

AM I AUTHORISED?
FACILITATING FILE SHARING IN THE DIGITAL AGE

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**A dissertation submitted in (partial) fulfillment of the degree of
Bachelor of Laws (with Honours) at the University of Otago.**

OCTOBER 2010

ACKNOWLEDGEMENTS

I would like to thank John Smillie for his patience, guidance and encouragement throughout the year.

Thanks to the kool korner and the rest of the office for their banter and motivation. Thanks also must go to Alex Latu, for his proof reading prowess, and my Dad for his impeccable grammar.

Thanks to Deborah and Alistair for making this year far easier than it otherwise would have been. Last but not least, thanks to Liv for putting up with me, and providing constant support.

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INTRODUCTION

Works stored in digital format can be copied perfectly with little effort or skill. These copies can be disseminated worldwide instantaneously through file sharing systems. This limits the control that rights holders can exercise over works, and has resulted in infringement of their exclusive rights on a massive scale. There are a number of potential strategies available to rights holders to prevent infringing file sharing. This dissertation will propose that a focus on those providing the means of file sharing is more likely to provide redress to rights holders when operating within the existing legal framework. Primary focus will be on the application of the concept of authorisation to these facilitators of file sharing. Within this, the application of alternative legal options will be considered, however unlike the concept of authorisation, it is contended they are unlikely to result in redress.

There is no guidance from the New Zealand courts as to how the concept of authorisation should be applied to deal with facilitators of copyright infringement.¹ Consequently, the paper will be centred on a comparative analysis of various international approaches to authorisation. The Australian, English, and Canadian approaches to authorisation, and the United States theories of contributory, vicarious and inducing copyright infringement will be considered. This will provide an understanding of the potential utility of applying these principles to digital file sharing.

Although the digital world is a modern phenomenon, any analysis of the liability of file sharing platforms must draw on previous case law and principles developed in relation to physical works. The application of this pre-digital law to contemporary situations is often problematic.

Part one will outline the digital context for this dissertation, and assess the various strategies rights holders have to protect their copyright. In part two, a comparative analysis will be undertaken, to assess the utility of authorisation in relation to facilitators of digital file sharing. Part three will evaluate which, if any, of the various international approaches to authorisation will provide rights holders with legal recourse against those facilitating infringing file sharing and prevent copyright infringement.

¹ *Heinz Watties Ltd v Spantech Pty Ltd* (2005) 11 TCLR 591, at [36].

PART ONE: THE DIGITAL CONTEXT

This chapter will describe the process of internet file sharing, assess its impact on owners of copyright, and discuss the avenues of recourse rights holders have against the various participants in the file sharing process.

Copyright owners have the right to prevent others from performing certain specified acts in relation to a particular work.² As technology has developed, copyright has struggled to protect new forms of expression and dissemination. The invention of pianola rolls, perforated sheets which can be fed into specially designed pianos, created turmoil in contemporary copyright law, which had not been designed with this new technology in mind.³ Nowhere has the challenge to the status quo and the difficulty in adapting existing legal principles been more evident than in the problems surrounding internet file sharing. The digital age and the internet have “fundamentally changed the rules of engagement.”⁴

I. INTERNET FILE SHARING

The potential positive implications of storage and dissemination of works in digital form are obvious.⁵ Copyright owners can now access worldwide markets at low cost and exceptionally quickly. However, the potential negative implications are also clear. Once a work is in digital format the copyright owner no longer has control of the work, and hence their ability to extract a profit is reduced. A work can be distributed without their consent. Owners of copyright in a work now face difficulty in enforcing their exclusive rights of copying⁶ and communicating the work to the public.⁷

People have been sharing files between computers using peer-to-peer technology since the late 1960s.⁸ This was what the internet was originally designed for – to allow universities to exchange information.⁹ Starting from a base of four nodes

² Copyright Act 1994, s16.

³ James Vale “Piracy, pianolas and the internet” (ANZCA09 Communication, Creativity and Global Citizenship:, Brisbane, 2009), at 1232.

⁴ Stuart Helmer and Isabel Davies “File-sharing and downloading: goldmine or minefield?” (2009) 4 JIPLP 51, at 51.

