‘common exploitation’ or ‘natural consequence’ of allowing contributions and comments to be posted to the blog or website will be a question of fact. See further, Chapter Two.

<sup>878</sup> For factual accounts of these cases, see Chapter One, part 3.

<sup>879</sup> *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481, 497, 499 (Higgins J).

copyright on the part of lessees; it merely forbids lessors (as well as other people) to ‘permit’ for private profit the performance of a copyright work; and the word ‘permit’ implies that the lessor has some *control of the performers*.<sup>880</sup> (emphasis added)

Similarly, the High Court in *Roadshow Films v iiNet* held that iiNet had no direct power to prevent the primary acts of infringement, but only had an indirect power to terminate its contractual relationship with particular customers.<sup>881</sup> In holding that the ability to terminate a contract is not the same as real and actual control over the infringing acts, these authorities reflect a tort-influenced notion of control.

The second criterion that courts apply when considering control in negligence cases is that of reasonableness. The notion of reasonableness has a distinguished place in tort law,<sup>882</sup> and plays a particular role in cases involving potential liability for omissions to act. Here, reasonableness relates to the imposition of a duty in the first place, not whether the defendant has taken reasonable precautions to fulfill the duty once it is established.<sup>883</sup> The High Court has recognised that reasonableness is “the essential concept in the process of defining a duty of care”.<sup>884</sup> As Chief Justice Gleeson has stated, the central question for any court in determining the duty of care is: “What is the extent of concern for the interests of others which it is reasonable to require as a matter of legal obligation, breach of which will sound in damages?”<sup>885</sup>

For example, in *Drakulic*, Justice Heydon discussed the measures that the defendant building managers might have taken to acquire a greater level of control over the third party who attacked the plaintiff. If there were measures that the defendant could have reasonably taken to obtain greater control, then the court might have been justified in imposing a duty on the defendant to protect the plaintiff. His Honour considered that to secure enough control to have prevented the third party from attacking the plaintiff or other residents, the defendants would have needed to

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<sup>880</sup> Ibid, 497 (Higgins J). While historically originating from different provisions in the copyright legislation, ‘permit’ and ‘authorise’ have generally been treated as coextensive in the case law: see Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 153.

<sup>881</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [70] (French CJ, Crennan and Kiefel JJ), [137], [139] (Gummow and Hayne JJ).

<sup>882</sup> See, for example, *Tame v New South Wales* [2002] HCA 35 [8] (Gleeson CJ); Peter Cane, *The Anatomy of Tort Law* (Hart Publishing, 1997) 125-6.

<sup>883</sup> On reasonable precautions, see Chapter Four.

<sup>884</sup> *Tame v New South Wales* [2002] HCA 35 [8] (Gleeson CJ); see also *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [107] (Heydon JA).

<sup>885</sup> *Tame v New South Wales* [2002] HCA 35 [8] (Gleeson CJ).

install security screens and bars on all doors and windows to the property and employ 24-hour security guards, perhaps even armed guards.<sup>886</sup> Justice Heydon said,

So far as the *Modbury* doctrine rests on the necessity for control, the defendants in one sense had little control over criminals; in another sense they had the potential for significant control depending on what measures they were prepared to take... They could have achieved control by the expenditure of money, perhaps substantial sums of money, and the obstacle to liability created by the absence of control would go. But the tort of negligence ultimately rests on criteria of reasonableness... It is probable that what would have to be spent to put the defendants in a position of control goes well beyond what the criteria of reasonableness would call for.<sup>887</sup>

This criterion, therefore, asks whether it is reasonable, as an initial matter, to impose a legal duty on the defendant to take positive acts to protect the plaintiff from another. The costs of those acts in terms of money, time and resources are clearly relevant considerations. This is the case in both tort law and copyright law. The criterion of ‘reasonableness’ also provides some scope for considering public policy concerns. In tort, this includes the idea that liability should only be imposed where it would encourage members of the community to take greater personal responsibility for their actions.<sup>888</sup> In copyright, this would provide scope to consider the likely effects on users of the steps taken by an intermediary to exercise control, including whether legitimate uses of copyrighted works would be unreasonably impeded by those steps.<sup>889</sup>

Where both criteria are satisfied – that the defendant has real and actual control over the wrongdoing third parties and it is reasonable to impose a duty to control – then the defendant will be under a duty to take steps to control the third party in order to prevent harm to the plaintiff (see *Figure 5*). As Justice Heydon noted in *Drakulic*, the duty is only to take those steps that are reasonable in the circumstances, not an absolute duty to prevent harm.<sup>890</sup> In deciding what steps a nonfeasance intermediary should take to control third party wrongdoers, courts will undertake the same analysis that I examined in Chapter Four in balancing the factors that fall

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<sup>886</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [100] (Heydon JA).

<sup>887</sup> *Ibid* [107] (Heydon JA).

<sup>888</sup> See *Modbury Triangle Shopping Centre Pty Ltd v Anzil* (2000) 205 CLR 254, 293 (Hayne J); Jane Stapleton, ‘Duty of Care: Peripheral parties and alternative opportunities for deterrence’ (1995) 111 *Law Quarterly Review* 301, 317; Peter Cane, *The Anatomy of Tort Law* (Oxford Press, 1997) 3, 25.

<sup>889</sup> See further, Chapter Three and Chapter Four, part 4.

<sup>890</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [93] (Heydon JA).

within the ‘negligence calculus’.<sup>891</sup> They will consider the magnitude of the risk of harm and that probability that harm will eventuate if precautions are not taken, the difficulty in taking alleviating action, and whether the defendant owes responsibilities to others aside from the plaintiff.<sup>892</sup> In other words, once a duty to control is established, the court must proceed through the remaining elements of the negligence action – breach and damage – just as they do for misfeasance intermediaries.<sup>893</sup>

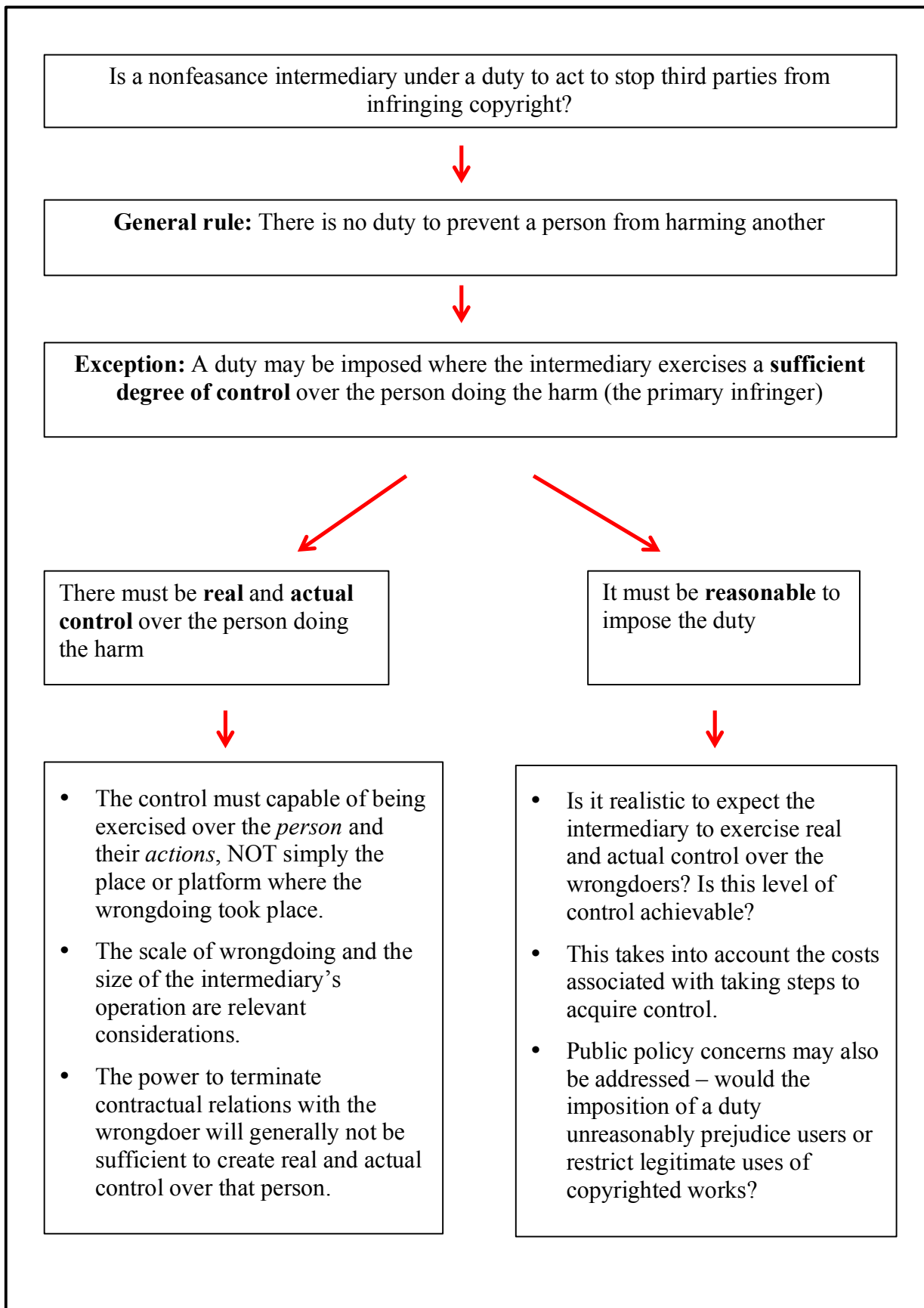
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<sup>891</sup> See Chapter Four, part 4.

<sup>892</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [93] (Heydon JA).

<sup>893</sup> These elements are covered in Chapter Four.

**Figure 5 – A tort-influenced model of control**



There is likely to be substantial overlap between the concerns that courts take into account when deciding whether to impose a duty to control on the defendant and those concerns that are addressed when determining whether the duty has been breached. For example, the court will need to consider the expense to the defendant in taking steps to acquire greater control and the expense in taking steps to exercise that control.<sup>894</sup> In the copyright context, a court may consider the impact on users of an intermediary exercising control at both the duty and breach stages. This overlap is both acceptable and manageable – it is widely recognised by courts and commentators that the negligence elements have some fluidity in terms of how they relate to each other.<sup>895</sup> In the next part, I apply the control criteria to nonfeasance intermediaries in copyright to examine how a negligence model would affect authorisation liability in these cases.

## 5. Applying the control model to copyright intermediaries

In Chapter One, I argued that copyright's authorisation doctrine has not coherently or consistently dealt with intermediaries that exhibit indifference towards acts of primary infringement. I referred to a number of town hall and performance venue cases that had been decided differently at law despite having extremely similar factual backgrounds.<sup>896</sup> The intermediaries in those cases would all be nonfeasance intermediaries under my framework – copyright infringement is not a natural consequence of the letting of a venue. In this part, I consider how the control criteria would apply to these 'town hall' intermediaries and what this model can teach us about the relevance of an intermediary's indifference to infringement. I also revisit *Roadshow Films v iiNet* in discussing how a tort-influenced model of control differs from the notion of 'power to prevent' in copyright.

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<sup>894</sup> See *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [100] (Heydon JA).

<sup>895</sup> See, for example, *Harriton v Stephens* (2004) 59 NSWLR 694 [64]-[68] (Mason P); *Roe v Minister of Health* [1954] 2 Q.B. 66, 85 (Denning LJ); Amanda Sticklely, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013) 132; Kumaralingam Amirthalingam, 'The Shifting Sands of Negligence: Reasonable Reliance to Legitimate Expectation?' (2003) 3(1) *Oxford University Commonwealth Law Journal* 81, 82, 84, 85, 90-1, 92.

<sup>896</sup> See Chapter One, part 3.2.

## 5.1 Town hall and performance venue intermediaries

The early town hall cases, decided in the 1920s, found that the proprietor of a town hall would not be liable for authorising infringing public performances that occurred in the hall where the proprietor was “indifferent” to the infringements and had not encouraged them. In *Ciryl’s case*,<sup>897</sup> the defendant was the managing director of the theatre in which an orchestra performed unlicensed musical works. In *Adelaide Corp.*,<sup>898</sup> the defendant managed the town hall in which a performer sang an infringing song. In both cases, the courts clearly considered that control over the premises where the infringing performances took place was not enough to sustain authorisation liability.<sup>899</sup> In the language of this chapter, the defendants in *Ciryl’s case* and *Adelaide Corp.* did not have real and actual control over the actions of the infringing third parties. They were a step removed: they had no involvement in the selection of music being performed and had control only over the leasing of their performance venues. Lord Justice Bankes in *Ciryl’s case* highlighted that there were persons other than the defendant with greater control over the orchestra’s actions, namely, the conductor or bandmaster.<sup>900</sup> Justice Higgins in *Adelaide Corp.* stated that it would be unreasonable to expect the defendant to police the provisions of the *Copyright Act* on behalf of the copyright owners.<sup>901</sup>

By contrast, the courts in *APRA v Jain*<sup>902</sup> and *Metro on George*,<sup>903</sup> decided in 1990 and 2004 respectively, held that control over the premises in which the infringing performances took place (a tavern and a live music venue) was enough to ground liability.<sup>904</sup> Justice Bennett in *Metro on George* said:

Metro advertised the performances. It operated the box office, provided refreshments and provided and operated the electricity necessary for the performances to take place. The Metro contract formed the basis of the

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<sup>897</sup> *Performing Right Society Limited v Ciryl Theatrical Syndicate Limited* [1924] 1 KB 1.

<sup>898</sup> *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481.

<sup>899</sup> *Performing Right Society Limited v Ciryl Theatrical Syndicate Limited* [1924] 1 KB 1, 10 (Bankes LJ); *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481, 497 (Higgins J).

<sup>900</sup> *Performing Right Society Limited v Ciryl Theatrical Syndicate Limited* [1924] 1 KB 1, 10 (Bankes LJ).

<sup>901</sup> *Corporation of the City of Adelaide v Australasian Performing Right Association* (1928) 40 CLR 481, 497 (Higgins J).

<sup>902</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619.

<sup>903</sup> *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575.

<sup>904</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, 627 (Sheppard, Foster and Hill JJ); *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 593 (Bennett J).



hiring of the premises. This may not have amounted to control over the content of the performances but, in my view, it gave a measure of control over the use of the premises in circumstances where Metro knew or had grounds to believe that unlicensed performances were to take place or were in fact taking place at Metro on George.<sup>905</sup>

Under the model of control presented in this chapter, the better view is that adopted in the earlier cases that control over the premises does not amount to real and actual control over the persons committing the wrongdoings. This was the approach taken in the negligence cases considered in part 3 above. On this basis, *APRA v Jain* and *Metro on George* were wrongly decided.

A contrary view might hold that the defendants in all cases were reasonably able to adopt measures that would give them greater control over the infringing third parties. In particular, the defendants might have required performers to produce a copy of their APRA licence or other copyright documentation before being allowed to perform at the venue.<sup>906</sup> Unlike the measures considered in *Drakulic*, this requirement would not have been onerous or expensive for the defendants to adopt. On this view, it is *Cyril's case* and *Adelaide Corp.* that were wrongly decided.

It is possible to argue convincingly for both sides in each of these cases. A conception of control influenced by negligence law does not give us absolute certainty with respect to nonfeasance intermediaries, but it does give us the *language* to explain *why* the cases should be decided in a particular way. The notion of 'power to prevent' under copyright law does not provide a coherent way to criticise any of the cases discussed above because it is so vague. 'Power to prevent' easily encompass the power to control a place or space, seemingly without any other active conduct needed on the defendant's part. This can lead courts to characterise the defendant's inaction or indifference in fault-based terms – the 'turning a blind eye' to infringement.<sup>907</sup> A tort-influenced model of control, on the other hand, provides a structure through which to assess the defendant's indifference and make a principled judgment about its bearing on the intermediary's duty of care and potential liability

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<sup>905</sup> *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 593 (Bennett J).

<sup>906</sup> See, for example, *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 587 (Bennett J). The Australasian Performing Right Association (APRA) issues general licences for the public performance of musical works.

<sup>907</sup> *Australasian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, 627 (Sheppard, Foster and Hill JJ); *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 61 IPR 575, 589 (Bennett J).

for authorising infringement. Where the intermediary could easily undertake reasonable steps to exercise greater dominion over the actions of persons on the premises that it controls, then a failure to do so – an indifference to those actions – will be significant. If reasonable steps are not available to the intermediary to acquire greater control over the persons on the premises, then ‘turning a blind eye’ to infringement on the premises will carry no normative weight. As noted in part 4, the ‘reasonableness’ of the available measures for acquiring control is assessed by reference to the expense and difficulty to the intermediary of adopting the measures and the likely impact of the measures on users.

## **5.2 *Roadshow Films v iiNet* revisited**

The primary Australian case involving a nonfeasance intermediary is *Roadshow Films v iiNet*. There, the primary acts of infringement were committed by third parties whose only relationship to iiNet was a contractual one to acquire internet access. iiNet had nothing to do with the BitTorrent protocol used by subscribers to download and share infringing movie files. Counsel for the appellants nevertheless claimed that iiNet had the power to prevent the infringements under section 101(1A)(a). Under a conventional copyright approach, it is certainly open to a court to find for the appellant on this point. Power to prevent can be as straightforward as an on/off switch – technically, iiNet did have the power to prevent infringement by terminating user accounts.<sup>908</sup> The power to prevent inquiry is an exercise in ticking a box; it does not call for the same level of careful scrutiny as does the question of control under a tort law approach. In the *iiNet* case, the High Court eschewed this broad approach in favor of focusing on a notion of control that was heavily influenced by tort principles.

Even those judges who did not explicitly refer to tort principles – Chief Justice French and Justices Crennan and Kiefel – appeared to be more influenced by a tort conception of control than the copyright notion of power to prevent, and in this sense they diverged from existing case law on authorisation liability. For example, in oral

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<sup>908</sup> The Customer Relationship Agreements between iiNet and its subscribers directed subscribers to obey copyright law and stated that iiNet had the power to terminate the agreement for breaches of the law: *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [27] (French CJ, Crennan and Kiefel JJ) (quoting from iiNet’s Customer Relationship Agreement, clauses 4.1, 4.2, 14.2, 14.3), see also [37], [66]-[67].

argument, when counsel for the appellants asserted that they were “winning on control” (and indeed, the Full Federal Court, although holding for iiNet, had found that iiNet had a power to prevent infringement)<sup>909</sup> Justice Kiefel countered by demanding that the appellants explain what, exactly, iiNet had control over. The exchange is captured in the High Court transcript:

**MR BANNON:** Yes. So far we are winning on control in this case, your Honour. In other words, I think it is our learned friends who wish to attack the control issue.

**KIEFEL J:** But you have to say control over what. Control over their ability to - - -

**MR BANNON:** Infringe, yes.

**KIEFEL J:** Well, their ability to access the internet.

**MR BANNON:** Yes, to access the internet.

**KIEFEL J:** That is rather a step removed from their ability to infringe which requires more.<sup>910</sup>

Ultimately, the High Court held that while iiNet’s contracts with its subscribers gave it the capacity to terminate subscriber accounts for breaches of the law, *capacity* to terminate did not amount to *obligation* to terminate. The court found that iiNet’s control over its subscribers was indirect at best and its control over use of the BitTorrent protocol was non-existent.<sup>911</sup> Chief Justice French and Justices Crennan and Kiefel also expressed concern that iiNet could face a risk of liability for wrongful termination of subscriber contracts.<sup>912</sup> These holdings reflect a torts-influenced model of control. As noted in part 4, a torts approach looks to the defendant’s real and actual control over a third person’s actions in inflicting harm. Thus, in iiNet’s case, the control would need to be directed to the third party’s infringing use of BitTorrent; control over a person’s ability to access the internet is too imprecise.<sup>913</sup> iiNet had no control over the BitTorrent protocol or the copyrighted content shared by users over BitTorrent. Due to issues of scale, expense and also

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<sup>909</sup> *Roadshow Films Pty Limited v iiNet Limited* [2011] FCAFC 23 (24 February 2011) [193] (Emmett J), [426] (Jagot J), [720] (Nicholas J).

<sup>910</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2011] HCATrans 323 (30 November 2011).

<sup>911</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [69]-[70], [73], [77]-[78] (French CJ, Crennan and Kiefel JJ), [112], [146] (Gummow and Hayne JJ).

<sup>912</sup> *Ibid* [75]-[76] (French CJ, Crennan and Kiefel JJ).

<sup>913</sup> An exercise of control over the ability to access the internet would also detrimentally impact each and every one of the user rights discussed in Chapter Three. See also, Peter Yu, ‘Digital Copyright and Enforcement Measures and Their Human Rights Threats’ in Christophe Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Elgar Online, 2015), Chapter 24, pp. 455-476.

privacy concerns, it also could not supervise the many subscribers' use of the internet and BitTorrent. iiNet therefore did not have a sufficient degree of control over the actions of subscribers for a duty to act to arise.

An additional issue in the *iiNet* case was whether iiNet had a duty to forward infringement warning notices to subscribers. Justices Gummow and Hayne engaged with this issue, and their judgment bears similarities to Justice Hayne's earlier decision in *Modbury Triangle*. Their Honours held that the failure to pass on warning notices did not go to the heart of the matter. Warning might or might not have had the effect of forestalling further infringements.<sup>914</sup> iiNet did not have control over how users behaved and there was no evidence as to how users were likely to behave in response to warning notices. Their Honours said, "In truth, the only indisputably practical course of action would be an exercise of contractual power to switch off and terminate further activity on suspect accounts. But this would not merely avoid further infringement; it would deny to the iiNet customers non-infringing uses of the iiNet facilities."<sup>915</sup> Justices Gummow and Hayne determined that the question was not whether iiNet could take some small steps to hinder infringement, but whether iiNet had a duty to take those steps in the first place. The duty asserted was to prevent subscribers from infringing copyright, and that duty depended on control. This is similar to the distinction drawn by Justice Hayne in *Modbury Triangle* between the act of leaving the car park light on, which did not require an exercise of control over the wrongdoers, and the broader purported duty of preventing harm caused by third parties to persons in the car park, which did require control.

The High Court in *iiNet* adopted an interpretation of 'power to prevent' that focused on the ISP's control over primary infringers and their acts of infringement, rather than control over some access point to the copyright material, such as access to the internet. As noted in Chapter One, the court distinguished iiNet from the University of New South Wales in the *Moorhouse* case on the grounds that while iiNet only had control over their subscribers' internet access, the University had control over the library premises *together with* control over the books and the photocopying machines on the premises and could have exercised some rights of

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<sup>914</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [138] (Gummow and Hayne JJ). See further, Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law and the Arts* 147, 191-2, 198-200.

<sup>915</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [139] (Gummow and Hayne JJ).

supervision over how library patrons used the machines.<sup>916</sup> In *Moorhouse*, there was a significantly greater level of control that justified imposing a duty of care on the University.

The High Court's approach to control in *iiNet* is consistent with the approach to control in negligence cases involving third parties. It is an approach which may help to clarify and stabilise the law around authorisation liability in Australia, because it is an approach that is structured and bounded. In the next part of this chapter, I explore how the tort-influenced model of control may provide a better lens through which to examine some of the particular issues with the authorisation doctrine identified in Chapter One.

## **6. Addressing discrete issues with the authorisation doctrine**

In chapters One and Two, I argued that one of the greatest problems currently affecting intermediary liability law in Australia is that Australia's authorisation doctrine provides no clear way to distinguish intermediaries that are closely involved with infringement from those that are more removed. The causation framework in Chapter Two addressed that issue head on. Yet even after the causation framework has been applied to separate nonfeasance intermediaries from misfeasance intermediaries, some problems remain.<sup>917</sup> These problems largely centre on the meaning and relevance of the 'power to prevent' element of the authorisation doctrine. The discussion in this chapter demonstrates that a tort-influenced model of control would be an improvement on copyright's notion of power to prevent because it is more targeted and more contained. Critically, it focuses on the nature of the relationship between the intermediary and the primary infringer and asks whether the intermediary has real and actual control over the infringer and his or her actions. Control over a place or platform will not be enough to establish control over the person. In practice, this means that high level intermediaries such as electricity and cable providers, ISPs, and payment intermediaries will rarely have the requisite

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<sup>916</sup> Ibid [128]-[130] (Gummow and Hayne JJ). Though contrast with the *CCH* case, where Chief Justice McLachlin held that control over the library and its books does not constitute sufficient control over what library patrons do with the books: *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 362-4 (McLachlin CJ).

<sup>917</sup> See Chapter Two.

control to compel them to act to prevent infringement. Instead, the general rule that there is no duty to rescue another will apply. This is likely to help copyright law's perceived legitimacy. Intermediary copyright liability will be clearer, more effective and therefore perceived as more legitimate if it is targeted towards those intermediaries that are more closely connected to the acts of primary infringement (misfeasance intermediaries).<sup>918</sup> Of course, the more involved that nonfeasance intermediaries become in the activities of their users, the more likely it is that they will be held responsible to some degree for their users' wrongdoings.

A more constrained conception of control has the result of limiting the scope of authorisation liability overall. This is a necessary advance on the current state of the law, which lacks limiting principles altogether.<sup>919</sup> I now turn to some of the remaining issues with the authorisation doctrine. In the following sections, I consider three distinct issues raised in Chapter One: whether there can be authorisation liability without control; the conflation of the statutory factors in sections 36(1A) and 101(1A) of the *Copyright Act 1968*; and the treatment of users under intermediary liability law.<sup>920</sup>

## **6.1 Can there be liability without control?**

In Chapter One, I noted that a particular uncertainty exists with respect to the statutory factors for authorisation liability in sections 36(1A) and 101(1A) of the *Copyright Act 1968*. Paragraph (a) of those sections provides that a court must have regard to "the extent (if any) of the person's power to prevent the doing of the act concerned". It is the words "if any" that create the uncertainty – legal scholars have disagreed about whether these words mean that there can be authorisation liability without control. On the one hand, the statutory language on its face strongly suggests that it is possible to authorise infringement even without a power to prevent the acts of primary infringement.<sup>921</sup> On the other hand, the Explanatory Memorandum to the

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<sup>918</sup> On copyright law's legitimacy, see Jessica Litman, 'Real Copyright Reform' (2010) 96 *Iowa Law Review* 1; Nicolas Suzor and Brian Fitzgerald, 'The Legitimacy of Graduated Response Schemes in Copyright Law' (2011) 34(1) *University of New South Wales Law Journal* 1.

<sup>919</sup> See Chapter One, part 2 and part 3.2.

<sup>920</sup> For a more complete description of these issues, see Chapter One, part 3.2.

<sup>921</sup> Robert Burrell and Kimberlee Weatherall, 'Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*' (2011) 33 *Sydney Law Review* 724, 734. See also, Jane Ginsburg and Sam Ricketson, 'Inducers and Authorisers: A Comparison of the US Supreme Court's *Grokster* Decision and the Australian Federal Court's *KaZaa* Ruling' (2006) 11(1) *Media and Arts Review* 1, 14.

*Copyright Amendment (Digital Agenda) Bill 1999* (Cth), which inserted these provisions into the *Copyright Act*, states that the purpose of the provisions is to codify the common law.<sup>922</sup> The common law treats control as a necessary element of authorisation liability.<sup>923</sup>

Under the framework for intermediary liability proposed in this thesis, liability can be found in the absence of control. For misfeasance intermediaries, their liability depends on whether their technology or service causally contributed to the risk of infringement, not whether they have ongoing control over the actions of infringing users.<sup>924</sup> Further, in Chapter Six, I consider the relevance of industry codes of practice to authorisation liability under a tort framework. I suggest that nonfeasance intermediaries may be liable in very specific circumstances, even in the absence of control, where they adopt an industry code of practice and then default from it in without warning. Such behaviour may fall within the doctrine of specific reliance in tort. These two sources of liability give meaning to the words “if any” in the legislation and ensure that those words are not redundant. The framework also helps to guard against ‘control’ being found in attenuated circumstances simply because it is apparent to the court that the intermediary is a causally responsible actor. As this chapter has made clear, however, the liability of *nonfeasance intermediaries* depends

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<sup>922</sup> *Copyright Amendment (Digital Agenda) Bill 1999* (Cth), Explanatory Memorandum, 35. The Explanatory Memorandum is one of the materials that may be consulted to assist in the interpretation of a provision of an Act, either to confirm the ordinary meaning of the provision or to determine the meaning of the provision where the provision is ambiguous or obscure: *Acts Interpretation Act 1901* (Cth), s. 15AB(1)(a), (b)(i).

<sup>923</sup> See *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 133 CLR 1, 13 (Gibbs J); *WEA International Inc. v Hanimex Corporation Ltd* (1987) 77 ALR 456, 468-9 (Gummow J); *Australian Performing Right Association Ltd v Jain* (1990) 96 ALR 619, 627 (Sheppard, Foster and Hill JJ); *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) 112 ALR 53, 56-57 (Mason CJ, Brennan, Dean and Gaudron JJ); *Australasian Performing Right Association v Metro on George Pty Ltd* (2004) 61 IPR 575, 582 and 593 (Bennett J); *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242, [411] and [414] (Wilcox J); *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714, 722 and 725 (Branson J), 745 (Kenny J); *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [69]-[70] (French CJ, Crennan and Kiefel JJ), [137]-[139] (Gummow and Hayne JJ). See also Rebecca Giblin, ‘The uncertainties, baby: Hidden perils of Australia’s authorisation law’ (2009) 20 *Australian Intellectual Property Journal* 148, 159.

<sup>924</sup> Additionally, my framework does not alter the liability that can follow where a person purports to grant a licence to use a copyrighted work where they have no authority to do so. On this, Burrell and Weatherall have written, “It has long been clear that a direct instruction to perform an infringing act, or the express and unequivocal *ex ante* approval of an infringing act would constitute authorisation”: Robert Burrell and Kimberlee Weatherall, ‘Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*’ (2011) 33 *Sydney Law Review* 724, 730, referring to *Finn v Pugliese* (1918) 18 SR (NSW) 530, 541 and *EMI Songs Australia v Larrikin Music Publishing* (2011) 90 IPR 50, 107-11.

heavily on whether those intermediaries have real and actual control over the actions of infringing users.

## 6.2 The conflation of paragraphs (a) and (c) in sections 36(1A) and 101(1A)

One of the more serious issues affecting authorisation liability today is the ease with which paragraphs (a) and (c) of sections 36(1A) and 101(1A) can be conflated to find control when none, in fact, exists.<sup>925</sup> Sections 36(1A) and 101(1A) provide:

(1A) In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in the copyright [in a work / subsisting by virtue of this Part],<sup>926</sup> without the licence of the owner of the copyright, the matters that must be taken into account include the following:

- (a) the extent (if any) of the person's power to prevent the doing of the act concerned;
- (b) the nature of any relationship existing between the person and the person who did the act concerned;
- (c) whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

As noted in Chapter One, the conflation between paragraphs (a) and (c) is precisely what occurred in the *Sharman* case, where the court found that there was a power to prevent infringement under s. 101(1A)(a) because Sharman could have taken the 'reasonable' step under s. 101(1A)(c) of implementing a filter.<sup>927</sup> This is despite the fact that Sharman had no real control over people's use of the Kazaa software to download and share movie files because there was no central server through which Sharman could exercise control.

It is very easy for a court to consider reasonable steps in this fashion and mistakenly hold that these steps affect the power to prevent infringement. For

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<sup>925</sup> Paragraph (a) directs a court to consider a persons power to prevent the infringing act and paragraph (c) directs a court to consider "whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice".

<sup>926</sup> Section 36 deals with works and s. 101 deals with subject matter other than works, including sound recording, cinematograph films, television and sound broadcasts, and published editions.

<sup>927</sup> *Universal Music Australia Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 [411], [414] (Wilcox J).



example, sending warning notices to internet users might be perceived to have some impact on levels of infringement, in that users who receive notices might be compelled to cease infringing copyright.<sup>928</sup> This can lead to the conclusion that an intermediary should be held liable for authorisation for failing to send warning notices to users, notwithstanding that this is not a real power to prevent. Arguably, iiNet came close to being held liable for this very reason. In *iiNet*, the appellants argued strongly that iiNet should have acted within its capacity to impede infringement, at the very least by sending warning notices to subscribers. As a finding of fact, Chief Justice French and Justices Crennan and Kiefel held, “The information contained in the AFACT notices, as and when they were served, did not provide iiNet with a reasonable basis for sending warning notices to individual customers containing threats to suspend or terminate those customers’ accounts.”<sup>929</sup> The AFACT notices had failed to specify how the information contained in them had been gathered, and so the court found it reasonable that iiNet had considered the notices to be unreliable.<sup>930</sup> Had the AFACT notices been more comprehensive or more clearly evidence-based, it is possible that some of the judges may have been willing to hold iiNet liable for failing to forward warning notices to subscribers. Yet this would bypass any assessment of whether a duty to act had been established in the first place. Clearer AFACT notices do not provide iiNet with a greater level of control than it had before. The reasonable steps consideration should not operate to preempt control.

The causation framework set out in Chapter Two deals with this issue by making clear that the liability of misfeasance intermediaries such as Sharman depends on their contribution to the risk of infringement and not simply on whether they took reasonable steps to prevent or avoid copyright infringement. There must first be a duty imposed on the intermediary to minimise the risk created before reasonable steps become relevant. In the same way, assessing the liability of nonfeasance intermediaries using negligence principles demonstrates the way in which paragraphs (a) and (c) most sensibly relate to each other. For nonfeasance intermediaries, paragraph (a) helps to establish whether there is a duty to act to prevent

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<sup>928</sup> For a discussion of graduated response schemes, including whether the receipt of a ‘first notice’ of infringement detection appears to actually reduce instances of infringement, see Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147, esp. at 184-5.

<sup>929</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) [78] (French CJ, Crennan and Kiefel JJ).

<sup>930</sup> *Ibid* [34].

infringement. A duty to act will be made out where the intermediary has real and actual control over the actions of the primary infringers. Paragraph (b), which looks to the nature of the relationship between the intermediary and the primary infringer, will also be relevant to whether a duty can be established, because it can be read to refer to the relationship of control between an intermediary and the user. Paragraph (c), on the other hand, considers whether the duty, once established, has been breached. Under paragraph (c), the court can examine the steps taken by the intermediary to prevent infringement to determine whether those steps satisfy its duty.<sup>931</sup> But the ability to take some steps to hinder infringement cannot suffice to establish liability in the absence of control. Without a duty to act, there can be no breach for failing to act and thus no authorisation. Paragraph (c) must follow paragraph (a), always.<sup>932</sup>

Sections 36(1A) and 101(1A) of the *Copyright Act* direct that courts *must* consider each of the matters listed in paragraphs (a) through (c).<sup>933</sup> Yet for nonfeasance intermediaries, if a duty to act is not established under paragraph (a) there is no need for a court to turn to the remaining factors in paragraphs (b) and (c). This creates a slight problem of statutory interpretation. There are four ways in which this problem can be addressed. First, sections 36(1A) and 101(1A) could be repealed altogether. Far from clarifying the law, these provisions have only served to obscure the full scope of authorisation liability under Australian copyright law,

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<sup>931</sup> Paragraph (b) may also influence the breach analysis, because the relationship between the intermediary and the user can impact on whether a particular precaution is ‘reasonable’ in the context of that relationship.

<sup>932</sup> Chapter Seven elaborates on the relationship between the statutory factors and a tort law framework. It raises the possibility of an alternative interpretation of sections 36(1A) and 101(1A): that the statutory factors only become relevant *once a duty is established*. On this reading, a duty must be established first before the courts turn to the legislative factors, and all the factors go to breach. See Chapter Seven, part 2.1. See also Chapter Six for the argument that a nonfeasance intermediary may be subject to a duty based on reliance, not control. Regardless of the source of the duty, nonfeasance intermediaries must be under a duty to act before liability becomes an issue.

<sup>933</sup> These sections direct that “the matters that must be taken into account include the following”. The plain and ordinary meaning of these words, particularly the inclusion of the word ‘must’, is that courts are obliged to consider each of the listed factors. “The natural and ordinary meaning of what is actually said in the Act must be the starting point”: *Reid v Reid* [1979] 1 NZLR 572, 594 (Cooke J). See also *Amalgamated Society of Engineers v Adelaide Steamship Co Ltd* (“the Engineers’ Case”) (1920) 28 CLR 129, 161-2 (Higgins J); *Project Blue Sky Inc. v Australian Broadcasting Authority* (1998) 194 CLR 355, 384 (McHugh, Gummow, Kirby and Hayne JJ); D.C. Pearce and R.S. Geddes, *Statutory Interpretation in Australia* (Lexis Nexis Butterworths, 7<sup>th</sup> ed., 2011) 27-29, 122-3. Additionally, although the words ‘and’ and ‘or’ are not used in the list of factors, paragraphs (a) and (b) are each followed by a semicolon. A semicolon is typically used in place of the word ‘and’: Randolph Quirk, Sidney Greenbaum, Geoffrey Leech and Jan Svartvik, *A Comprehensive Grammar of the English Language* (Longman, 2<sup>nd</sup> ed., 1985) 1622, as cited in *Minister for Immigration and Multicultural Affairs v Savvin* (2000) 171 ALR 483 [83] (Katz J). Therefore, the court is required to consider all of the factors (a) through (c) listed in ss. 36(1A) and 101(1A).

especially since the legislature did not define key terms in these provisions such as ‘power to prevent’ and ‘reasonable steps’. The framework proposed in this thesis does not depend on the statutory factors to determine the copyright liability of intermediaries. Authorisation liability can easily be governed by principles of common law. In fact, given that authorisation liability is largely governed by case law already, repealing these sections would do little to disrupt the current state of the law. It would, however, provide room to introduce a more sensible and principled way of determining intermediary liability, namely, through the application of the causation framework.

Second, sections 36(1A) and 101(1A) could be amended to make clear that a duty to act to help copyright owners must be established before a court will consider whether an intermediary took any reasonable steps in fulfilling that duty.<sup>934</sup> Third, if in the case of a nonfeasance intermediary the court considers that the intermediary did not have the power to prevent infringement under paragraph (a), the court may consider paragraphs (b) and (c) in a different context. Specifically, the court may consider whether the intermediary took any steps, including complying with an industry code of practice, that caused or encouraged the copyright owner to rely on the intermediary’s continued adherence to those steps. This would potentially create a different duty based on reliance instead of control. Then, if the intermediary unexpectedly diverged from this conduct or ceased to take steps under the industry code of practice, the copyright owner might have a claim for harm resulting from reliance. Reliance liability is discussed in Chapter Six.

Finally, in Chapter Seven I mount an argument that sections 36(1A) and 101(1A) might apply entirely to breach. On this application, a duty would need to be established first – based on causation, control, or reliance – before the provisions are even invoked. Paragraphs (a) through (c) would then influence what precautions would be deemed ‘reasonable’ under a breach analysis. This would ensure that all paragraphs would be considered by a court in any case in which authorisation is at issue. This argument is set out more fully in Chapter Seven, part 2.1.

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<sup>934</sup> In this thesis, I have not suggested amended wording for sections 36(1A) and 101(1A). This was a choice I deliberated over for a long time. I have included the possibility here that the provisions might be amended, but in reality this is unlikely to be implemented by Parliament. I think that the better outcome is that the current provisions are interpreted in a way that is more sensible and which is underpinned by responsibility theory. I have chosen to focus on this direction in my thesis, and for that reason I do not suggest alternative wording for the provisions.