⁵ Matthew Helton “Secondary Liability for Copyright Infringement: BitTorrent as a Vehicle for Establishing a New Copyright Definition for Staple Articles of Commerce” (2006) 40 Colum.J.L.& Soc.Probs. 1, at 42.

⁶ Copyright Act 1994, 16(a).

⁷ Ibid, s16(f).

⁸ Stephen M. Collins “Copyright Infringement via BitTorrent Websites; Who's to Blame?” (2009) Available at http://works.bepress.com/stephen_collins/1 at 1.

⁹ Wendy Boswell “History of the Internet” About.com Guide
<<http://websearch.about.com/od/whatistheinternet/a/historyinternet.htm>>.

(communications points), the internet went global in 1973 when universities in the United Kingdom were added to the network.¹⁰ With the development of standardised communication protocols,¹¹ the world wide web, graphical browsers, and commercial provision of internet services, the internet has shown dramatic growth in the last two decades.¹² Currently, it is estimated that there are 2 billion internet users.¹³

There are many methods of sharing files over the internet. The antecedents of modern peer-to-peer file sharing systems were developed by corporations in the early 1990s for legal uses.¹⁴ Contemporary examples of these peer-to-peer systems include Napster, Gnutella, eDonkey and Kazaa. They operate through a client server model – one user is connected to another user from whom they download the requested data. The differences between these models lie in how they connect the users; whether this is through a centralised index¹⁵ or a decentralised system based on flooding nodes with data requests.¹⁶ However, other methods of sharing files now account for a larger proportion of internet traffic. BitTorrent, an extremely decentralised system, is said to account for between 45% and 78% of peer to peer traffic depending on geographical location.¹⁷ Mass web storage is increasingly being used.¹⁸ This involves users uploading data to a centralised server which can then only be accessed by other users with the web address of the particular file.¹⁹ The Usenet system is a mass bulletin board system which predates the internet itself.²⁰ Users upload text messages which can be viewed by others. Originally designed for text only, it now caters for binary content and is used to share material subject to copyright. It is more difficult to use than other file sharing systems however, and only accounts for a small proportion of internet file sharing traffic.²¹

¹⁰ Ibid.

¹¹ Primarily TCP/IP: Transmission Control Protocol and Internet Protocol .

¹² Matt Moody “A Brief(ish) History of p2p” (2002) Interactive Media Lab
<<http://iml.jou.ufl.edu/projects/Fall02/Moody/history.html>>.

¹³ “Internet Usage Statistics” (2010) Internet World Stats
<<http://www.internetworldstats.com/stats.htm>>.

¹⁴ Matt Moody “A Brief(ish) History of p2p” (2002) Interactive Media Lab
<<http://iml.jou.ufl.edu/projects/Fall02/Moody/history.html>>.

¹⁵ For example, the Napster model.

¹⁶ For example, Kazaa or Gnutella.

¹⁷ Hendrik Schulze and Klaus Mochalski “Internet Study 2008/2009” (Ipoque, 2009) at 1.

¹⁸ Bryan H. Choi “The Grokster Dead-End” (2006) 19 Harvard Journal of Law & Technology 393, at 400.

¹⁹ Ibid, at 401.

²⁰ Gaetano Dimita “Newzbin held liable for copyright infringement” (2010) 6 JBL 532, at 533.

²¹ Hendrik Schulze and Klaus Mochalski “Internet Study 2008/2009” (Ipoque, 2009) at 13.

While these systems will be discussed in depth when required,²² comprehensive analysis of every system is outside the scope of this dissertation.

II. EFFECT ON CREATIVE INDUSTRIES

The actual effect of file sharing on industry is difficult to assess. Primarily, owners of copyright are said to lose out because consumers who would have paid for the copyright work can now obtain it for free. However, positive effects on industry are also present. First, the fact that a work is able to be shared between a number of users may increase willingness to pay.²³ Also, artists can use file sharing for promotional purposes. A prominent example of this is the Arctic Monkeys, who rode to fame on the back of their songs being available on file sharing networks.²⁴ Currently, an artist called PAZ is having an album bundled with every uTorrent (a Bit Torrent Client) download in a bid to gain recognition.²⁵ Moreover, often people will download things they would not have purchased.²⁶ This may then allow them to sample music they will then buy.²⁷ Thus, there are both positive and negative implications for those industries who have their works shared over the internet.

Empirical studies as to the economic cost of file sharing on affected industries are open to dispute. Results from major studies are mixed, with some reporting a positive effect from file sharing on sales, others showing little or no impact, and a majority showing reduced sales.²⁸ The International Federation of the Phonographic Industry estimate that music piracy will have cumulatively cost the industry £1.1 billion by 2012.²⁹ The usual problems associated with any empirical research apply, including: sample choice, the accuracy of piracy data, and potential bias in data collection, collation, and presentation.³⁰ Moreover, consumption of these products is changing as technology develops, which invariably affects results. For example, the massive

²² For decentralised peer-to-peer systems like Kazaa, see below at 20-21; for the BitTorrent system see below at 25-26; and for the Usenet system see below at 30.

²³ Felix Oberholzer-Gee and Koleman Strumpf "File-Sharing and Copyright" (2009) at 15 <<http://www.hbs.edu/research/pdf/09-132.pdf>>.

²⁴ Bob Clark "Illegal downloads: sharing out online liability: sharing files, sharing risks" (2007) 2 JIPLP 402, at 402.

²⁵ <<http://www.utorrent.com/>>.

²⁶ Felix Oberholzer-Gee and Koleman Strumpf "File-Sharing and Copyright" (2009) at 3 <<http://www.hbs.edu/research/pdf/09-132.pdf>>.

²⁷ This was argued in *A&M Records, Inc v Napster, Inc* 239 F 3d 1004 (9th Cir 2001), however little weight was attached to it by the court.

²⁸ Felix Oberholzer-Gee and Koleman Strumpf "File-Sharing and Copyright" (2009) at 16 <<http://www.hbs.edu/research/pdf/09-132.pdf>>.

²⁹ "IFPI Digital Music Report" (2010) at 22 <<http://www.ifpi.org/content/library/dmr2009.pdf>>.

³⁰ Felix Oberholzer-Gee and Koleman Strumpf "File-Sharing and Copyright" (2009) at 17 <<http://www.hbs.edu/research/pdf/09-132.pdf>>.

decline in compact-disc sales can be explained partially by the rise of digital media.³¹ However, it cannot be contested that music, films, and computer programs subject to copyright are being downloaded and uploaded on a global scale. This constitutes a breach of the existing rights of copyright owners.

III. STRATEGIES FOR RIGHTS HOLDERS

Rights holders have a number of potential strategies to protect their exclusive rights. This section will briefly examine avenues of recourse against individual users, internet service providers (ISPs), and the providers of services that enable file sharing. It should be noted that the lines between these groups are often blurred, and should not be taken as concrete divisions. Rather, they serve to illustrate the various legal options a rights holder possesses.

Users who upload and download material subject to copyright will breach a number of the exclusive rights granted to copyright owners. These include the right to “communicate”, which is defined as “to transmit or make available by means of a communication technology, including by means of a telecommunications system or electronic retrieval system”.³² Uploaders will be strictly liable for breaching this new broad communication right.³³ Uploaders and downloaders will also be strictly liable for copying the work under s16(1)(a).³⁴ As any internet transfer necessarily involves copying, the actions of uploaders and downloaders will come within the broad definition of copying now provided in the Act.³⁵ Knowledge that the communicated work will result in an infringing copy will make the uploader liable as a secondary infringer under s37(2).³⁶

Although there have been no suits against uploaders and downloaders in New Zealand, it can be assumed that if one were brought liability would likely be established. However, damages are in general limited to compensation for the plaintiff.³⁷ That is, unless exemplary damages applied for a flagrant breach of rights, the plaintiff would have to prove loss resulting from the breach.³⁸ The net result of

³¹ Ibid, at 16.

³² Copyright Act 1994, s2 “communicate”.

³³ Ibid, s16(1)(f), as substituted by Copyright (New Technologies) Amendment Act, s12.

³⁴ Ibid, s16(1)(a).