### 6.3 The treatment of users

In Chapter Three, I argued that intermediary liability cases can have far-reaching ramifications for users who are not parties to the case but on whose allegedly infringing behaviour the action is based. A better-delineated authorisation doctrine, which requires copyright owners to establish that the intermediary owed them a duty to act to prevent infringement, can help advance user interests in several ways. First, where nonfeasance intermediaries are concerned, tethering liability to a showing of real and actual control over the infringing party puts the focus squarely back on the relationship between the intermediary and the user. It gives significance to paragraph (b) of sections 36(1A) and 101(1A), which has been largely overlooked by the judiciary except to take into account any financial benefits collected by the intermediary from the infringing activity.<sup>935</sup> It also makes it extremely difficult for users to be ignored. Examining the relationship between the intermediary and its users requires considering who the users are, what they are doing and how they are doing it. It is only if the intermediary has sufficient control over the ‘what’ and the ‘how’ that a duty to act may be established.

Second, the ‘reasonableness’ limb of the control test provides scope to address public policy concerns. This invites consideration of the extent to which users are engaged in non-infringing activities and how measures to control users’ actions might prevent these activities. It also invites consideration of whether and how imposing a duty on a nonfeasance intermediary to take action against users might impact upon the user interests described in Chapter Three. This makes user rights relevant to the authorisation inquiry for nonfeasance intermediaries and prevents users from being cast as a generalised group of thieves or pirates. Third, a more stable authorisation doctrine is better for users as a practical matter, because intermediaries are less likely to bow to pressure from rightsholders to act against users if their risk of liability is more narrowly construed and more comprehensible.

Courts in Canada have applied the concept of control in such a way as to advance user interests within intermediary liability law. The pivotal case in this respect is

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<sup>935</sup> See, for example, *Cooper v Universal Music Australia Pty Ltd* (2006) 237 ALR 714, 724 (Branson J), 745 (Kenny J); Robert Burrell and Kimberlee Weatherall, ‘Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Pty Ltd*’ (2011) 33 *Sydney Law Review* 724, 739-741.

*CCH Canadian Limited v Law Society of Upper Canada*,<sup>936</sup> the facts of which are set out in Chapter Three. The *CCH* case contemplated a number of issues of primary infringement, but it was also an authorisation case. In similar circumstances to *Moorhouse*, the Law Society of Upper Canada had provided photocopier machines in its Great Library. Patrons' use of the machines was not monitored by Law Society staff. Publishers argued that the Law Society had implicitly authorised patrons to use the photocopiers in breach of the Canadian Copyright Act.<sup>937</sup> The Supreme Court of Canada used control as the primary factor in determining the Law Society's liability for authorising infringement.<sup>938</sup> Interestingly, it applied the control factor differently to how 'power to prevent' is applied by Australian courts. In Canada, courts start first with the presumption that a person authorises an activity only so far as it is in accordance with the law.<sup>939</sup> The rule is that "a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe copyright."<sup>940</sup> The presumption may be rebutted by showing that a relationship of control existed between the alleged authoriser and the persons who engaged in copyright infringement.<sup>941</sup> Courts will pay particular attention to relationships of employer-employee and master-servant.<sup>942</sup>

It may seem as though the Canadian presumption operates only to the benefit of intermediaries. However, there is room within the presumption to accommodate a more complete model of the user than currently exists within Australian

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<sup>936</sup> [2004] 1 S.C.R. 339.

<sup>937</sup> In Canada, courts have adopted the same definition of 'authorise' as Australian courts – 'sanction, approve, countenance': *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 361 (McLachlin CJ), referring to *Muzak Corp. v. Composers, Authors and Publishers Association of Canada, Ltd.* [1953] 2 S.C.R. 182, 193; *De Tervagne v. Beloeil (Town)* [1993] 3 F.C. 227 (T.D.).

<sup>938</sup> Earlier case law, referenced by the Supreme Court, had also held that a defendant's control over primary infringers was the essential element in assessing authorisation liability: see *De Tervagne v. Beloeil (Town)* [1993] 3 F.C. 227 (T.D.).

<sup>939</sup> *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 361 (McLachlin CJ); *Muzak Corp. v. Composers, Authors and Publishers Association of Canada, Ltd.* [1953] 2 S.C.R. 182, 193.

<sup>940</sup> *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 361 (McLachlin CJ). This is, in some ways, similar to sections 39B and 112E in the Australian Copyright Act, which provide: "A person (including a carrier or carriage service provider) who provides facilities for making, or facilitating the making of, a communication is not taken to have authorised any infringement of copyright in a work [or audio-visual item] merely because another person uses the facilities so provided to do something the right to do which is included in the copyright." However, the Canadian Court seems to interpret the Canadian presumption more broadly than sections 39B and 112E have been applied in Australia.

<sup>941</sup> *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 361 (McLachlin CJ); *Muzak Corp. v. Composers, Authors and Publishers Association of Canada, Ltd.* [1953] 2 S.C.R. 182; *De Tervagne v. Beloeil (Town)* [1993] 3 F.C. 227 (T.D.).

<sup>942</sup> *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 363 (McLachlin CJ); *De Tervagne v. Beloeil (Town)* [1993] 3 F.C. 227 (T.D.).

authorisation law. For example, in the *CCH* case, Chief Justice McLachlin stated, “Although the Court of Appeal assumed that the photocopiers were being used to infringe copyright, I think it is equally plausible that the patrons using the machines were doing so in a lawful manner.”<sup>943</sup> Her Honour emphasised that rightsholders had not presented sufficient evidence that the photocopiers were being used in a manner inconsistent with copyright law.<sup>944</sup> So in applying the presumption that a person authorises an activity only in accordance with the law, Chief Justice McLachlin also presumed that the patrons had acted lawfully by photocopying extracts in accordance with fair dealing exceptions in the Copyright Act. She refused to treat the patrons as though they were thieves or pirates.<sup>945</sup>

Chief Justice McLachlin found that the copyright owners had not rebutted the presumption that a person only authorises activities in accordance with the law because they had failed to show that the Law Society had sufficient control over the Great Library’s patrons.<sup>946</sup> Her Honour held that the Law Society did not exercise control over which works patrons selected to photocopy, the patrons’ purposes for copying or the photocopier machines.<sup>947</sup> She rejected the divergent approach in the Australian *Moorhouse* case, which had found a ‘power to prevent’ infringement in similar circumstances, stating, “In my view, the *Moorhouse* approach to authorization shifts the balance in copyright too far in favour of the owner’s rights and unnecessarily interferes with the proper use of copyrighted works for the good of society as a whole.”<sup>948</sup>

The *CCH* case demonstrates that although control plays an important role in Canadian authorisation law, it is more narrowly tailored than the notion of ‘power to prevent’ in Australian law because it is used in the negative – to rebut the presumption that authorisation extends only to lawful acts. This means that copyright owners have an additional threshold to cross in establishing authorisation liability in Canada, and liability is less likely to be found in circumstances where the intermediary has simply omitted to take ‘reasonable steps’ to hinder infringement.

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<sup>943</sup> *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 363 (McLachlin CJ).

<sup>944</sup> *Ibid.*

<sup>945</sup> While I believe this to be an important point, I do note that the patrons in this case were primarily lawyers engaged in legal research and that a presumption in favour of the user is less likely to be applied, or is likely to be weaker, in cases involving online file sharing of complete music or movie files.

<sup>946</sup> *CCH Canadian Limited v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 363 (McLachlin CJ).

<sup>947</sup> *Ibid* 363-4.

<sup>948</sup> *Ibid* 362.

While it is unlikely that a similar presumption would be adopted in Australia, Australian courts can look to the *CCH* case as an example of how users can be conceived within authorisation law as real people with legitimate, lawful interests.

## 7. Conclusion

In this chapter, I have considered the liability of nonfeasance intermediaries for authorising copyright infringement. Nonfeasance intermediaries are those intermediaries that have not causally contributed to the risk of copyright infringement because the technology or service they provide does not make the difference between cases of infringement and non-infringement.<sup>949</sup> Nonfeasance intermediaries include ISPs and payment intermediaries.

In tort law, the general rule is that there is no duty to control a third party to prevent harm to another. Negligence law has recognised certain exceptions to this rule, however, including that a duty may be imposed where the defendant has real and actual control over the third party to a degree that it is reasonable to place a duty on the defendant. Case law has distinguished between a defendant's *capacity* to take certain steps to hinder the third party's actions and the *obligation* to exercise control over the third party. This highlights that the imposition of a duty is critical to the success of a plaintiff's case – a defendant will not be held responsible for failing to act if there is no duty to act. Negligence case law also stresses that the defendant's control must be over the third party and his or her actions, not simply over the place or premises where the wrongdoing takes place.

For copyright authorisation, these tort law principles provide a useful model of control for determining the liability of nonfeasance intermediaries. Where a nonfeasance intermediary has real and actual control over copyright users it may be required to take reasonable steps to prevent infringement by those users. However, an intermediary's control over the physical or digital space in which infringement takes place will generally not be sufficient to give rise to a duty to act. For example, it will not be enough that an ISP has control over a user's ability to access the internet if the ISP does not also have control over what the user is able to do once online. Where a duty to prevent infringement is imposed, the intermediary's liability

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<sup>949</sup> See further, Chapter Two.

will be determined by looking to whether the intermediary breached that duty and whether the breach caused harm. This will be the same assessment for breach and damage which was covered in Chapter Four (though there the source of the duty was the intermediary's causal role, not control). Courts will need to consider and balance the factors in the 'negligence calculus' when determining breach.

The conception of control derived from negligence law is considerably narrower than the notion of 'power to prevent' in copyright law. Adopting this narrower understanding of control serves to constrain the scope of authorisation liability for nonfeasance intermediaries overall, providing the much-needed limiting principles that are currently lacking in the authorisation doctrine. It also reveals that there are serious problems with the way that the statutory factors in sections 36(1A) and 101(1A) of the *Copyright Act 1968* work together and the ease with which the 'reasonable steps' factor can be interpreted to expand the reach of the 'power to prevent' factor. In this chapter, I have recommended that these provisions be interpreted to require evidence of a duty to act before the question of whether the intermediary has taken 'reasonable steps' to prevent infringement arises. This would promote clarity and certainty within the law. Finally, the assessment of whether it is reasonable to impose a duty to act on a nonfeasance intermediary provides room to consider how that duty might impact users and whether it would unreasonably inhibit any of the user interests described in Chapter Three.



## Chapter 6

### Industry codes of practice and reliance liability

#### 1. Introduction

This thesis has sought to use tort law principles – and the responsibility theory underlying them – to provide a new way of understanding the reach and bounds of copyright authorisation law. My research began with the observation that Justices Gummow and Hayne’s novel approach to authorisation liability in *Roadshow Films v iiNet*, which utilised negligence law principles, might be more than simply interesting – it might be incredibly useful as well. This developed into the tort law framework for copyright authorisation laid down in chapters Two, Four and Five. There is, however, one last piece of puzzle to fit within this analysis. This piece relates to industry codes of practice for combatting online infringement and how those codes might impact upon a finding of authorisation liability.

As I have previously noted, sections 36(1A) and 101(1A) of the *Copyright Act 1968* set out three factors that courts are obliged to consider in determining authorisation liability: (a) the intermediary’s power to prevent infringement; (b) the relationship between the intermediary and the primary infringer; and (c) whether the intermediary took any reasonable steps to prevent or avoid infringement, including complying with any relevant industry codes of practice. All members of the High Court in *iiNet* made mention of the fact that there was no industry code of practice in place that might have affected iiNet’s responsibility to respond to rightsholders’ complaints of infringement.<sup>950</sup> Yet it is worth considering what, if any, influence an industry code of practice might have had on iiNet’s potential liability for copyright authorisation. Should an industry code create copyright liability where a nonfeasance intermediary otherwise has no duty to act?

Following the *iiNet* decision in 2012, there was general consensus that ISPs now had no reason to agree to any industry codes of practice that were not mandated by

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<sup>950</sup> *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 [71], [75] (French CJ, Crennan and Kiefel JJ), [139] (Gummow and Hayne JJ).

statute.<sup>951</sup> The High Court's decision had shielded ISPs from authorisation liability for simply providing internet access and, in doing so, had removed any motivation ISPs might have had to cooperate with copyright owners in drafting an industry code for dealing with copyright infringement. Yet industry codes have remained relevant to copyright regulation in Australia, largely because the Australian Government has applied constant pressure on ISPs to "come to the table" to negotiate an industry code of practice with rightsholders in spite of the *iiNet* decision.<sup>952</sup> This ongoing pressure culminated in an industry code that was lodged with the Australian Communications and Media Authority (ACMA) in April 2015. The code would place obligations on ISPs to send education and warning notices to subscribers who have been identified by rightsholders as infringing copyright.<sup>953</sup> The code has yet to come into effect.

So how might industry codes of practice, like the one submitted to ACMA, apply within a tort law framework for authorisation liability? For intermediaries that have a duty to act (misfeasance intermediaries and nonfeasance intermediaries with real and actual control over their users), the answer is relatively clear: industry codes of practice can be considered as part of the breach analysis. In Chapter Four, I explained that in negligence cases, courts will often take account of customary, professional and statutory standards when assessing whether a defendant has breached his or her duty. Failure to comply with a standard may be evidence of breach if a reasonable person in the defendant's position would have taken the steps set out in the standard.<sup>954</sup> The same reasoning can be applied to copyright

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<sup>951</sup> See, for example, David Lindsay, 'ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*' (2012) 62(4) *Telecommunication Journal of Australia* 53.1, 53.18.

<sup>952</sup> Mitchell Bingemann, 'Brandis calls time on online piracy', *The Australian*, 28 October 2013, <http://www.theaustralian.com.au/media/digital/brandis-calls-time-on-online-piracy/story-fna03wxu-1226747867711#>; Campbell Simpson, 'Australian attorney-general won't confirm copyright meetings with ISPs', *CNet Australia*, 30 October 2013, <http://www.cnet.com.au/australian-attorney-general-wont-confirm-copyright-meetings-with-isps-339345833.htm>; Malcolm Turnbull, Minister for Communications, 'Online copyright infringement FAQs', [http://www.malcolmturnbull.com.au/policy-faqs/online-copyright-infringement-faqs#industry\\_role](http://www.malcolmturnbull.com.au/policy-faqs/online-copyright-infringement-faqs#industry_role); Attorney General for Australia and Minister for the Arts, Senator the Hon. George Brandis QC and Minister for Communications, the Hon. Malcolm Turnbull, Collaboration to tackle online copyright infringement, Joint Media Release, 10 December 2014, <http://www.attorneygeneral.gov.au/Mediareleases/Pages/2014/FourthQuarter/10December2014-Collaborationtotackleonlinecopyrightinfringement.aspx>.

<sup>953</sup> Communications Alliance, 'Copyright Notice Scheme, Industry Code C653:2015' [http://www.commsalliance.com.au/data/assets/pdf\\_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf](http://www.commsalliance.com.au/data/assets/pdf_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf).

<sup>954</sup> *Tucker v McCann* [1948] VLR 222; *Sibley v Kais* (1967) 118 CLR 424; *Woods v Multi-Sport Holdings Pty Ltd* (2002) 208 CLR 460.

intermediaries: failure to comply with an industry code of practice may be evidence of a breach of the duty to minimise the risk of infringement, though it will not be determinative on its own. The situation is more complicated, however, for nonfeasance intermediaries that do not have the requisite control over their users, such as most ISPs. In this chapter, I argue that these intermediaries may be liable for departing from an industry code of practice under a theory of reliance liability in tort law.

For nonfeasance intermediaries without control, there are several sources of law that could underpin liability for the failure to comply with an industry code. If the code is backed by statute, then the legislation itself may provide sanctions or remedies for non-compliance. If the code has been developed through private industry negotiations and takes the form of an agreement, then liability may be founded in contract law. If the intermediary has adhered to an industry code for a period of time and then abruptly ceases complying in a way that causes harm, then liability may arise under the tort doctrine of specific reliance. This last source of liability is the one I focus on in this chapter. I do not claim that it is the best source of liability for the departure from an industry code in every situation. I focus on it here because it helps to consolidate the legislative requirement that industry codes of practice be considered in a determination of copyright authorisation within a broader tort law framework for intermediary copyright liability.<sup>955</sup>

The doctrine of specific reliance holds that a defendant may create a self-imposed duty where his or her conduct indicates an assumption of responsibility to perform a given task and where the plaintiff has reasonably relied on the defendant's conduct to his or her detriment. Generally, the conduct indicating an assumption of responsibility will involve the repeated performance of the same task over time. The duty arising from the defendant's conduct is the duty to continue performing the task in a manner consistent with the assumption of responsibility. Phrased in the negative, it is a duty not to cease the activity without providing proper warning to the plaintiff. An application of these principles to copyright might hold that where ISPs have voluntarily adopted a general practice of taking steps to discourage infringement, whether in accordance with an industry code or on their own initiative, they may be

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<sup>955</sup> For the same reason, I focus on the doctrine of specific reliance in tort, rather than the doctrine of estoppel in equity.

liable for ceasing this practice without warning where the copyright owner has relied on the ISPs' conduct to his or her detriment.

The question remains whether these principles create *copyright* liability – liability *for* copyright authorisation – or whether the liability is purely tortious. The answer depends on the legislation. It is possible to interpret and apply sections 36(1A) and 101(1A) of the *Copyright Act* in accordance with the tort law framework I propose in this thesis, without amending the provisions at all. This would see the tort doctrine of specific reliance operate within the context of sections 36(1A)(c) and 101(1A)(c) to make an ISP's noncompliance with an industry code relevant to a determination of authorisation. Where an ISP breaches a self-imposed duty by departing from an industry code, the resulting liability may therefore be dealt with under the *Copyright Act* as authorisation liability. This will be a narrow form of authorisation liability that is constrained by the nature of the copyright owners' reliance. Of course, the doctrine of specific reliance may also operate outside of the *Copyright Act* to place liability on an intermediary based purely in tort.

In previous chapters, I have warned against the scope-creep that may occur with the authorisation doctrine if courts give undue regard to an intermediary's *capacity* to take steps to prevent infringement rather than the nature of the intermediary's *duty* to take steps based on their causal role or their control over users' actions. For the same reason, it will be important not to allow industry codes of practice to create expansive authorisation liability for nonfeasance intermediaries where there is otherwise no duty to act to prevent infringement. It will be important to carefully tailor both the scope of the intermediary's duty to comply with an industry code and the remedies that may flow from a breach of this duty. Remedies awarded against an ISP for authorising infringement should be proportional to the ISP's actual wrong. Where the ISP's breach involves departing from an industry code of practice without warning, then the wrong may be as simple as the failure to forward an infringement warning notice to a customer. Substantial damages awarded under the *Copyright Act* may not be a proportional remedy. Courts should also pay particular attention to the 'damage' element of the negligence analysis in making sure that the damage claimed to flow from the breach is actually attributable to the ISP's failure to adhere to the industry code. Copyright owners may have difficulty showing that copyright infringement would not have occurred but for the ISP's breach.

In part 2 of this chapter, I describe the industry codes of practice that have been voluntarily adopted in jurisdictions around the world and I canvass the attempts made in Australia to negotiate an industry code between the content industry and ISPs. Where industry codes have been adopted in other jurisdictions, they have generally involved ISPs sending successive infringement warning notices to subscribers. Sometimes the forwarding of notices comprises the entire scheme ('notice-and-notice schemes') and other times the notices escalate to some sort of penalty measure, such as temporary or permanent disconnection from the internet ('graduated response schemes'). In Australia, the code currently lodged with ACMA outlines a scheme whereby three notices, with escalating levels of severity, are sent to subscribers accused of infringement. If a subscriber receives three notices within a 12-month period, the copyright owner may file a preliminary discovery application to require the ISP to divulge the subscriber's name and contact details so that the copyright owner can bring an infringement action.