³⁵ Ibid, s2 “copying” para (a) as substituted by Copyright (New Technologies) Amendment Act, s2(3).

³⁶ Ibid, s37(2).

³⁷ John G Fleming *The Law of Torts* (9th ed, LBC Information Services, Sydney, 1998), at 257.

³⁸ The Court can award additional damages under s122(2) of the Copyright Act 1994 for flagrant infringement or benefit accruing to the defendant from the infringement.

this is that suits against individuals are not going to result in large awards of damages. It is also difficult for copyright owners to get the necessary details of file sharers for legal proceedings as ISPs have no incentive to divulge such information. When minimal returns are coupled with the time consuming and expensive nature of judicial proceedings, strategies against individual uploaders and downloaders are unlikely to be effective at stemming the file sharing torrent threatening rights holders' interests.

Direct legal action against ISPs offers an alternative strategy. Importantly, they are normally large and stable organisations with the financial ability to pay substantial awards of damages. ISPs offer a number of services to internet users including hosting websites, transmitting and receiving data for users, linking users to other users, and caching data. These functions could potentially attract liability as a primary infringer for copying and communicating works to the public.³⁹ They could also result in liability as a secondary infringer for communicating a work knowing or having reason to believe that infringing copies will be made by means of the reception of the communication under s37(2).⁴⁰ No action against ISPs has yet been brought in New Zealand.

Potential legal recourse against ISPs by rights holders is likely to be prevented by the 'safe harbour' regime, established by the Copyright (New Technologies) Amendment Act in 2008.⁴¹ This limits the potential legal liability of ISPs who comply with the obligations set out in the regime.⁴² However, injunctive relief is still (puzzlingly) available against those found to have infringed copyright.⁴³ The courts have not yet considered the safe harbour regime, leaving some uncertainty as to how the legislation will work in practice.

The 'safe harbour' limiting of liability covers all the services performed by an ISP. Section 92B provides that an ISP will not be liable for merely providing services to infringing users 'without more.'⁴⁴ The scope of this safe harbour will be discussed further in part three.⁴⁵ Under s92C, ISPs which store infringing material provided by users will not be liable unless they know or have reason to believe that the material

³⁹ Ibid, s16(1)(a) and (f).

⁴⁰ Ibid, s37(2).

⁴¹ This is in accordance with the international trend, for example see the United States: 17 USC § 1201-1205.

⁴² Copyright Act 1994, s92B, C, and E.

⁴³ This is troublesome, as the safe harbours state that copyright is not infringed by one who complies with the obligations set out. The basis for any injunctive relief is therefore uncertain.

⁴⁴ Copyright Act 1994, s92B.

⁴⁵ See at 41-42.

infringes copyright and then fail to move promptly to block access.⁴⁶ Finally, under s92E an ISP will not be liable for caching material as long as it does not modify the material, updates the material accordingly, complies with conditions of access, does not interfere with hit technology and removes the material as soon as it becomes aware that the material has been deleted, access has been blocked, or a court has ordered deletion.⁴⁷ Despite some uncertainty as to how the legislation will be interpreted, it seems likely to prevent rights holders from seeking legal recourse against ISPs. Therefore, strategies focusing on ISPs are unlikely to provide rights holders with a legal remedy against infringing file sharing

The final potential strategy for copyright holders is to target those providing the means by which infringing file sharing takes place. For ease of reference, this group will be referred to as ‘facilitators’ throughout this dissertation. These facilitators are the individuals and corporations who manufacture, distribute, and ultimately profit from the systems that enable infringement, for example those responsible for the Kazaa or uTorrent software. The primary facilitators under consideration are traditional peer-to-peer file sharing, the constituent parts of the BitTorrent system, and the Usenet system. Mass storage websites will not be considered. The role these facilitators play in the file sharing process is integral, yet the extent of their liability is uncertain.

IV. RIGHTS HOLDER REMEDIES AGAINST FACILITATORS

File sharing takes place over a diverse range of platforms; and within each of these platforms there are differences between software developers. Consequently the potential avenues of recourse against facilitators in general will be assessed, referring when necessary to the distinguishing characteristics of an individual platform.

All modern file sharing platforms operate at arms length from the actual file sharing. That is, they are not involved in the day to day operation of the system. Therefore, it is unlikely facilitators will face strict liability as a primary infringer under the Copyright Act 1994.⁴⁸

Copying is a restricted act under s16(1)(a).⁴⁹ Under s2, it means “ in relation to any description of work, reproducing, recording, or storing the work in any material form

⁴⁶ Copyright Act 1994, s92C.

⁴⁷ Ibid, s92E.

⁴⁸ Ibid, s16(1)(a-h). All references to “the Copyright Act” in the main text are to this legislation.

⁴⁹ Ibid, s16(1)(a).

(including any digital format), in any medium and by any means.”⁵⁰ This restricted act is unlikely to be infringed by those facilitating copyright infringement. This is because facilitators as a group take part in no copying. BitTorrent clients arguably store copyright material, as they search out other peers with portions of the requested work and download them.⁵¹ However, those supplying the client have no part in this process. Similarly, Newzbin acts as an index to messages which already exist on the Usenet system. Therefore, facilitators will not be liable for copying protected works.

A broad, technology neutral communication right was introduced in the 2008 amendments to the Copyright Act,⁵² which resulted in the restricted act of communicating work to the public.⁵³ Communicate is defined to mean “to transmit or make available by means of a communication technology, including by means of a telecommunications system or electronic retrieval system”.⁵⁴ Providers of the software for peer-to-peer systems such as Kazaa will be unlikely to be found liable for infringing this communication right. Although the manufacturers and distributors of these programs do facilitate the making available of infringing files, they do not themselves make any copyright work available. Primary infringement requires a positive act in relation to the infringing copyright material. In *Universal Music Australia v Sharman*,⁵⁵ Wilcox J would not even entertain as an issue that the operator of the Kazaa system had “communicated” protected works.⁵⁶

This right is also unlikely to be infringed by facilitators which only provide a link to the protected material. The focus here is on BitTorrent indices and trackers, and systems such as Newzbin which simplify navigation of the Usenet system. In *Universal Music Australia Pty v Cooper*,⁵⁷ Tamberlin J considered a website which provided links to infringing files stored on other websites. The Judge held the defendant not liable for communicating the work to the public in breach of the similar Australian communication right.⁵⁸ The sites hosting the material were held to have communicated the infringing files. If this approach was adopted by the New Zealand courts, it is likely that “linking facilitators” would not be strictly liable for communicating the work to the public.

⁵⁰ Ibid, s2 para (a) “copying”.

⁵¹ Saikat Basu “The Big Book of BitTorrent” at 6.

<<http://downloads.makeuseof.com.s3.amazonaws.com/The-Big-Book-of-BitTorrent.pdf>>

⁵² Copyright (New Technologies) Amendment Act 2008, s4 and s12.

⁵³ Copyright Act 1994, s16(1)(f).

⁵⁴ Ibid, s2.

⁵⁵ *Universal Music Australia Pty Ltd v Sharman Licensing Holdings Ltd* [2005] FCA 1242, (2005) 65 IPR 289.

⁵⁶ Ibid at 293.

⁵⁷ *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972, (2005) 65 IPR 409.

⁵⁸ Ibid at 424.

In *Twentieth Century Fox Film Corp v Newzbin*,⁵⁹ Kitchin J took a different approach in ruling that *Newzbin* had infringed the plaintiffs' communication right.⁶⁰ The defendant had provided an index of the Usenet system. This enabled films to be identified and downloaded, whilst avoiding the time consuming and difficult task of locating the thousands of messages on the Usenet system which make up a particular file.⁶¹ The defendant facilitators were held to have intervened in a highly material way to make the films available.⁶² Based on this, Kitchin J had "no doubt that the defendant's premium members consider that Newzbin is making available to them the films in the Newzbin index."⁶³

This is a wide formulation of the restricted act of communicating copyrighted works to the public. It is clear from *Sharman* and *Cooper* that collating and providing links to infringing material is not sufficient to constitute a breach of the communication right. This, however is exactly what the (liable) defendants in *Newzbin* had done. Moreover, his Honour focuses on the perception of the service by its users. This is not what is required for a breach of the communication right. Rather the focus is on whether the defendant made the infringing material available. It is contended that this judgment is an overly wide reading of the restricted act of communicating to the public, and is not one which is likely to be followed by the New Zealand courts. It is therefore unlikely facilitators will be held liable as primary infringers in New Zealand, unless they are doing more than providing file sharing software or links to infringing content stored elsewhere.