In part 3, I further explore the elements of specific reliance in tort law. I use case law examples to demonstrate how these elements operate in practice. In part 4, I apply the doctrine of specific reliance to ISPs that adopt industry codes of practice for copyright enforcement. I explain how compliance with an industry code might affect an ISP's liability for authorisation under the *Copyright Act 1968* and I discuss the evidentiary issues that copyright owners are likely to face in establishing the elements of an action based in specific reliance.

## 2. Industry Codes of Practice

When Parliament amended the *Copyright Act 1968* in 2000 to insert subsections 36(1A) and 101(1A) into the Act,<sup>956</sup> it clearly contemplated the likelihood that the copyright industry and the technology industry would work together to develop industry codes of practice to combat online copyright infringement. Paragraph (c) of the inserted provisions directs courts to consider, when deciding whether a defendant intermediary took reasonable steps to prevent or avoid infringement, whether the intermediary complied with any relevant industry codes of practice.<sup>957</sup> The term

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<sup>956</sup> *Copyright Amendment (Digital Agenda) Act 2000* (Cth).

<sup>957</sup> In *Roadshow Films v iiNet*, the absence of any industry protocol applying to Australian ISPs was relevant to the High Court's findings that iiNet was not liable for authorisation: *Roadshow Films Pty*

‘industry code of practice’ is not defined in those sections, though ‘industry code’ is later defined in s. 116AB of the Act in relation to the safe harbour provisions in Part V of the Act.<sup>958</sup> Section 116AB defines ‘industry code’ by reference to Part 6 of the *Telecommunications Act 1997* and by reference to the *Copyright Regulations 1969*.<sup>959</sup> Regulation 20B(a) of the *Copyright Regulations 1969* provides that “the industry code must be developed through an open voluntary process and by a broad consensus of copyright owners and carriage service providers.” ‘Carriage service provider’ is defined in s. 87 of the *Telecommunications Act 1997*, and essentially means an ISP.

The ‘industry codes’ contemplated in the *Copyright Act 1968* are voluntary, industry-based agreements with little or no legislative intervention. They are private ordering schemes, not public laws.<sup>960</sup> Globally, there have been very few schemes of this type implemented to tackle online copyright infringement. There have been public graduated response laws enacted in various countries, notably in France, New Zealand, Taiwan and South Korea, to tackle infringement, but here I focus only on private arrangements.<sup>961</sup> There are two privately implemented schemes of note: a narrow scheme in Ireland and a broader ‘Copyright Alert System’ in the United States.<sup>962</sup>

In Ireland, after various recording companies sued Eircom, Ireland’s largest ISP, for facilitating copyright infringement, the parties reached a settlement in which

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*Ltd v iiNet Limited* [2012] HCA 16 (20 April 2012) at [71] per French CJ, Crennan and Kiefel JJ; see also Gummow and Hayne JJ at [139].

<sup>958</sup> Section 116AH of the *Copyright Act 1968* sets out the conditions for carriage service providers to be able to rely on the limitations on remedies available against them in sections 116AC – 116AF (‘the safe harbours’). Item 1, condition 2 of the table in subsection (1) provides: “If there is a relevant industry code in force – the carriage service provider must comply with the relevant provisions of that code relating to accommodating and not interfering with standard technical measures used to protect and identify copyright material”.

<sup>959</sup> Section 116AB: “industry code” means: “(a) an industry code that: (i) meets any prescribed requirements; and (ii) is registered under Part 6 of the *Telecommunications Act 1997*; or (b) an industry code developed in accordance with the regulations.”

<sup>960</sup> Annemarie Bridy has written of the shift towards private ordering in this area of the law: Annemarie Bridy, ‘Graduated Response and the Turn to Private Ordering in Online Copyright Enforcement’ (2010) 89 *Oregon Law Review* 81.

<sup>961</sup> For an excellent overview and assessment of the public laws, see Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147.

<sup>962</sup> In July 2014, the UK government announced a new industry scheme, ‘Creative Content UK’, comprising of two components – a large-scale multi-media copyright education campaign, commencing soon, and a notice-and-notice subscriber alert program that will be implemented at a later date following the education campaign. See <https://www.gov.uk/government/news/new-education-programme-launched-to-combat-online-piracy> and <http://www.bpi.co.uk/home/uk-creative-industries-and-isps-partner-in-major-new-initiative-to-promote-legal-online-entertainment.aspx>. As at the time of writing this thesis, the Creative Content UK scheme is not sufficiently developed to enable me to include discussion of it in this chapter.

Eircom agreed to a private graduated response scheme. The terms of the scheme are not public, but researchers have been able to piece together the relevant conditions from case reports and other publicly available documents.<sup>963</sup> Broadly, the terms of the scheme seem to be that upon notification of infringement from the record companies, Eircom will pass on warning notices to its subscribers. The first two notices are warnings only; upon a third notice the subscriber's account is suspended for seven days; and upon a fourth notice the subscriber's account is suspended for twelve months.<sup>964</sup> The reach of the Irish scheme is narrow – because it arose out of a legal settlement, the scheme only applies as between Eircom and the record companies that were parties to the litigation.<sup>965</sup>

In 2013, a comprehensive 'Copyright Alert System' (colloquially called the 'six strikes system') was implemented in the United States after years of negotiations between ISPs and the content industry.<sup>966</sup> The Copyright Alert System brought five ISPs (AT&T, Cablevision, Comcast, Time Warner Cable and Verizon) together in agreement with the content industry (primarily represented by the Motion Picture Association of America (MPAA) and the Recording Industry Association of America (RIAA)) to form the 'Center for Copyright Information'. Under this system, ISPs send up to six 'copyright alerts' to subscribers who have been identified by a monitoring agency as infringing copyright. Initial alerts are educational notices about copyright law, and subsequent alerts require the subscriber to acknowledge receipt of the notice. After a subscriber has received four notices (two educational and two requiring acknowledgement), ISPs must implement 'mitigation measures' upon the sending of further notices.<sup>967</sup> These measures may include a temporary reduction in internet service speed or a temporary suspension of internet service for a "reasonable

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<sup>963</sup> Since this scheme forms part of a settlement, the precise details are private. However, researchers have pieced together what they can of the terms: see Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law and the Arts* 147, 172-174.

<sup>964</sup> *Ibid.*

<sup>965</sup> These include the Irish branches of EMI, Sony, Universal and Warner: Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law and the Arts* 147, 174.

<sup>966</sup> See <http://www.copyrightinformation.org/the-copyright-alert-system/> and the Memorandum of Understanding between the parties (as occasionally amended), dated 6 July 2011 at <http://www.copyrightinformation.org/wp-content/uploads/2013/02/Memorandum-of-Understanding.pdf>; Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law and the Arts* 147, 175-177. See also Annemarie Bridy, 'Graduated Response American Style: "Six Strikes" Measured Against Five Norms' (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1.

<sup>967</sup> Memorandum of Understanding between the parties (as occasionally amended), dated 6 July 2011 at <http://www.copyrightinformation.org/wp-content/uploads/2013/02/Memorandum-of-Understanding.pdf>.

period of time”.<sup>968</sup> It is in the ISP’s discretion which mitigation measures it imposes. The Copyright Alert System is limited to apply only to alleged infringement occurring over peer-to-peer filesharing networks.<sup>969</sup>

To date, there is no evidence that either the Irish scheme or the US system has reduced instances of copyright infringement.<sup>970</sup> Data is scant, and the little evidence that has been collected is unreliable because it does not account for the possibility that users have not *ceased* infringement but have merely transitioned to other less detectable forms of infringement.<sup>971</sup> Additionally, graduated response schemes of the kind described here can adversely impact upon users’ rights. The most concerning impact is that these schemes shift the burden of proof from the copyright owner to the accused user.<sup>972</sup> In ordinary civil cases, the burden of proof falls upon the plaintiff to establish copyright infringement. Yet under these schemes, an allegation of infringement automatically triggers an action taken by the ISP against the accused user. If the user wishes to dispute the allegation he or she must raise evidence that his or her use was non-infringing or that the allegation is faulty in some way. A shifting of the burden of proof raises significant concerns about the legitimacy of these schemes from a due process point-of-view.<sup>973</sup> In the US scheme, for instance, users are limited in the ‘defences’ that they can raise against allegations of infringement

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<sup>968</sup> See <http://www.copyrightinformation.org/the-copyright-alert-system/> and the Memorandum of Understanding between the parties (as occasionally amended), dated 6 July 2011 at <http://www.copyrightinformation.org/wp-content/uploads/2013/02/Memorandum-of-Understanding.pdf>; Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147, 175-177; Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1.

<sup>969</sup> See <http://www.copyrightinformation.org/the-copyright-alert-system/> and the Memorandum of Understanding between the parties (as occasionally amended), dated 6 July 2011 at <http://www.copyrightinformation.org/wp-content/uploads/2013/02/Memorandum-of-Understanding.pdf>; Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147, 175-177; Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1.

<sup>970</sup> Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147, 191, 192.

<sup>971</sup> *Ibid.*, 191-2, 198-200. The reaction of users in seeking ways of filesharing that are increasingly difficult to detect or quash accords with regulatory theory that punitive enforcement of the law is often less effective than persuasion, at least where punishment is used as an early choice. See Ian Ayres and John Braithwaite, *Responsive Regulation: Transcending the Deregulation Debate* (Oxford University Press, 1992), 26: “punitive enforcement engenders a game of regulatory cat-and-mouse whereby [actors] defy the spirit of the law by exploiting loopholes and the state writes more and more specific rules to cover the loopholes”.

<sup>972</sup> See Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1, 53-53.

<sup>973</sup> See Nicolas Suzor and Brian Fitzgerald, ‘The Legitimacy of Graduated Response Schemes in Copyright Law’ (2011) 34(1) *University of New South Wales Law Journal* 1; Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1, 53-53.



and the defences do not cover the full spectrum of limitations and exceptions under US copyright law.<sup>974</sup> Thus, users may have punitive action taken against them for uses that are not, in fact, infringing, and there is very little that users can do about it. Private ordering schemes also raise particular concerns related to transparency. The private nature of these schemes tends to mean that they are shrouded in secrecy, especially as to the specific processes used for the collection and evaluation of data against users.<sup>975</sup>

Notwithstanding these concerns, the Australian Government has pushed for ISPs and the copyright industry in Australia to formulate an industry code of practice for combatting online infringement in a similar form to the U.S. Copyright Alert System. In 2010, then Minister for Broadband, Communications and the Digital Economy, Stephen Conroy, expressed a desire that the film and internet industries “sit down and try to come up with a code of conduct” for dealing with online infringement.<sup>976</sup> In September 2011, the Federal Attorney-General’s Department convened a meeting with ‘key stakeholders’<sup>977</sup> to discuss the state of the legislative landscape in relation to online copyright infringement.<sup>978</sup> Attorney General Robert McClelland<sup>979</sup> “consistently stated that his preference [was] for an industry-based solution” rather than legislative reform.<sup>980</sup>

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<sup>974</sup> Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1, 57-58; Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147, 178-180.

<sup>975</sup> Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property Media and Entertainment Law Journal* 1, 57, 62-66; see also Nicolas Suzor and Brian Fitzgerald, ‘The Legitimacy of Graduated Response Schemes in Copyright Law’ (2011) 34(1) *University of New South Wales Law Journal* 1.

<sup>976</sup> Ben Grubb, ‘Conroy calls for piracy code of conduct’, *ZDNET*, 7 February 2010, reporting on Stephen Conroy’s interview on ABC’s *Hungry Beast* program on 5 February 2010, <http://www.zdnet.com.au/conroy-calls-for-piracy-code-of-conduct-339300874.htm>.

<sup>977</sup> Including representatives from the Australian Content Industry Group (ACIG), Australian Federation Against Copyright Theft (AFACT), Digital Entertainment Alliance Australia (DEAA), Telstra, Optus, the Internet Industry Association (IIA) and the Communications Alliance. It is worth noting that ‘key stakeholders’ did not include user rights groups.

<sup>978</sup> Andrew Colley, ‘A-G in call for talks on online piracy’, *The Australian*, 24 August 2011, <http://www.theaustralian.com.au/australian-it/a-g-in-call-for-talks-on-online-piracy/story-e6frgakx-1226120005661>. See further, Renai LeMay, ‘Secret BitTorrent agreement on the cards’, *Delimiter.com.au*, 29 September 2011, <http://delimiter.com.au/2011/09/29/secret-bittorrent-agreement-on-the-cards/>.

<sup>979</sup> The Hon. Robert McClelland was the Attorney-General for Australia from December 2007 to December 2011: <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22handbook%2Fallmps%2FJK6%22>.

<sup>980</sup> Roger Wilkins, Attorney-General’s Department secretary, quoted in Andrew Colley, ‘A-G in call for talks on online piracy’, *The Australian*, 24 August 2011, <http://www.theaustralian.com.au/australian-it/a-g-in-call-for-talks-on-online-piracy/story-e6frgakx-1226120005661>.

In late November 2011, a coalition of Australian ISPs presented a proposal to the content industries for a voluntary notice-and-notice scheme for dealing with online copyright infringement.<sup>981</sup> Under the proposed scheme, upon receipt of a ‘copyright infringement notice’ from a rightsholder, an ISP would forward an ‘education notice’ to the allegedly infringing subscriber identified by IP address in the notice. The education notice would inform the subscriber that the ISP had received a copyright infringement notice and would provide educational material about copyright law. Upon receipt of a second copyright infringement notice within a twelve month period, the ISP would send a ‘warning notice’ to the subscriber. This would warn the subscriber that a failure to cease infringing activity in response to the notice might result in the copyright owner seeking access to the subscriber’s details from the ISP via a court sanctioned process. After each education notice or warning notice, the subscriber would be given a 21-day ‘grace period’ in which to seek legal advice or query or dispute the notice.<sup>982</sup> Finally, if a subscriber were sent one education notice and three warning notices, the ISP would then send a ‘discovery notice’ informing the subscriber that the rightsholder might seek access to the subscriber’s details via a preliminary discovery order or a subpoena in order to commence a direct copyright infringement action against the subscriber, and that the ISP would comply with any discovery order or subpoena received.<sup>983</sup> The coalition of ISPs presenting this scheme proposed that costs for its operation be borne by rightsholders, that prior independent audits of the rightsholders’ infringement detection technologies be conducted, and that the scheme be undertaken on an 18-month trial followed by an independent evaluation of its effectiveness.<sup>984</sup>

The content industries rejected this proposal but expressed a willingness to work with ISPs to formulate an alternative scheme.<sup>985</sup> Discussions stalled, however, in the wake of the *iiNet* decision. General academic and industry consensus was that post-*iiNet*, ISPs were in such a strong legal position that they had no incentive to agree to

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<sup>981</sup> Communications Alliance Ltd, ‘Australian Internet Service Provider (ISP) Proposal: A Scheme to Address Online Copyright Infringement’, available at [http://www.commsalliance.com.au/\\_data/assets/pdf\\_file/0019/32293/Copyright-Industry-Scheme-Proposal-Final.pdf](http://www.commsalliance.com.au/_data/assets/pdf_file/0019/32293/Copyright-Industry-Scheme-Proposal-Final.pdf).

<sup>982</sup> *Ibid.*

<sup>983</sup> *Ibid.*

<sup>984</sup> *Ibid.*

<sup>985</sup> Josh Taylor, ‘Content owners reject ISP piracy scheme’, *ZDNet*, 29 November 2011, <http://www.zdnet.com.au/content-owners-reject-isp-piracy-scheme-339326967.htm> and Supratim Adhikari, ‘Content owners reject ISPs’ anti-piracy scheme: report’, *Technology Spectator*, 29 November 2011, <http://technologyspectator.com.au/industry/media/content-owners-reject-isps-anti-piracy-scheme-report>.

industry codes requiring them to pass on warning notices or implement any other measures to prevent copyright infringement.<sup>986</sup> In late 2013, *The Australian* reported that the Attorney General's Department had sought to recommence discussions with Australian telecommunication providers and content creators about industry protocols for tackling copyright infringement,<sup>987</sup> but again nothing tangible emerged from these discussions.

In July 2014, the Attorney General's Department released a discussion paper entitled, 'Online Copyright Infringement'.<sup>988</sup> The discussion paper evidenced a frustration that ISPs were not doing more to combat online infringement. The paper proposed amending sections 36(1A) and 101(1A) of the *Copyright Act 1968* so that 'the power to prevent infringement' would no longer be a separate element to be considered by courts in determining copyright authorisation but would instead fall under a consideration of 'reasonable steps'.<sup>989</sup> This was an attempt to circumvent the High Court's ruling in *Roadshow Films v iiNet* so that ISPs would be expected to take 'reasonable steps' to prevent or avoid infringement even without a direct power to prevent particular infringing acts.<sup>990</sup> The discussion paper appeared to be directed towards creating incentives for ISPs to come to the table in formulating industry codes of practice with copyright holders, most likely for a graduated response scheme of the type implemented in the United States.

Copyright academics and consumer advocate groups roundly criticised the proposal made in the Government's discussion paper to extend authorisation liability by removing the 'power to prevent' element from sections 36(1A)(a) and 101(1A)(a).<sup>991</sup> Critically, removing the control element from the statutory expression of the authorisation doctrine risked further destabilising an already unclear and

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<sup>986</sup> See, for example, David Lindsay, 'ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*' (2012) 62(4) *Telecommunication Journal of Australia* 53.1, 53.18.

<sup>987</sup> Mitchell Bingemann, 'Brandis calls time on online piracy', *The Australian*, 28 October 2013, <http://www.theaustralian.com.au/media/digital/brandis-calls-time-on-online-piracy/story-fna03wxu-1226747867711#>; see also Campbell Simpson, 'Australian attorney-general won't confirm copyright meetings with ISPs', *CNet Australia*, 30 October 2013, <http://www.cnet.com.au/australian-attorney-general-wont-confirm-copyright-meetings-with-isps-339345833.htm>.

<sup>988</sup> Australian Government, 'Online Copyright Infringement Discussion Paper' (July 2014) <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/FINAL%20-%20Online%20copyright%20infringement%20discussion%20paper%20-%20PDF.PDF>.

<sup>989</sup> *Ibid.*, 4.

<sup>990</sup> *Ibid.*

<sup>991</sup> See in particular submissions by QUT Intellectual Property and Innovation Law Research Program; Isabella Alexander, Robert Burrell, Michael Handler, Emily Hudson and Kimberlee Weatherall; Kylie Pappalardo; Group of Eight Universities Australia; Rebecca Giblin; Choice; and Electronic Frontiers Australia. All submissions are available at <http://www.ag.gov.au/Consultations/Pages/OnlineCopyrightInfringement-Submissions.aspx>.

poorly constrained area of law.<sup>992</sup> After significant vocal opposition from commentators, the Australian Government withdrew the proposal. Nevertheless, the discussion paper served an important political function. It presented a harsh reality to ISPs who had sheltered behind the *Roadshow Films v iiNet* decision in refusing to cooperate with copyright owners. When the Government again called on ISPs to work with copyright owners on an industry code to tackle infringement, the threat was explicit and clear: if no agreement was reached, the Government would either seek to mandate its own industry code or introduce legislation that would drastically increase the scope of ISP liability.<sup>993</sup> This, as it turned out, was a sufficient incentive to convince ISPs to progress with a negotiated graduated response code.

On 10 December 2014, the Federal Attorney-General and the Minister for Communications requested in a joint letter to industry leaders that a code be submitted by the Communications Alliance<sup>994</sup> and developed through consultation with ISPs, consumer representatives and rightsholders from the music, film, television and performing arts industries.<sup>995</sup> Stakeholders obliged, and on 8 April 2015, a final code was submitted to the Australian Communications and Media Authority (ACMA) for registration under the *Telecommunications Act 1997* (Cth). The terms of the code are discussed in Chapter Seven, but in short, the code proposes a Copyright Notice Scheme under which ISPs send ‘education’ and warning notices to subscribers at IP addresses identified by copyright owners as being associated with

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<sup>992</sup> See Kylie Pappalardo, Submission to the Online Copyright Infringement Consultation, <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/OnlineCopyrightInfringement-KyliePappalardo.pdf>; see also submission by QUT Intellectual Property and Innovation Law Research Program, <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/OnlineCopyrightInfringement-QueenslandUniversityOfTechnology.pdf>; and Isabella Alexander, Robert Burrell, Michael Handler, Emily Hudson and Kimberlee Weatherall, <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/OnlineCopyrightInfringement-IsabellaAlexanderEtAl.pdf>.

<sup>993</sup> See further, Malcolm Turnbull, Minister for Communications, ‘Online copyright infringement FAQs’, [http://www.malcolmturnbull.com.au/policy-faqs/online-copyright-infringement-faqs#industry\\_role](http://www.malcolmturnbull.com.au/policy-faqs/online-copyright-infringement-faqs#industry_role). In response to the question ‘What will the Government do if the ACMA doesn’t accept the Industry code?’, the Minister writes: “If the ACMA doesn’t accept and register the industry code, the Government will impose binding arrangements either by an industry code prescribed by the Attorney-General under the *Copyright Act 1968* or an industry standard prescribed by the ACMA, at the direction of the Minister for Communications under the *Telecommunications Act*.”

<sup>994</sup> The Communications Alliance is the primary telecommunications industry body in Australia: <http://www.commsalliance.com.au/>.

<sup>995</sup> Attorney General for Australia and Minister for the Arts, Senator the Hon. George Brandis QC and Minister for Communications, the Hon. Malcolm Turnbull, Collaboration to tackle online copyright infringement, Joint Media Release, 10 December 2014, <http://www.attorneygeneral.gov.au/Mediareleases/Pages/2014/FourthQuarter/10December2014-Collaborationtotackleonlinecopyrightinfringement.aspx>.

infringement.<sup>996</sup> If three notices are sent to the same account holder within a 12 month period, the copyright owner can initiate a preliminary discovery application in the Federal Court to acquire access to the account holder's personal details in order to bring an infringement action (or, potentially, send a settlement demand letter).<sup>997</sup>

The draft code has not yet been registered by ACMA because ISPs and rightsholders have not been able to agree on who will bear the costs of the scheme. It appears likely, however, that this code will be registered in the near future. The question that this raises for my work is what effect the adoption of an industry code is likely to have on ISP liability under a tort influenced framework for copyright authorisation. This source of liability is different to any independent sanctions that may be imposed under the *Telecommunications Act* for noncompliance with an industry code.<sup>998</sup>

As discussed in Chapter Two, a causation framework for copyright authorisation finds that ISPs are nonfeasance intermediaries and therefore have no general duty to act to protect copyright owners from infringement. Yet even where an intermediary's role in infringement is remote, duties may arise under negligence law due to a culmination of other conditions, including the intermediary's own actions. In part 3 below, I discuss the doctrine of specific reliance under negligence law, which may impose a duty on a defendant where the defendant has assumed responsibility for an activity through his or her conduct and the plaintiff has relied on the defendant undertaking this activity. In part 4, I apply this doctrine to ISPs to consider how industry codes of practice might impact on an ISP's liability for copyright authorisation.

### **3. Reliance liability in tort**

The concept of reliance has always played an important role in establishing a duty of care under negligence law.<sup>999</sup> Broadly speaking, negligence liability attaches where a defendant has failed to take care in circumstances where she knows or ought

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<sup>996</sup> Communications Alliance, 'Copyright Notice Scheme, Industry Code C653:2015' [http://www.commsalliance.com.au/data/assets/pdf\\_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf](http://www.commsalliance.com.au/data/assets/pdf_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf).

<sup>997</sup> See Chapter Seven for a discussion of 'speculative invoicing' and the Australian Federal Court's response to this practice.

<sup>998</sup> Generally, compliance with an industry code is voluntary: *Telecommunications Act 1997* (Cth), s.106. However, ACMA may direct a participant to comply with an industry code under section 121, or issue a formal warning for breach of the code under section 122.

<sup>999</sup> *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424, 461 (Mason J).

to know that other members of society are relying on her to take care.<sup>1000</sup> In modern negligence law, reliance is considered most significant in actions for economic loss arising from the negligent provision of advice or information.<sup>1001</sup> In these cases, there will only be liability if the plaintiff has relied on the defendant's statements to his or her financial detriment.<sup>1002</sup> However, reliance may also be relevant in cases of omission – where the plaintiff alleges that the defendant is negligent because of a failure to act. In *Pyrenees Shire Council v Day*,<sup>1003</sup> Justice McHugh said:

In the absence of a contract, fiduciary relationship or statutory obligation, the common law makes a person liable in damages for the failure to act only when some special relationship exists between the person harmed and the person who fails to act. ... A special relationship may arise from ... [an] assumption of responsibility or invitation which might induce the person harmed to act or refrain from acting.<sup>1004</sup>

What his Honour highlights in this statement is that reliance is a relational concept – reasonable reliance can transform an ordinary relationship into a special one, giving rise to a duty to act in the interests of that relationship.<sup>1005</sup> This position is supported by responsibility theory, which holds that tort law and the imposition of duties is fundamentally about relationships and how people should be allowed to treat one another.<sup>1006</sup> To induce reliance, therefore, is to attract responsibility for acting reliably in dealings with others.

In cases of omission, a duty based on reliance has most commonly been imposed where the defendant is a public authority. In *Sutherland Shire Council v Heyman*,<sup>1007</sup> Justice Mason stated:

And then there are situations in which a public authority, not otherwise under a relevant duty, may place itself in such a position that others rely on it to take care for their safety so that the authority

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<sup>1000</sup> Ibid; Barry J. Reiter, 'Contracts, Torts, Relations and Reliance' in Barry J. Reiter and John Swan (eds), *Studies in Contract Law* (Butterworths, 1980), 310-311.

<sup>1001</sup> *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424, 462 (Mason J); *Pyrenees Shire Council v Day* (1998) 192 CLR 330 [9] (Brennan CJ), [158] (Gummow J); see also Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 426-439.

<sup>1002</sup> Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 426-439.

<sup>1003</sup> *Pyrenees Shire Council v Day* (1998) 192 CLR 330.

<sup>1004</sup> *Pyrenees Shire Council v Day* (1998) 192 CLR 330 [102] (McHugh J).

<sup>1005</sup> Similarly, Justice Kirby in that same case noted that "an element of reliance" will "give content" to the relationship between the plaintiff and the defendant. See *Pyrenees Shire Council v Day* (1998) 192 CLR 330 [245] (Kirby J). See also, The Hon. John Doyle and Jonathon Redwood, 'The Common Law Liability of Public Authorities: The Interface Between Public and Private Law' (1999) *Tort Law Review* 30, 36, 45.

<sup>1006</sup> Arthur Ripstein, 'The Division of Responsibility and the Law of Tort' (2004) 72 *Fordham Law Review* 1811.

<sup>1007</sup> *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424.

comes under a duty of care calling for positive action. Such a relationship has been held to arise where a person, by practice or past conduct upon which other persons come to rely, creates a self-imposed duty to take positive action to protect the safety or interests of another or at least to warn him that he or his interests are at risk.<sup>1008</sup>

Generally, the “practice or past conduct” to which Justice Mason refers is a public authority’s repeated and regular exercise of its statutory powers.<sup>1009</sup> A public authority may therefore create or increase a risk of damage occurring to the plaintiff if the authority ceases the performance of its statutory functions without notice.<sup>1010</sup>

A duty relating to reliance can also arise outside of a statutory power. Sometimes, a sustained general practice is enough to induce reliance. In *Mercer v. South Eastern and Chatham Railways Companies’ Managing Committee* (“*Mercer*”),<sup>1011</sup> one of the earliest examples of this concept, the defendants engaged in a practice whereby they locked the pedestrian gate to the level crossing at their railway when trains were passing. The plaintiff was aware of this practice. On the day in question, a servant of the defendants left the gate unlocked when a train was approaching. The plaintiff found the gate unlocked, proceeded to cross the tracks, and was hit and injured by a train. The level crossing was in a location where it was not obvious to the plaintiff, whether by sight or sound, that a train was approaching. The court found the defendant liable on the basis of a self-imposed duty. Justice Lush said:

It may seem a hardship on a railway company to hold them responsible for the omission to do something which they were under no legal obligation to do, and which they only did for the protection of the public. They ought, however, to have contemplated that if a self-imposed duty is ordinarily performed, those who know of it will draw an inference if on a given occasion it is not performed. If they wish to protect themselves against the inference being drawn they should do so by giving notice, and they did not do so in this case.<sup>1012</sup>

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<sup>1008</sup> *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424, 461 (Mason J), citing to *Mercer v South Eastern & Chatham Railway Companies’ Managing Committee* [1922] 2 K.B. 549 and *Morash v Lockhart & Ritchie Ltd.* (1978) 95 D.L.R. (3d) 647. It is important to note that Justice Mason is discussing specific reliance here, not the concept of ‘general reliance’ that he advanced in this case and which was later rejected by a majority of the High Court in *Pyrenees Shire Council v Day* (1998) 192 CLR 330.

<sup>1009</sup> See, for example, *Pyrenees Shire Council v Day* (1998) 192 CLR 330 [18] (Brennan CJ); *Paramatta City Council v Lutz* (1998) 12 NSWLR 293, 298, 304-307 (Kirby P).

<sup>1010</sup> *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424, 486 (Brennan J).

<sup>1011</sup> *Mercer v. South Eastern and Chatham Railways Companies’ Managing Committee* [1922] 2 K.B. 549.

<sup>1012</sup> *Mercer v. South Eastern and Chatham Railways Companies’ Managing Committee* [1922] 2 K.B. 549, 554 (Lush J).

For a duty based on reliance to be imposed on the defendant, there must be a number of elements present. The defendant must assume responsibility to perform a given task, usually indicated by the defendant's past conduct in performing the task.<sup>1013</sup> The defendant's conduct must induce reliance by the plaintiff, and, importantly, this reliance must be reasonable under the circumstances.<sup>1014</sup> Finally, in order for liability to be imposed for breach of the duty, the damage resulting to the plaintiff must be reasonably foreseeable at the time of the omission or inadequate performance of the task.<sup>1015</sup>

The operation of these elements can be seen in the limited number of cases in Australia in which *Mercer* has been applied. In *Bedford v James*,<sup>1016</sup> the plaintiff was injured when he fell through thin fibrolite sheeting laid as part of the flooring of a house under construction by the defendants. The plaintiff had entered through a doorway onto the flooring, which appeared solid. The defendants had previously erected a barrier across the doorway, in the form of pieces of wood nailed across the doorway at about waist height, but on this occasion the barrier had been removed and not replaced. The court held that plaintiff had been reasonable in assuming that the barrier would have been present if the floor was unsafe to walk upon.<sup>1017</sup> Thus, in this case, the defendants had taken responsibility for obstructing any entrance to the building under construction that was unsafe, and the plaintiff had reasonably relied on this assumption of responsibility. The plaintiff's injuries were a foreseeable result of walking on flooring that could not support his weight when he entered a room that was unobstructed by any barriers.

In the most recent Australian case to apply *Mercer*, *Miljus v CSR Ltd (No. 4)* ("*Miljus*"),<sup>1018</sup> the plaintiff's action failed because although the defendant had assumed responsibility, the plaintiff had not relied on this assumption. There, the plaintiff drove concrete trucks and was delivering concrete to the defendant at a site where he was required to reverse his truck down a narrow, badly formed and

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<sup>1013</sup> *Pyrenees Shire Council v Day* (1998) 192 CLR 330 [102] (McHugh J); see also [20] (Brennan CJ); [98] (McHugh J). See further, *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424, 463 (Mason J), 498 (Deane J); Judge Colin Phegan, 'The Tort of Negligence into the New Millennium' (1999) 73 *The Australian Law Journal* 885, 892. Inherent in the concept of 'assumption of responsibility' is notion that the defendant knew or ought to have known that others would rely on him or her to perform the task: see, for example, Amanda Stickley, *Australian Torts Law* (Lexis Nexis Butterworths, 3<sup>rd</sup> ed., 2013), 430-431 (in relation to negligent misstatement).

<sup>1014</sup> *Sutherland Shire Council v Heyman* (1984-1985) 157 CLR 424, 486 (Brennan J).

<sup>1015</sup> *Ibid.*

<sup>1016</sup> *Bedford v James* [1986] 2 Qd R 300.

<sup>1017</sup> *Bedford v James* [1986] 2 Qd R 300, 305 (Derrington J).

<sup>1018</sup> *Miljus v CSR Ltd (No. 4)* [2010] NSWSC 1325.



winding road. The plaintiff lost control of his truck and it overturned in an embankment on the side of the road, injuring him. There was evidence that the defendant perceived itself to be responsible for the safety of truck drivers on the road and had taken steps to improve the road conditions, such as clearing away foliage, even though the road was not under the defendant's control (it was the responsibility of the Council).<sup>1019</sup> The court held that even if the defendant had imposed a duty on itself to secure the road, the plaintiff had not relied on any practice of the defendant to this end.<sup>1020</sup> Accordingly, the defendant was not liable.

Similarly, plaintiffs in some of the control cases canvassed in Chapter Five raised reliance as a potential source of liability, but their actions failed for the same reason that the plaintiff was unsuccessful in *Miljus*. In *Modbury Triangle*, the manager of the video store had made repeated complaints to the defendant about the parking lot lights being turned off early.<sup>1021</sup> His complaints had gone unanswered, however, and so he had no basis for expecting that his complaints would be acted upon. For this reason, Chief Justice Gleeson held that the plaintiff, an employee of the video store, had not, in fact, relied on the defendant to take security measures, and so a duty owed to the plaintiff could not be based on reliance.<sup>1022</sup> In *Drakulic*, where the plaintiff was assaulted by a third party in the foyer of her apartment building, Justice Heydon discussed the concept of reliance as the basis for the imposition a duty. He observed that complaints made by the plaintiff that the foyer door's lock was broken had gone unanswered by management. His Honour concluded, "The plaintiff did not rely on the defendants to ensure that the foyer door was locked. She knew it was not locked."<sup>1023</sup> Justice Heydon also considered whether the defendants, as the building managers, had assumed responsibility for keeping the door locked.<sup>1024</sup> He held that they had not.<sup>1025</sup>

Tort law operates as a set of rules for interpersonal responsibility for harm.<sup>1026</sup> Reliance liability, as a head of tortious liability, is a quintessential example of

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<sup>1019</sup> *Miljus v CSR Ltd (No. 4)* [2010] NSWSC 1325 [85], [104] (Davies J).

<sup>1020</sup> *Ibid* [107] (Davies J).

<sup>1021</sup> *Modbury Triangle Shopping Centre Pty Ltd v Anzil* [2000] HCA 61 [6] (Gleeson CJ), [53] (Kirby J).

<sup>1022</sup> *Ibid* [22] (Gleeson CJ).

<sup>1023</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [82] (Heydon JA).

<sup>1024</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [83]-[84] (Heydon JA), referring to *Modbury Triangle Shopping Centre Pty Ltd v Anzil* [2000] HCA 61 [23]-[25] (Gleeson CJ) (where Gleeson CJ had rejected the argument that the defendant had assumed a responsibility for lighting the car park).

<sup>1025</sup> *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 [84] (Heydon JA).

<sup>1026</sup> Peter Cane, 'Tort Law as Regulation' (2002) 31 *Common Law World Review* 305, 306, 310.

interpersonal responsibility at law. A defendant who creates a situation in which others rely on her conduct is compelled to take responsibility for the reasonable and foreseeable consequences of that reliance. This is relational. There is simply no basis for liability, or, indeed, a duty in the first place, without a relationship of trust and reliance. So what of reliance liability in copyright? In the next part, I apply the elements for reliance liability set down in *Mercer* and the cases examined above to internet service providers. I discuss the situations in which an ISP may be deemed to have induced a copyright owner's reasonable reliance on the ISP's efforts to prevent or impede online infringement.

#### 4. Reliance liability in copyright

As noted earlier, specific reliance has most commonly been considered in cases involving the departure of public authorities from their statutory duties.<sup>1027</sup> The *Miljus* case, however, considered whether reliance was placed on the actions of a private company, and *Bedford v James, Modbury Triangle* and *Drakulic* also discussed reliance in the context of private actors. These cases can provide useful analogies for how specific reliance might operate with respect to ISPs under copyright law.

Where an ISP adopts an industry code or a general practice of taking certain measures against alleged primary infringers, a court might hold that the ISP has assumed responsibility or created a self-imposed duty to continue taking those measures. The ISP may adopt an industry code as part of an agreement with content producers, through a broader scheme in coalition with other internet service providers, or on its own accord. An ISP may also adopt an industry code to comply with the safe harbour provisions of the *Copyright Act 1968*. Section 116AH sets out the conditions that intermediaries must fulfill before they can rely on the safe harbour provisions. Subsection (1) provides that a carriage service provider must “adopt and reasonably implement a policy that provides for termination, in appropriate circumstances, of the accounts of repeat infringers.”<sup>1028</sup> It also provides

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<sup>1027</sup> *Miljus v CSR Ltd (No. 4)* [2010] NSWSC 1325 [107] (Davies J). See *Sutherland Shire Council v Heyman* (1985) 157 CLR 424 (council not liable for failing to inspect the structural footings of a house); *Paramatta City Council v Lutz* (1988) 12 NSWLR 293 (council was liable for failing to demolish dangerous premises adjacent to the plaintiff's home); *Pyrenees Shire Council v Day* (1998) 192 CLR 330 (council liable for failing to ensure compliance with directions that a fireplace be repaired).

<sup>1028</sup> *Copyright Act 1968* (Cth), s. 116AH(1).

that if there is a relevant industry code in force, the intermediary must comply with the relevant provisions of that code “relating to accommodating and not interfering with standard technical measures used to protect and identify copyright material.”<sup>1029</sup>

The legislation contemplates the possibility that an ISP may comply with only *parts* of an industry code, without adopting the code in full. If this is the case, then an ISP should make clear to subscribers and rightsholders which parts of the industry code are being followed and which are not. Otherwise, the knowledge that an ISP is complying with certain provisions of an industry code of practice may give rise to a reasonable expectation that the ISP is complying with the code as a whole. This is a risk, for example, where the *same* industry code of practice contains provisions relating to the accommodation of standard technical measures *and* provisions relating to the passing on of infringement warning notices to subscribers.

Where an ISP has assumed responsibility for addressing certain acts of infringement over its network and where rightsholders have reasonably relied on the ISP’s assumption of responsibility, then the ISP may be liable if it departs from its established practice without warning and if this departure causes harm to the copyright owner. Of course, for a prudent ISP, liability could be avoided simply by providing clear, advance notice to copyright owners that it intends to cease following the industry code or general practice. Whether it is actually open to an ISP to diverge from an industry code will depend, in practice, on the terms of the industry code as adopted and whether the code is a voluntary one or is mandated by statute.

For a copyright owner to succeed in establishing a duty based on specific reliance, it will need to show that its reliance on the ISP was reasonable. Where an industry code of practice is mandated under statute, or where ISPs have publicly signed up to an industry code or been heavily involved in its formulation, then reliance by rightsholders on the ISP’s adherence is likely to be reasonable. Additionally, in the relational sense of reliance, where an ISP has communicated regularly with rightsholders about measures undertaken as part of its general practice, such that the ISP and the rightsholders have an ongoing relationship, reliance is likely to be reasonable. Finally, reliance may be reasonable where the ISP has followed a general practice consistently and for a sustained period of time and rightsholders were aware of this practice.