The Copyright Act also makes express provision for secondary liability. However, ss36-37(1) relate to physical works, and ss38-39 relate to performances of the copyrighted work.⁶⁴ Consequently, these sections simply have no application to works in digital form.

The Copyright (Digital Technologies) Amendment Act 2008 introduced a new s37(2).⁶⁵ This resulted in an extension of secondary liability. Under the new s37(2), copyright is infringed if a person, "communicates a work to 1 or more persons, knowing or having reason to believe that infringing copies will be made by means of

⁵⁹ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43.

⁶⁰ *Ibid*, at [125].

⁶¹ *Ibid*, at [125].

⁶² *Ibid*, at [125].

⁶³ *Ibid*, at [125].

⁶⁴ Jens U Nebel "MED's Position on Digital Technology and the Copyright Act: Legislation Without a Solution" (2006) 36 VUWLR 45 at 50; see Copyright Act 1994, ss36, 37, 38, 39.

⁶⁵ Copyright (New Technologies) Amendment Act 2008, s20.

the reception of the communication in New Zealand or elsewhere.”⁶⁶ Based on the preceding analysis of the communication right it is unlikely facilitators of copyright infringement will be found in breach of s37(2). Thus, the provisions of secondary liability under the Copyright Act will not assist rights holders against facilitators.

Copyright infringement is a tort. If primary infringement can be shown, facilitators may be liable under traditional heads of common law secondary liability.

In *CBS Songs v Amstrad*,⁶⁷ Lord Templeman said that “joint infringers are two or more persons who act in concert with one another pursuant to a common design in the infringement.”⁶⁸ It was held that supplying and advertising a machine capable of ‘dubbing’ tapes was not sufficient to establish a common design to infringe the plaintiff’s copyright. The tape machine was capable of both lawful and unlawful uses, and the operator decided the purpose to which the machine was put.⁶⁹ Something more than mere provision of a device or service is therefore required for facilitators to be liable for joint tortfeasance.

In *Newzbin*, Kitchin J found that the defendants had engaged in a common design with their members to infringe copyright in films, and were liable for joint tortfeasance. They had provided a service with both lawful and unlawful uses, and the users of the service decided how it was operated. This is the same position as the defendants in *Amstrad*. However, Kitchin J held the position of the defendants went beyond those of the defendants in *Amstrad*. A number of factors were important in this analysis. They had knowledge of infringement, operated a system designed to promote infringement, control over the system, encouraged creation of easily downloadable files, gave advice about downloading, profited from the infringing use and kept no records as to users’ downloading.⁷⁰ The defendants had so involved themselves in the tort as to make the tort their own, and were therefore liable as joint tortfeasors.⁷¹

Based on the *Newzbin* understanding of joint tortfeasance, a facilitator such as the distributor of the Kazaa system could be liable for flagrant actions calculated to lead to copyright infringement. However, this approach is again wider than that taken by the courts in *Amstrad*. It is also wider than the understanding of joint tortfeasance

⁶⁶ Copyright Act 1994, s37(2).

⁶⁷ *CBS Songs Ltd and Others v Amstrad Consumer Electronics and Another* [1988] AC 1013.

⁶⁸ *Ibid*, at 1056, using the formulation of Scrutton LJ in *The Koursk* [1924] 140.

⁶⁹ *Ibid* at 1055.

⁷⁰ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43, at [111].

⁷¹ *Ibid* at [108].

taken by the Australian courts. Tamberlin J in *Cooper* refused to hold that the operator of the Kazaa system was liable as a joint tortfeasor with users of the system.⁷² A common design to participate in the tort is required; two people merely contributing to a tort is insufficient for liability.⁷³ It is contended that, given the prevailing trend of authority, a wider interpretation of joint tortfeasance is unlikely to be taken by the New Zealand courts. Consequently, without some evidence of concerted action, facilitators are unlikely to face liability for joint tortfeasance.