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<sup>1029</sup> Ibid.

The evidentiary matter that will be most difficult for rightsholders to establish is demonstrating harm suffered as a result of their reliance on the ISP's general practice. Rightsholders may argue that they did not take their own steps against primary infringers – such as sending cease and desist notices or initiating court action – because they relied on the ISP to take measures against the primary infringers under the terms of the industry code. Rightsholders might even argue that if they had known that the ISP would not take action against primary infringers, they would have more heavily restricted the online availability of the copyrighted content in the first place, either by being more selective about the channels through which the content was made available or by utilising more restrictive digital rights management technology. The problem with these arguments is that the harm is mostly speculative, unlike the harms suffered in the tort cases discussed in part 3, which all involved physical harm to either property or person.<sup>1030</sup> In copyright cases, rightsholders would need to convince a court first that the users' acts constituted infringement, and second that the infringement would not have occurred if the ISP had acted in accordance with the industry code or if the rightsholders had not relied on the ISP and had instead taken their own actions against the users. This may be possible to show where the measures normally implemented by the ISP involve heavy penalties to users, such as disconnection from the internet, but it will be exceedingly more difficult where the only step normally taken by the ISP is to forward an infringement warning notice to the user. As Rebecca Giblin has explained, there is very little evidence that users actually change their behaviour in response to receiving an infringement warning notice.<sup>1031</sup>

More research on the actual effectiveness of education and warning notices is needed.<sup>1032</sup> If notices are not effective, then the reasonably foreseeable harm from an ISP's breach is likely to be zero, and the copyright owners will have no case. If, however, notice schemes do work to the extent that there is a general relative

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<sup>1030</sup> *Paramatta City Council v Lutz* (1988) 12 NSWLR 293 and *Pyrenees Shire Council v Day* (1998) 192 CLR 330 involved fire damage to buildings; *Mercer v. South Eastern and Chatham Railways Companies' Managing Committee* [1922] 2 K.B. 549 and *Miljus v CSR Ltd (No. 4)* [2010] NSWSC 1325 involved physical injury to the plaintiff as a result of a collision with a train (in *Mercer*) and an overturned truck (in *Miljus*). *Bedford v James* [1986] 2 Qd R 300, *Modbury Triangle Shopping Centre Pty Ltd v Anzil* [2000] HCA 61 and *Proprietors of Strata Plan 17226 v Drakulic* [2002] NSWCA 381 also involved personal injury to the plaintiff.

<sup>1031</sup> Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law and the Arts* 147, 184-189. (Giblin argues that users may simply migrate to other, less-detectable methods of infringement).

<sup>1032</sup> See further, Peter Yu, 'Digital Copyright and Confuzzling Rhetoric' (2011) 13(4) *Vanderbilt Journal of Entertainment and Technology Law* 881, 918-921.

decrease in infringement that is attributable to a combination of the panopticon effect of being watched and the educative content of the notices, then rightsholders may be able to establish harm as a result of the ISP's breach of the industry code. The precise nature of the harm will still need to be determined, as will the extent of the harm that can be attributed to the particular ISP. The copyright owner may be able to claim, for example, for the amount that it would have cost them to achieve the same educational effect through advertising if they had not relied on the ISP.

Where an ISP is responsible for inducing a copyright owner's reasonable reliance on its continued adherence to an industry code, then the ISP's liability may arise from tort law or copyright law. Sections 36(1A) and 101(1A) of the *Copyright Act 1968* make clear that the failure to comply with an industry code of practice may influence a court's finding of authorisation liability under copyright law. Paragraph (c) directs courts to consider an intermediary's compliance with any relevant industry codes of practice when determining whether or not the intermediary has authorised infringement. Thus, an ISP's adoption and subsequent breach of a duty to comply with an industry code will be relevant to the ISP's authorisation liability under the *Copyright Act 1968*. This is not the same as conflating paragraphs (a) and (c) of those provisions to find liability where an ISP has failed to take 'reasonable steps' against infringement even though the ISP has no duty to take those steps, a practice I cautioned against in chapters One and Five. Here there is a clear duty established by the ISP's prior conduct, breach of which creates liability. Reading sections 36(1A) and 101(1A) through a tort law framework simply makes clear that breach of this duty may lead to authorisation liability in copyright as well as reliance liability in tort.<sup>1033</sup> An important qualification is that because the scope of liability under tort is limited to only those harms that are attributable to the copyright owner's reasonable reliance on the ISP's conduct, the scope of liability under authorisation law should be similarly constrained. In Chapter Seven, I discuss in more detail the intersection between tort law principles and sections 36(1A) and 101(1A) of the *Copyright Act 1968*.

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<sup>1033</sup> More precisely, nonfeasance intermediaries without control will fall within the words "if any" in paragraph (a) of sections 36(1A) and 101(1A) (i.e. "the extent (if any) of the person's power to prevent the doing of the act concerned"). Paragraph (b) (the nature of the relationship between the intermediary and users) will also be relevant to the finding that the intermediary lacks sufficient control over users to give rise to a duty of care. The intermediary's duty of care based on reliance will arise from its ongoing course of conduct. Both the duty and the potential breach of that duty may be considered in reference to paragraph (c): "whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice." See further, Chapter Seven, part 2.1.

If an ISP's liability for departing from an industry code practice is found to be authorisation liability, then it is important that any remedies awarded against the ISP are proportional to the ISP's wrong. Under the *Copyright Act 1968*, a successful plaintiff is entitled to damages or an account of profits as a remedy for copyright infringement, including for authorisation of infringement.<sup>1034</sup> So far as ISPs in breach of an industry code are concerned, courts should take care to narrowly tailor the applicable remedies to the actual breach. It would be vastly disproportionate to award substantial damages based on massive infringement where the ISP's breach is simply the failure to forward on a few notices. It would be equally disproportionate to award rightsholders the full costs of alternative measures (such as their own education programs) where the ISP's breach has only contributed to a small proportion of the infringement that results from inconsistent compliance with the industry code. Of course, it bears repeating that an ISP could avoid this assessment altogether simply by giving notice to rightsholders that renders their reliance unreasonable.

## 5. Conclusion

At the time of writing, there is no industry code of practice in force in Australia that encourages or requires ISPs to take steps against infringing users. This may soon change. The draft industry code that is currently lodged with ACMA is likely to be formally registered under the *Telecommunications Act* in the near future, imposing obligations on ISPs to send education and warning notices to subscribers.

In this chapter, I have argued that if ISPs adopt an industry code of practice they may find themselves under a duty to continue to adhere to the industry code unless they inform copyright owners that they have decided to stop complying. A duty will be imposed where the ISP's conduct indicates an assumption of responsibility to carry out measures under the code, the copyright owner relies on that assumption, and the copyright owner's reliance is reasonable. Where a duty arises, the ordinary negligence elements of breach and damage will also need to be assessed before an ISP is held liable.<sup>1035</sup> For copyright owners, the most burdensome element to establish will be that they have suffered harm as a result of relying on the ISP

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<sup>1034</sup> *Copyright Act 1968* (Cth), s.115(2).

<sup>1035</sup> See further, Chapter Four.

(‘damage’). Particularly where the ISP has only been forwarding infringement warning notices to subscribers under the code, it is likely to be difficult to show that the users’ acts of infringement would not have occurred if the ISP had continued to comply with the industry code.

The doctrine of specific reliance has limited application to copyright law. It may assist copyright owners where ISPs default from an industry code or general practice without adequate warning. Yet its most important role may be in giving coherence to our laws for intermediary copyright liability. The reliance doctrine helps to situate and give relevance to industry codes of practice within the *Copyright Act 1968*, without overstating their importance. Industry codes of practice may be useful tools for combatting online copyright infringement through industry cooperation and private ordering. But their impact on the doctrine of authorisation should be narrowly tailored to apply only in cases of actual and reasonable reliance, at least where nonfeasance intermediaries are concerned.





## Chapter 7

### Conclusion and recommendations

The impetus for this project was a deep concern that Australian intermediary copyright liability law is not only unclear, but unsupported by any sound legal theory. Australia's authorisation doctrine has progressively expanded over the years as copyright owners sought to link an intermediary's *ability* to do something about infringement with a normative judgment that they therefore *ought* to do it. Again and again, rightsholders have raised purely economic arguments about the inefficiencies inherent in online enforcement, and have sought to instill a sense of moral urgency around the protection of copyright goods that implicates everyone in their enforcement mission.<sup>1036</sup> For the most part, courts and legislatures have failed to critically interrogate these claims.<sup>1037</sup> They have instead expanded the scope of authorisation liability,<sup>1038</sup> and have looked for ways to impose obligations on intermediaries even in the absence of a power to prevent infringement.<sup>1039</sup> The result is a private law with the appearance of a public duty.

I was motivated in my research by a realisation that it is remarkably difficult to articulate what the bounds of the authorisation doctrine are and, moreover, what the scope of authorisation liability should be. Authorisation liability has expanded in a largely unprincipled way; as courts and legislatures attempted to bring 'bad actors' within the reach of liability,<sup>1040</sup> and to assist rightsholders with their enforcement issues, they have unwittingly eroded the important connection between liability and responsibility. My interest in this topic is not purely theoretical – the scope of authorisation liability has profound, real-life effects for internet users. As discussed in Chapter Three, the constraints that intermediaries place on users in response to the threat of legal liability<sup>1041</sup> can severely undermine users' autonomy interests in choosing when and how to experience content, and their interests in self-expression,

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<sup>1036</sup> Julie E. Cohen, 'Pervasively Distributed Copyright Enforcement' (2006) 95 *Georgetown Law Journal* 1.

<sup>1037</sup> For example, see Australian Government, Online Copyright Infringement Discussion Paper, July 2014, where Attorney General, Senator the Hon. George Brandis QC and Minister for Communications, the Hon. Malcolm Turnbull MP stated: "The Australian Government believes that everybody has a role in reducing online copyright infringement."

<sup>1038</sup> Except for in decision of *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012).

<sup>1039</sup> Non-liability methods of regulation are discussed further below.

<sup>1040</sup> Such as in *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242.

<sup>1041</sup> These constraints range from termination of internet access, to filtering and blocking content, to 'educating' users that their activity is unlawful.

community building, education and play. With this in mind, my research sought to answer the question: “How can we determine the appropriate scope of the authorisation liability of online intermediaries in a way that is principled and which considers the interests of internet users?”

My research was directed, in part, by High Court Justices Gummow and Hayne’s decision in *Roadshow Films v iiNet*.<sup>1042</sup> In that case, their Honours were extremely critical of the appellants’ claims that an ISP could be liable for authorisation for doing nothing. iiNet, there, had refused to terminate user accounts in response to unreliable evidence from rightsholders that those users were infringing. Their Honours referenced tort cases in observing that the common law does not ordinarily impose positive duties on a person to protect others from harm that the person did not cause.<sup>1043</sup> I explored and expanded on this comparison between tort and copyright law to develop a framework for authorisation liability that is influenced by tort law’s emphasis on causation and personal responsibility.

## 1. A new conceptual framework

My core contribution in this thesis is a new conceptual framework for looking at and thinking about intermediary copyright liability. I have proposed that an intermediary’s liability should be more closely tied to their causal role in primary infringement. Under my framework, the starting point is to ask whether copyright infringement is a *natural consequence* of the opportunity provided to users by the intermediary’s technology or service. It is only if this question is answered in the affirmative that the intermediary should be considered under a duty to act to prevent infringement. This consideration of ‘natural consequences’ is a heavier burden than simply asking whether infringement is foreseeable. Rather, copyright infringement should be the *very type of thing* we would expect to result from the intermediary’s technology or service. Where infringement is a natural consequence, then the intermediary prima facie has a causal role in infringement. I have borrowed a term from tort law to label these intermediaries ‘misfeasance intermediaries’. I have called intermediaries that do not play a prima facie causal role in infringement ‘nonfeasance intermediaries’. In Chapter Two, I set out examples of each type of intermediary.

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<sup>1042</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012).

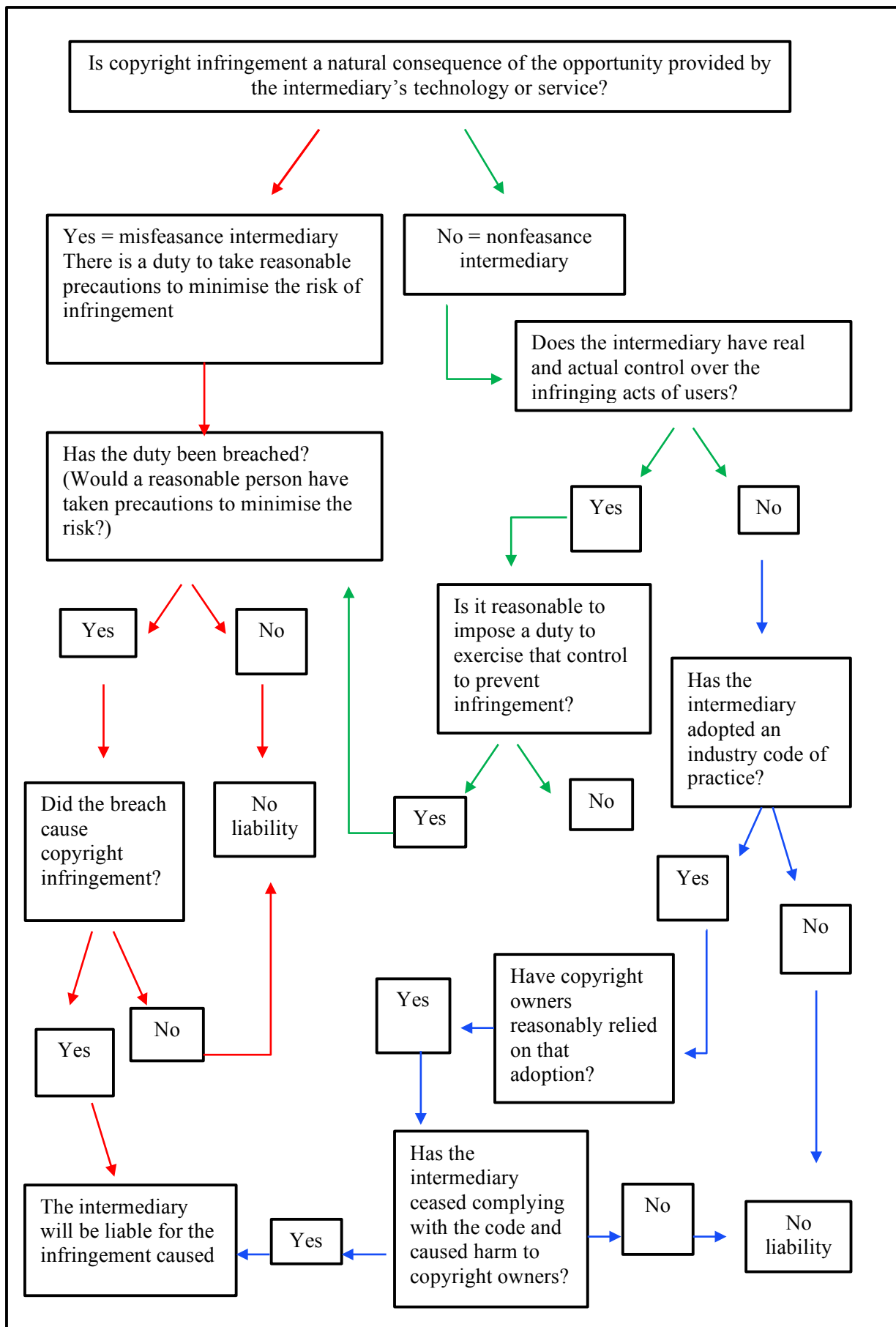
<sup>1043</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [108]-[109] (Gummow and Hayne JJ).

Misfeasance intermediaries have causally contributed to the risk of infringement. It is therefore appropriate to impose on them a duty to minimise that risk. A misfeasance intermediary will be liable for authorising infringement if it breaches this duty by failing to take reasonable steps to reduce the risk of infringement. The breach assessment here bears similarities to the one currently undertaken by courts when examining the reasonable steps taken to prevent or avoid infringement under sections 36(1A)(c) and 101(1A)(c) of the *Copyright Act 1968*. However, the ‘reasonableness’ analysis plays a more prominent role under my framework and incorporates the negligence law consideration of the ‘social utility’ of the risk-creating activity. In the online copyright environment, this means that judges must also turn their minds to how steps taken by intermediaries are likely to impact upon the interests of internet users.

Nonfeasance intermediaries will generally not have an obligation to combat infringement. They are usually a few steps removed from the acts of primary infringement and so have not played a causal role in bringing it about. For these intermediaries, I apply the rule from tort law that there is no general duty to act to protect another person from harm caused by a third party. An exception to this rule arises where the intermediary has real and actual control over the third party. In these situations, a duty to exercise that control to prevent harm to the copyright owner may arise. A nonfeasance intermediary’s liability is therefore dependent on the nature of its relationship with its users and the level of control that it can exercise over the specific acts of its users.

This conceptual framework premises a duty to act to prevent infringement on the intermediary’s causal role in bringing about infringement or the intermediary’s high level of control over the primary infringers. Legal liability depends entirely on what a reasonable person would do to fulfil that duty. In some situations, a reasonably prudent intermediary might do nothing to alter the technology or service that contributes to infringement. In other circumstances, it may be reasonable for an intermediary to take steps such as blocking or removing content. The ‘reasonableness’ of any action is determined by considering not just the burden on the intermediary of taking the action (in terms of resources and costs), but the wider social ramifications of the steps in question. Where a step will unduly constrain users from learning or engaging in self-expression, community building and play, then that step may not be reasonable. My conceptual framework is set out visually in *Figure 6*.

**Figure 6 – A tort law framework for copyright authorisation**



## **Interpersonal responsibility**

The causation framework is underpinned by an emphasis on interpersonal responsibility. Its central tenet is that while it is unfortunate that online copyright enforcement has proved so challenging for rightsholders, this fact should not in itself create liability for intermediaries. This is a normative position. Essentially, I argue that liability must derive from responsibility, and that an intermediary cannot logically be responsible to a copyright owner unless it has caused infringement or failed to exercise proper control over those that have caused infringement. It would be irrational to impose liability where an intermediary has not causally contributed to the primary infringements because to do so would have no socially beneficial impact on the intermediary's behaviour. In these circumstances, there is no bad or reckless behaviour to deter.<sup>1044</sup> In short, my framework links an intermediary's liability to *fault*, not simply the ability to do something to help copyright owners. This approach is consistent with tort theory and adopts recognised principles for determining civil liability in cases involving private property rights and third parties.

An important contribution of this focus on responsibility is that my framework offers a clear and justifiable way to separate different kinds of intermediaries at an early stage. As a result, nonfeasance intermediaries can be dealt with quickly and efficiently, and courts can focus their attention and resources on those misfeasance intermediaries that clearly bear some responsibility for the wrong. The question of *whether* liability should be imposed is answered upfront, and the only remaining question is how much responsibility the intermediary ought to bear.

## **User rights**

My framework is also informed by a concern that users' interests be given due consideration and protection within intermediary liability law. An important feature of our democratic civil society is that citizens are afforded an expansive freedom to express themselves,<sup>1045</sup> form associations and communities, pursue an education, and

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<sup>1044</sup> Jane Stapleton, 'Duty of care: peripheral parties and alternative opportunities for deterrence' (1995) 111(Apr) *Law Quarterly Review* 301, 305, 310-12, 317.

<sup>1045</sup> This is a right that is recognised in the International Covenant on Civil and Political Rights, Article 19, available at <http://www.ohchr.org/en/professionalinterest/pages/ccpr.aspx>. See further, Peter Yu, 'Digital Copyright and Enforcement Measures and Their Human Rights Threats' in Christophe Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Elgar Online, 2015), Chapter 24, pp. 455-476.

engage in creative play.<sup>1046</sup> These interests remain just as fundamental in the online space. To the extent that measures to deter or prevent copyright infringement have the capacity to interfere with how users engage online, I advocate that courts must carefully interrogate what steps they expect intermediaries to take and evaluate those steps against a benchmark that values users' rights.

## 2. Recommendations and practical application

This thesis makes two core recommendations. The first is that intermediary liability for online copyright infringement should be about responsibility and not capability. In other areas of law, particularly tort law, courts and legislatures have been extremely reluctant to impose liability on a person who has had no real role in bringing about the harm suffered. It would be wise to draw the same limits in copyright law, not simply for reasons of consistency but for reasons of coherence. How we determine legal liability is important. The basis for imposing liability should be easily understood, principled and bounded. A liability doctrine that is decoupled from a theory of responsibility offers no real limits on its scope and, consequently, poses a significant risk of massive expansion and an erosion of perceived legitimacy.<sup>1047</sup>

The second recommendation is that the interests of internet users should not be ignored. Copyright law needs to work harder to recognise the legitimate interests of the public who rely on internet access and capabilities for many aspects of their daily lives. It is easy to disregard users in intermediary liability actions, because the actions are framed as two-party disputes between copyright owners and technology developers. But it is critical to give proper consideration to the ways in which liability laws motivate intermediaries to constrain what users can access and do with content online. These constraints have serious flow-on effects for how users are able to understand the world around them, express themselves, and create.

In giving effect to these recommendations, it is necessary to address more specifically how the tort law framework can operate in practice with respect to Australia's copyright laws. In part 2.1, I consider the relationship between the tort law framework and Australia's substantive provisions on authorisation in the

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<sup>1046</sup> See Chapter Three for full discussion; Neil W. Netanel, 'Copyright and a Democratic Civil Society' (1996) 106 *Yale Law Journal* 283.

<sup>1047</sup> For more on the importance of perceived legitimacy, see Nicolas Suzor and Brian Fitzgerald, 'The Legitimacy of Graduated Response Schemes in Copyright Law' (2011) 34(1) *UNSW Law Journal* 1.

*Copyright Act 1968*. I argue that the legislation can be read in light of the tort law principles outlined in this thesis to bring clarity to the law and impose reasonable limits on the scope of authorisation liability.

## **2.1 Utilising the tort law framework in practice – intersections with the *Copyright Act 1968***

The doctrinal law governing authorisation liability in Australia is set out in sections 36 and 101 of the *Copyright Act 1968*. I have referred to these provisions throughout my thesis. I have argued that while the factors set out in subsections (1A) of these sections provide some structure to a court's assessment of authorisation liability under copyright law, they tell us little about what the scope of liability should be or which are the most appropriate intermediaries to shoulder that liability. I have further argued that the concept of control, or power to prevent infringement, which was originally meant to provide the necessary boundaries to authorisation liability, no longer adequately performs that function because it has been repeatedly enlarged and extended in efforts to catch perceived 'bad actors'.<sup>1048</sup> In this thesis, I have offered a new way of understanding authorisation liability in Australia that is shaped and bounded by principles of responsibility and causation in tort law. I have asserted that my tort law framework can map against the statutory factors as they exist in sections 36(1A) and 101(1A) without the need to repeal or amend those provisions. The state of the law might be clarified if those provisions were repealed or amended, but this is not a necessary step to make my framework workable.

In Chapter Five, I stated that paragraph (a) of those subsections (the power to prevent infringement) provides the basis of a nonfeasance intermediary's duty to act where the intermediary has real and actual control over the actions of its users. Paragraph (b) (the intermediary's relationship with the primary infringers) is relevant both to duty – in so far as the intermediary's relationship with primary infringers is one of control – and to breach. Paragraph (c) (reasonable steps taken to prevent or avoid infringement) primarily determines whether the duty has been breached. A similar reading applies to misfeasance intermediaries, as discussed in Chapter Four, with one small variation. A misfeasance intermediary's duty to act is based on its causal role in bringing about infringement, not its control over users. Misfeasance

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<sup>1048</sup> See Chapter One part 3.2.

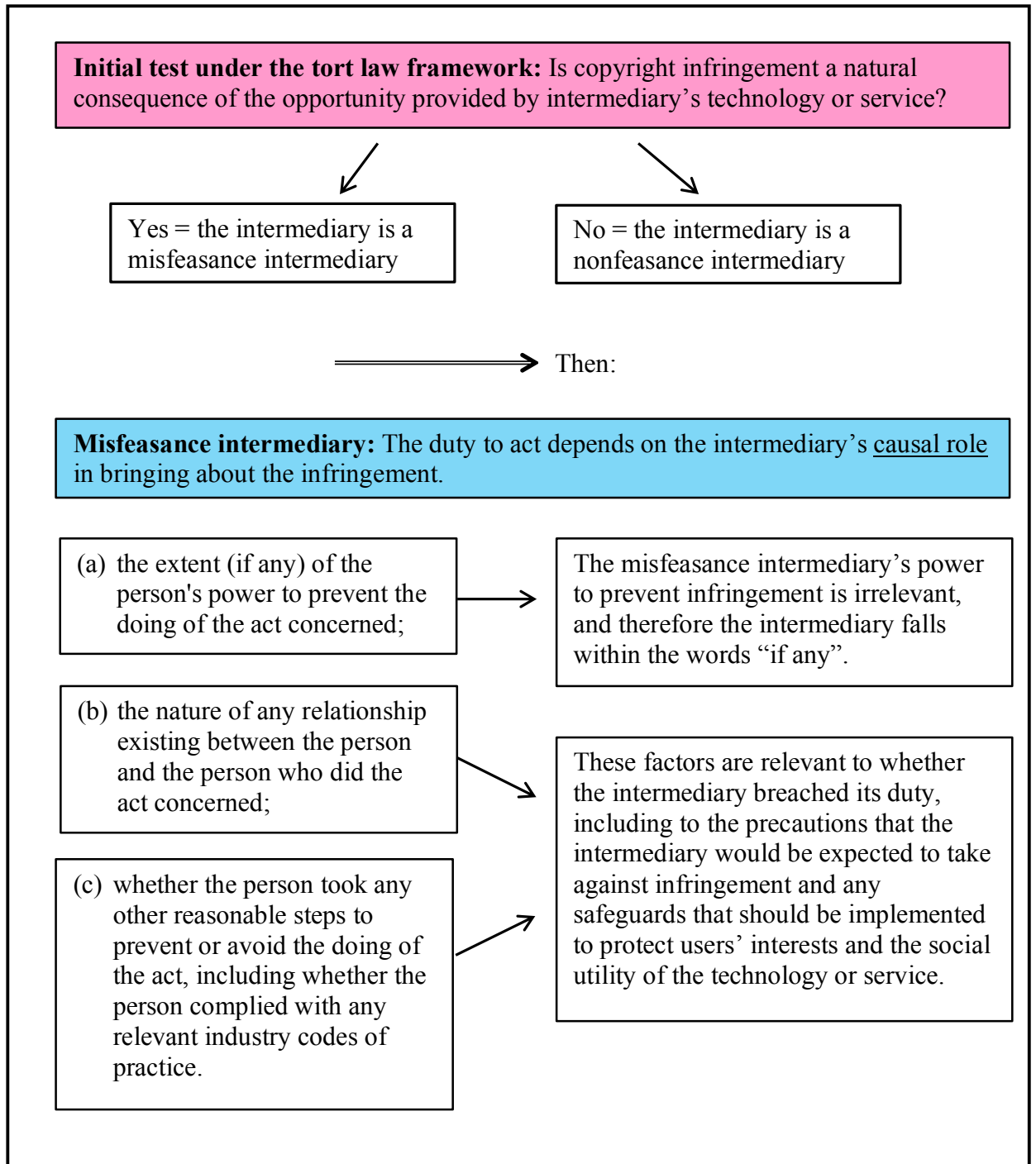
intermediaries would therefore fall within the words “if any” of paragraph (a),<sup>1049</sup> but paragraphs (b) and (c) would still apply to the breach analysis. Finally, in Chapter Six, I argued that even where nonfeasance intermediaries lack control, they may still be liable if they adopt industry codes of practice in circumstances that induce a copyright owner’s reliance on their continued adherence to the codes. In this situation, nonfeasance intermediaries are in a similar position to misfeasance intermediaries under the legislation – they fall within the words “if any” in paragraph (a). Paragraphs (b) and (c) may be relevant both to the existence of the duty to comply with the code and the intermediary’s potential breach of that duty. The relationship between the legislative factors in sections 36(1A) and 101(1A) and the tort law framework (for both misfeasance and nonfeasance intermediaries) is represented in *Figure 7*.

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<sup>1049</sup> The exact language of paragraph (a) is: “the extent (if any) of the person’s power to prevent the doing of the act concerned”.



**Figure 7 – The copyright factors in sections 36(1A) and 101(1A) and the tort law framework**



**Nonfeasance intermediary:** A duty to act may arise because of the intermediary's real and actual control over the actions of its users, or because it has adopted an industry code of practice and the doctrine of specific reliance applies.

(a) the extent (if any) of the person's power to prevent the doing of the act concerned;

This factor provides the source of the duty to act where the duty is based on control. Where the duty is based on reliance, then the intermediary falls within the words "if any".

(b) the nature of any relationship existing between the person and the person who did the act concerned;

The second factor will be relevant to whether or not a duty based on control exists and, if there is a duty, to whether or not the duty has been breached.

(c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

Where the duty to act is based on control, this factor will be relevant to breach. Where the duty is based on reliance, this factor will be relevant to both duty and breach.

Applied in this way, the tort law framework is consistent with the factors set out in the *Copyright Act*. The fit is not perfect, but it is workable. There is, however, an alternative way to make sense of the statutory factors, one which provides important constraints on the scope of authorisation liability and helps us to better conceptualise the role of sections 36(1A) and 101(1A).

The statutory factors are only one step in determining authorisation liability. Sections 36(1A) and 101(1A) do not create the tort of authorisation. The tort of copyright infringement, including infringement by authorisation, is found in sections 36(1) and 101(1), which provide:

Subject to this Act, copyright ... is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright.<sup>1050</sup>

The factors in subsections (1A) are designed to assist the court in making a determination about copyright authorisation under subsection (1).<sup>1051</sup> This is essentially a two stage process – the first stage involves asking whether authorisation is relevant at all under sections 36(1) and 101(1), and the second stage requires a determination of whether authorisation has been made out under sections 36(1A) and 101(1A). Sections 36(1A) and 101(1A) are phrased in inclusive terms; the factors are matters that the courts must take into account, but the Act does not exclude other considerations.<sup>1052</sup>

It is apparent from the copyright case law that courts work through a wide range of other relevant issues, often logically prior to turning to the statutory factors. Most explicitly, courts turn first to the synonyms of authorisation, in an attempt to characterise the actions of defendants that could give rise to potential liability. In the online authorisation cases, it is clear that courts are grappling with the challenge of distinguishing the types of intermediaries that may be potentially liable from those that have no real role in infringement – in Jane Ginsburg’s terms, the “goats” from

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<sup>1050</sup> *Copyright Act 1968* (Cth), ss. 36(1) and 101(1).

<sup>1051</sup> The subsections begin: “In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in a copyright...”: *Copyright Act 1968* (Cth) ss. 36(1A) and 101(1A).

<sup>1052</sup> See, for example, Justice Tamberlin’s statement: “These factors are not exhaustive and do not prevent the Court from taking into account other factors, such as the respondent’s knowledge of the nature of the copyright infringement”: *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972 [81] (Tamberlin J).

the “sheep”.<sup>1053</sup> The various judgments in *Roadshow Films v iiNet*, especially that of Justices Gummow and Hayne, indicate that judges are seeking to find something that triggers the need to resort to the statutory factors in the first place.

My framework, as explained in Chapter Two, suggests that not every person or entity that participates in the chain of events leading up to infringement will be a relevant intermediary on which to pin authorisation liability. Before we even reach the point of determining liability under the *Copyright Act*, it is necessary to ask whether sections 36(1A) and 101(1A) should be invoked at all. Sections 39B and 112E demarcate the outer bounds of this analysis: those intermediaries that have no causal role in infringement are excluded from potential liability.<sup>1054</sup>

It may be that the most sensible way to understand the operation of sections 36(1A) and 101(1A) in relation to the tort law framework is that an intermediary must be under a duty to act first and foremost before the statutory factors even become relevant. The question of duty arises in relation to sections 36(1) and 101(1), because it is the presence or absence of a duty that dictates whether authorisation is even at issue. The intermediary’s duty may arise from its causal role in infringement (causation), its control over users’ actions (control) or its adoption of an industry code or general practice in circumstances that induces reliance (reliance), but there must be a duty there before courts proceed to the question of liability. I would argue that it was this first stage of analysis that Justices Gummow and Hayne were dealing with in *Roadshow Films v iiNet* when they referred to negligence case law.<sup>1055</sup> My argument is that making this explicit as a question of the existence of a duty is likely to help in conceptualising and working through the legal analysis required in difficult cases.

I suggest that the factors in sections 36(1A) and 101(1A) should be read as directly relevant to breach, not duty. Interpreted in this way, the extent of an intermediary’s power to prevent infringement (paragraph (a)) will be relevant to the precautions that an intermediary could practicably take to reduce the risk of

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<sup>1053</sup> Jane C. Ginsburg, 'Separating the Sony sheep from the Grokster goats: Reckoning the future of business plans of copyright-dependent technology entrepreneurs' (2008) 50 *Arizona Law Review* 577.

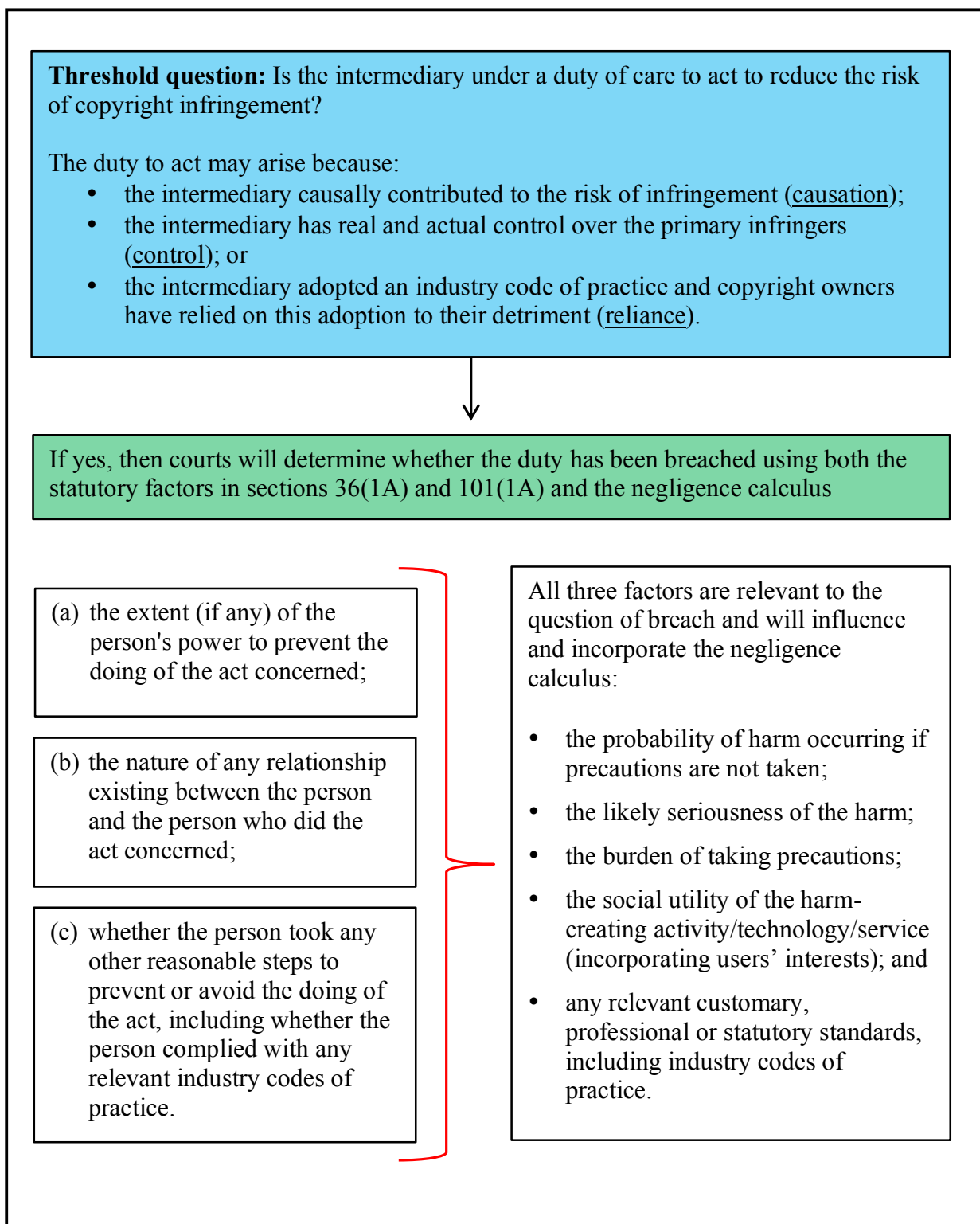
<sup>1054</sup> See footnote 329 and associated text. Section 39B provides: “A person (including a carrier or carriage service provider) who provides facilities for making, or facilitating the making of, a communication is not taken to have authorised any infringement of copyright in a work merely because another person uses the facilities so provided to do something the right to do which is included in the copyright.” Section 112E is an identical provision applying to audio-visual items. Of course, infringement actions are rarely, if ever, brought against intermediaries who clearly do not have a duty, which perhaps explains why ss 39B and 112E have had so little active role in litigation.

<sup>1055</sup> See *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012) [107]-[110], [114]-[116] (Gummow and Hayne JJ).

infringement, including the extent of the burden on the intermediary of taking precautions. As highlighted in Chapter Four, paragraphs (b) and (c) will also impact on the precautions that an intermediary might reasonably take against infringement. For example, the intermediary's relationship with primary infringers under paragraph (b), together with the social utility of the intermediary's technology or service, may render some precautions unreasonable. All three factors, when read together with a more sophisticated understanding of the copyright harm potentially caused by the intermediary's actions or inaction in the face of infringement, incorporate and influence the 'negligence calculus' for breach. The nature of the duty imposed on the intermediary will affect how the factors are interpreted in relation to a breach of that duty – the duty determines the scope of liability and constrains it. This alternative way of understanding the role of the legislative factors is represented in *Figure 8*.

Ultimately, it makes little practical difference if paragraph (a) of sections 36(1A) and 101(1A) is read to go to duty or to breach. Paragraph (a) may be the source of the duty to control for nonfeasance intermediaries (and misfeasance intermediaries may fall within the words "if any"), or the duty of care may arise before courts even get to the legislative factors. The second approach, involving the two-stage process of analysis, is neater and seems to better reflect the High Court's direction in *Roadshow Films v iiNet*, but the choice is, perhaps, inconsequential. The important thing is that a duty is determined as a starting point. It is only then that it makes sense to assess an intermediary's liability for authorising copyright infringement. Assessing liability by reference to the benchmark of the duty of care and with the assistance of the factors in the *Copyright Act 1968* gives structure and coherence to the scope of liability.

**Figure 8 – A new understanding of the section 36(1A) and 101(1A) legislative factors**



### 3. Future work

In Chapter One, I identified some limits to my work. I stated that I was focusing on Australian copyright and tort law, and that I was primarily interested in liability regimes for secondary infringement and how liability is established as a matter of first principle. There are interesting issues that arise outside these limits, however, that provide fertile ground for future research.

#### 3.1 Extending the framework

This thesis presented a causation framework for intermediary copyright liability that is deeply rooted in responsibility theory. The way we think about responsibility in the online environment, how we allocate responsibility to different actors, and how notions of responsibility and capability converge and conflate are issues that extend beyond secondary copyright infringement. There is important future work in investigating the role of responsibility in the regulation of internet intermediaries across other areas of law, including privacy, hate speech and defamation laws. There is also scope to examine how my causation framework might apply outside of Australia, including how it intersects with law and policy reflected in international multilateral and bilateral agreements and with the national laws of other jurisdictions.

Additionally, there is more work to be done on how to incorporate user interests within copyright law more generally, beyond intermediary liability. In Chapter Three, I referred to much of the scholarship on user rights that has been undertaken by U.S. academics, including Julie Cohen, Rebecca Tushnet, Jessica Litman and John Tehranian. I also highlighted the Canadian Supreme Court's holding that fair dealing is a user's right. Unfortunately, take up of this work has been slow in Australia. There have been some developments – notably, the Australian Law Reform Commission's recommendation in 2014 that Australia adopt fair use<sup>1056</sup> – but careful academic and judicial consideration of the interests of copyright users has largely been lacking. There is more research and advocacy to be done in advancing the rights of Australian copyright users in the digital economy.

Finally, there is a need to critically examine the ongoing relevance of Australia's copyright safe harbour provisions. In the *Copyright Act 1968*, the safe harbour provisions apply only to “carriage service providers”, which are largely understood

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<sup>1056</sup> Australian Law Reform Commission, *Copyright and the Digital Economy* (ALRC Report 122), 13 February 2014, <http://www.alrc.gov.au/publications/copyright-report-122>.

to be internet service providers.<sup>1057</sup> As new internet intermediaries emerge and evolve, questions arise as to the ongoing applicability and utility of our current safe harbour provisions.

### 3.2 Non-liability methods for regulating intermediaries

The governance of online intermediaries for copyright infringement is an area of law that is constantly and rapidly evolving. In the time that I have been writing this thesis, new developments have emerged thick and fast. When I began my research, the Australian Government was focused on using liability as a core motivator to compel ISPs to take positive steps against copyright infringement. The *Roadshow Films v iiNet* decision was handed down in 2012, where the High Court resolutely upheld an ISP's prerogative to "do nothing" with the constructive knowledge that subscribers were infringing copyright using BitTorrent.<sup>1058</sup> The Government's first response was to propose amending the *Copyright Act 1968* to ensure that ISPs would still face the threat of liability, even after the *iiNet* decision, for failing to take reasonable steps against online infringement.<sup>1059</sup> In the space of only three years, however, the focus of the Australian Government – and copyright owners – has shifted from substantive authorisation liability to modes of regulation that do not depend on liability as a primary motivator. In 2015 alone, there have been three major developments in this area.

First, on April 7, the Federal Court of Australia granted judgment in favour of the copyright owners of the 2012 film, *Dallas Buyers Club*, ordering preliminary discovery from six Australian ISPs of the account holder details of 4,726 IP addresses believed to be involved in infringement of the film.<sup>1060</sup> In making the order, Justice Perram imposed several conditions on the applicants. Notably, the accounts holders' details were only to be used for the purpose of recovering compensation for the alleged infringement and any letter intended to be sent to

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<sup>1057</sup> *Copyright Act 1968* (Cth), s. 10; *Telecommunications Act 1997* (Cth), s. 87. See further, Damien O'Brien and Brian Fitzgerald, 'Digital copyright law in a YouTube world' (2006) 9(6&7) *Internet Law Bulletin* 71; Matthew Rimmer, 'Robbery under arms: Copyright law and the Australia-United States Free Trade Agreement' (2006) 11(3) *First Monday* <http://firstmonday.org/ojs/index.php/fm/article/view/1316/1236>.

<sup>1058</sup> *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16 (20 April 2012).

<sup>1059</sup> Australian Government, 'Online Copyright Infringement Discussion Paper' (July 2014) <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/FINAL%20-%20Online%20copyright%20infringement%20discussion%20paper%20-%20PDF.PDF>.

<sup>1060</sup> *Dallas Buyers Club LLC v iiNet Ltd* [2015] FCA 317 (7 April 2015).



account holders would have to first be submitted to the court for approval. This latter condition was designed to prevent ‘speculative invoicing’, a practice where rightholders contact users with offers to settle alleged infringements for grossly disproportionate amounts.<sup>1061</sup> These conditions proved important; in a subsequent hearing on 14 August, Justice Perram rejected the applicants’ draft letter as unreasonable and excessive.<sup>1062</sup> The applicants had proposed asking account holders for a settlement figure that included: the purchase price of a single legitimate copy of the film; a fee for sharing the film to other BitTorrent users (a figure that would be calculated by reference to the total number of people to whom the subscriber may have transferred small parts of the film); an amount for other infringements of copyright for content that the subscriber admits to having downloaded; and an amount to cover the legal costs of identifying users associated with infringing downloads.<sup>1063</sup> Justice Perram refused to allow the applicants to send out letters with these demands. His Honour held that the applicants could ask for the costs of a single copy of the film and an appropriately proportioned fee to recover their costs in bringing proceedings, but that the claims for other amounts were entirely unreasonable.<sup>1064</sup>

Second, on April 8, a draft industry code developed by the Communications Alliance in consultation with ISPs, copyright holders and consumer representative groups was submitted to the Australian Communications and Media Authority (ACMA) for registration under the *Telecommunications Act 1997* (Cth).<sup>1065</sup> The draft code proposes a Copyright Notice Scheme that applies only to residential fixed internet account holders.<sup>1066</sup> The Scheme would allow copyright owners to send reports to ISPs identifying IP addresses alleged to have been used for copyright infringement. Receipt of these notices would trigger obligations on the part of ISPs to send to account holders firstly an ‘education notice’, which would provide a description of the allegedly infringing content and information about the alleged infringement. The notice would also contain, amongst other things, the assurance that

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<sup>1061</sup> See, for example, *Patrick Collins, Inc. v. John Doe 1*, 2012 U.S. Dist. LEXIS 71122 (E.D. N.Y., 2013).

<sup>1062</sup> *Dallas Buyers Club LLC v iiNet Limited (No 4)* [2015] FCA 838 (14 August 2015).

<sup>1063</sup> *Dallas Buyers Club LLC v iiNet Limited (No 4)* [2015] FCA 838 (14 August 2015).

<sup>1064</sup> *Ibid.*

<sup>1065</sup> Communications Alliance, ‘Copyright Notice Scheme, Industry Code C653:2015’ [http://www.commsalliance.com.au/data/assets/pdf\\_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf](http://www.commsalliance.com.au/data/assets/pdf_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf).

<sup>1066</sup> The Scheme also only applies to ISPs with 1000 account holders (whether individually or as part of a corporate group).

personal information has not been passed on to a third party, an acknowledgement that detected alleged infringement does not necessarily correlate to the account holder's activity, and general information about accessing lawful online content.<sup>1067</sup> The education notice would be followed by a 'warning notice' for subsequent infringement, and lastly a 'final notice'.<sup>1068</sup> If a final notice is received within a 12 month period, the account holder would have the option to challenge the validity of the allegations by having them independently reviewed by a panel.

If an account holder receives all three notices within a 12 month period and either fails to challenge the notices or raises an unsuccessful challenge, then the account holder's IP address can be added to a 'final notice list'.<sup>1069</sup> Copyright owners would then be able to use this list in filing a preliminary discovery application to gain access to the account holders' details to bring individual infringement actions. The court would retain discretion as to whether preliminary discovery is granted. Although the draft code has been submitted to ACMA, it has not yet been registered. ISPs and rightsholders have not been able to reach agreement about who will bear the costs of the scheme.<sup>1070</sup> This continues to be a major hurdle in bringing the Copyright Notice Scheme into effect.

Third, on June 26, the Australian Government amended the *Copyright Act 1968* to allow copyright owners to apply to the Federal Court for injunctions to require ISPs to block access to websites hosted in foreign jurisdictions.<sup>1071</sup> Copyright owners bear the burden of showing that the foreign-hosted website has the primary purpose of either directly infringing copyright or facilitating the infringement of copyright. Once granted, the injunction requires the ISP to take reasonable steps to disable access to the online location, with the Federal Court having further powers to make detailed orders in relation to the technical means to be adopted by the ISP to disable access. This legislative amendment means that Australia now has a provision similar to section 97A of the United Kingdom's *Copyright, Designs and Patents Act 1988*, which was used in 2011 by the England and Wales High Court to grant injunctive

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<sup>1067</sup> Communications Alliance, 'Copyright Notice Scheme, Industry Code C653:2015' [http://www.commsalliance.com.au/data/assets/pdf\\_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf](http://www.commsalliance.com.au/data/assets/pdf_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf).

<sup>1068</sup> The Code proposes an initial cap of 200,000 notices to be processed every 12 months.

<sup>1069</sup> Communications Alliance, 'Copyright Notice Scheme, Industry Code C653:2015' [http://www.commsalliance.com.au/data/assets/pdf\\_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf](http://www.commsalliance.com.au/data/assets/pdf_file/0005/48551/C653-Copyright-Notice-Scheme-Industry-Code-FINAL.pdf).

<sup>1070</sup> Renai LeMay, 'Internet piracy code stalls on costs', *Delimiter*, 22 July 2015, <http://delimiter.com.au/2015/07/22/internet-piracy-code-stalls-on-costs/>.

<sup>1071</sup> *Copyright Act 1968* (Cth), s. 115A, introduced by the *Copyright Amendment (Online Infringement) Act 2015* (Cth).

relief against the ISP, British Telecom, to require it to block access to the Newzbin2 BitTorrent indexer.<sup>1072</sup> Already, the pay TV operator, Foxtel, has stated that it intends to bring legal action under the new provision to require Australian ISPs to block access to The Pirate Bay.<sup>1073</sup>

These developments all indicate that copyright owners are moving away from liability-based regimes in seeking to compel ISPs to take some role in enforcing copyright online. It is likely that rightsholders will seek to extend these methods to other internet intermediaries where possible. Yet this does not mean that the threat of authorisation liability no longer matters in online governance. Indeed, the themes explored in this thesis about the allocation of responsibility and the interests of users are also extremely important to these new modes of regulation. For example, concern about the fair treatment of users underpinned Justice Perram's decision in *Dallas BuyersClub LLC v iiNet Ltd*, especially his requirement that rightsholders seek court approval before sending demand letters in order to prevent speculative invoicing. User rights will also be implicated in the proposed Copyright Notice Scheme, and whether users are seen as pirates or people is likely to influence how user challenges to notices are managed and whether courts grant preliminary discovery to rightsholders.

The new website blocking provision in the *Copyright Act 1968* raises similar issues of scope as arise with respect to the authorisation doctrine. Section 115A empowers the Federal Court to require an ISP to block access to a foreign website that 'facilitates' copyright infringement. Facilitate is not defined in the Act and so we face, again, the same questions about meaning and scope that arise in relation to the term 'authorise'. If anything, 'facilitate' is potentially far broader than 'authorise'. Unless interpretations of section 115A are also influenced by an understanding of the role and relational responsibility of the relevant foreign website in copyright infringement, there is a significant risk that this provision will be applied sweepingly, with potentially serious consequences for internet users. There is clear overlap between the issues raised by extensive authorisation liability and those generated by

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<sup>1072</sup> *Twentieth Century Fox Film Corporation v British Telecommunications Plc* [2011] EWHC 2714 (Ch) (26 October 2011). This case followed an earlier successful action against Newzbin's first incarnation, where the UK company responsible for operating the site was ordered to shut it down: *Twentieth Century Fox Film Corporation & Anor v Newzbin Ltd* [2010] EWHC 608 (Ch) (29 March 2010). Shortly afterward, the site was reincarnated as Newzbin2 – a direct copy of the original, hosted outside of jurisdictional reach in the Seychelles.

<sup>1073</sup> Chris Pash, 'Foxtel is trying to block Australians from visiting The Pirate Bay and other content piracy sites', *Business Insider Australia*, 4 August 2015, <http://www.businessinsider.com.au/foxtel-is-trying-to-block-australians-from-visiting-the-pirate-bay-and-other-content-piracy-sites-2015-8>.

far-reaching methods of regulation that are not dependent on liability. In both, it is important that we get the law and policy right. There is more research to be done on the shift to non-liability methods of intermediary regulation, including how these methods sit within responsibility theory, whether they are effective in lowering infringement rates and their overall impact on intermediaries and internet users.<sup>1074</sup>

### 3.3 Copyright harm

The last area in which there is ample space for further research is that of copyright harm. In Chapter Four, I stated that for the purposes of the negligence test (duty, breach, damage) I considered copyright infringement to amount to damage or harm. This position was necessary for my analysis, which focused on the circumstances in which we can sensibly place positive duties on intermediaries and how we might determine when those duties have been breached. However, I have reservations about the sufficiency of this position overall. It is entirely unclear whether and to what extent copyright infringement, including the online filesharing of complete music and movie files, actually harms the economic, social and creative incentives of copyright owners and authors. Studies into this question so far have been inconclusive, conflicting or compromised by vested interests.<sup>1075</sup> There is a powerful need for objective empirical research on the impacts of copyright infringement, and more critical inquiry into how we define and measure copyright harm.<sup>1076</sup>

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<sup>1074</sup> I note that important work on regulation through notice-and-notice and notice-and-takedown schemes (“graduated response”) has already been undertaken in Australia by Rebecca Giblin, Nicolas Suzor and Brian Fitzgerald, and by academics in the United States. See Rebecca Giblin, ‘Evaluating Graduated Response’ (2014) 37 *Columbia Journal of Law and the Arts* 147; Nicolas Suzor and Brian Fitzgerald, ‘The Legitimacy of Graduated Response Schemes in Copyright Law’ (2011) 34(1) *UNSW Law Journal* 1; Annemarie Bridy, ‘Graduated Response and the Turn to Private Ordering in Online Copyright Enforcement’ (2010) 89 *Oregon Law Review* 81; Annemarie Bridy, ‘Graduated Response American Style: “Six Strikes” Measured Against Five Norms’ (2012) 23 *Fordham Intellectual Property, Media and Entertainment Law Journal* 1; Peter K. Yu, ‘The Graduated Response’ (2010) 62 *Florida Law Review* 1374.

<sup>1075</sup> Stan J. Liebowitz, ‘Pitfalls in Measuring the Impact of Filesharing on the Sound Recording Market’ (2005) 51 *CESifo Economic Studies* 439; Stan J. Liebowitz, ‘Economists Examine Filesharing and Music Sales’ in Gerhard Illing and Martin Peiz (eds.) *Industrial Organisation and the Digital Economy* (MIT Press, 2006) 145; Felix Oberholzer and Koleman Strumpf, ‘The Effect of Filesharing on Record Sales: An Empirical Analysis’ (2007) 115 *Journal of Political Economy* 1; United States Government Accountability Office, ‘Intellectual Property: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods’, Report to Congressional Committees GAO-10-423, April 2010; International Federation of the Phonographic Industry, IFPI Digital Music Report 2011: Music at the touch of a button, <http://www.ifpi.org/content/library/DMR2011.pdf>.

<sup>1076</sup> Christina Bohannon is one of the few people to have considered copyright harm in detail. See: Christina Bohannon, ‘Copyright Harm, Foreseeability and Fair Use’ (2007) 85(5) *Washington*

## 4. Conclusion

Intermediary liability for copyright infringement is a rapidly changing area of law, not just in Australia but internationally. In coming years, we are likely to see continued attempts by copyright owners to extend the reach of intermediary liability, or the expectations placed on intermediaries under non-liability modes of regulation. For example, the Trans-Pacific Partnership Agreement (TPP), currently under (secret) negotiation in the Pacific Rim, looks likely to place renewed pressure on ISPs.<sup>1077</sup> Leaked copies of the Intellectual Property Chapter reveal an emphasis on “legal incentives for Internet service providers to cooperate with copyright owners to deter the unauthorized storage and transmission of copyrighted materials”.<sup>1078</sup>

Regardless of what develops, however, the central arguments of this thesis remain constant. Australia’s authorisation doctrine is already unclear and unwieldy. We cannot allow rhetoric about copyright enforcement challenges and emergencies to further erode the coherency of the law. In *Roadshow Films v iiNet*, Justices Gummow and Hayne adopted an approach to authorisation liability that drew on long-established principles in the common law of negligence. This thesis has developed and extended that approach. I have argued that tort law offers a useful framework through which to assess authorisation liability, based on causation and responsibility. This is the crux of my work: intermediary liability must be tied to responsibility. This approach is not only sensible and consistent with established principles of civil liability, but it provides room to consider the interests of internet users. The regulation of internet intermediaries ultimately targets users by limiting what users can access and do with online content. It is only fair, then, that the law should incorporate space for courts and legislatures to properly consider the ways in which this regulation impacts on ordinary people.

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*University Law Review* 969; Christina Bohannon, ‘Copyright Infringement and Harmless Speech’ (2009) 61 *Hastings Law Journal* 1083.

<sup>1077</sup> Matthew Rimmer has charted the developments with the TPP. See, for example, Matthew Rimmer, ‘New TPP leak reveals how we’re trading our sovereignty for cheap tariffs’, Crikey, 1 April 2015, <http://www.crikey.com.au/2015/04/01/new-tpp-leak-reveals-how-were-trading-our-sovereignty-for-cheap-tariffs/> and ‘The Trans-Pacific Partnership: A Halloween horror-Show’, Crikey, 17 October 2014, <http://www.crikey.com.au/2014/10/17/the-trans-pacific-partnership-a-halloween-horror-show/>.

<sup>1078</sup> Trans-Pacific Partnership Agreement, Intellectual Property Chapter, Addendum XV, Internet Service Providers, <http://keionline.org/sites/default/files/Addendum-XV-Internet-Service-Providers-TPP-11May2015.pdf>. The leaked IP Chapter is available from the Knowledge Ecology International website and is current as at 11 May 2015, <http://keionline.org/tpp/11may2015-ip-text>. The document shows that for the quoted section, Vietnam proposes language that ISPs must cooperate with authorities or copyright owners.



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## **Appendix**

### **Publications and conference presentations in which work undertaken during my candidature has appeared**

Early work on Chapter Five has been published in an article:

- Kylie Pappalardo, ‘Duty and Control in Intermediary Copyright Liability: An Australian Perspective’ 4 *IP Theory* 9. This article was republished in Brian Fitzgerald and John Gilchrist, *Copyright Perspectives: Past, Present and Prospect* (Springer, 2015), Chapter 11.

Concepts underlying Chapter Two were presented at:

- ‘The intersection between intermediary liability in copyright and principles of tort law’ at 2013 Intellectual Property Scholars Roundtable, 12 – 13 April 2013, Drake University Law School, Des Moines, Iowa
- ‘Intermediary copyright liability’ at the Digital Media Research Centre (DMRC), 5 June 2015, Queensland University of Technology, Brisbane

Concepts underlying Chapter Three were presented at:

- ‘Understanding the role of users in intermediary liability: theory rhetoric and practice’ at the Australasian Intellectual Property Academics Conference, 13 – 14 July 2012, University of Adelaide, South Australia
- ‘A user-focused approach to intermediary liability in copyright law’ at Internet Freedom and the Law in Asia Conference, 10 – 11 December 2012, Deakin University, Melbourne
- ‘Rethinking ISP Liability’ at the ARC Centre of Excellence for Creative Industries and Innovation (CCi) Symposium, 2 April 2014, Queensland University of Technology, Brisbane