A facilitator may also be liable for procuring the commission of a tort, an alternative common law head of secondary liability considered in *Amstrad*. A tort can be procured by indictment, incitement, or persuasion.⁷⁴ However:⁷⁵

Generally speaking, inducement, incitement, or persuasion to infringe must be by a defendant to an individual infringer and must identifiably procure a particular infringement in order to make the defendant liable as a joint infringer.

The defendants were held not to have procured the commission of a tort by selling a machine capable of both lawful and unlawful use or by advertising the functions of the machine. The purchaser made unlawful copies because they chose to do so. There is a difference between facilitating an act and procuring it.⁷⁶ Thus facilitators who merely provide a service or product which can be used for both lawful and unlawful purposes will not be liable unless they have procured the resulting infringement.

In *Newzbin*, Kitchin J took a wider approach to procuring the commission of a tort. For the same reasons underpinning the finding that they had participated in a common design, the defendants were held to have procured the commission of the infringement.⁷⁷ His Honour stated that *Amstrad* did not preclude a finding of liability in situations where the defendant could not be found to have procured any specific act of infringement.⁷⁸ Essentially, Kitchin J is extending this secondary head of liability beyond the *Amstrad* position. There is very little discussion as to why the defendants in *Newzbin* had procured the commission of the tort, with the only act of inducement, incitement, or persuasion referred to being the provision of a service structured to

⁷² *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972, (2005) 65 IPR 409, at [137].

⁷³ *Ibid*, at [137].

⁷⁴ *CBS Songs Ltd and Others v Amstrad Consumer Electronics and Another* [1988] AC 1013, at 1058.

⁷⁵ *Ibid*, at 1058.

⁷⁶ *Ibid*, at 1058.

⁷⁷ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43 at [111].

⁷⁸ *Ibid* at [110].

promote infringement through its operation.⁷⁹ It is contended that this finding is open to question, and that a different result could have been found. This approach unnecessarily expands the concept of procurement, especially as the rights holders already had a remedy in the finding of authorisation of infringing acts by the defendants.⁸⁰

Thus, common law heads of secondary liability, unless expanded as in *Newzbin*, will not provide viable legal remedies for rights holders against those facilitating infringement of copyright.

The various legal remedies discussed are unlikely to result in liability for those facilitating infringing file sharing. However, it is contended that the malleable concept of authorisation may be applicable.

⁷⁹ Ibid, at [111].

⁸⁰ Ibid, at [102].

PART TWO: AUTHORISATION

Authorisation is an alternative legal strategy for rights holders. It is based on statute. In New Zealand, Section 16(1)(i) provides that it is a restricted act to authorise another person to do any of the restricted acts in s16(1).⁸¹ A finding of express authorisation of an act that is found to infringe copyright can attract strict liability under s16(1)(i). However, authorisation may also be inferred where a person provides facilities knowing that they are likely to be used to infringe copyright. Authorisation is therefore a head of primary liability, but may also be found in situations normally associated with secondary liability. Thus, a facilitator who authorises an unlicensed third party to do a restricted act will be strictly liable for copyright infringement.

The scope of liability for authorisation of user infringement is currently uncertain. The term ‘authorise’ is not further defined in the Copyright Act, and the definition of ‘authorised’ in s2 does not apply.⁸² The New Zealand Court of Appeal has declined to choose between two opposed views of the concept of authorisation.⁸³ The question is, therefore, how should New Zealand view authorisation of infringing acts in the context of internet file sharing?

I. HISTORICAL CONTEXT

It is important to place authorisation within its historical context. Authorisation was first introduced into copyright legislation in the English Act of 1911, and was consequently adopted into New Zealand in the Copyright Act 1913. Prior to 1911, the closest analogy to authorisation was the term ‘causes to.’ For example, in the Dramatic Literary Property Act 1833, the author of a dramatic piece had the exclusive right of “representing or causing to be represented” the work at any place of dramatic entertainment.⁸⁴ This phrase had been interpreted narrowly by the courts, and limited to relationships of agency or employment.⁸⁵ In *Russell v Briant*⁸⁶ the defendant was

⁸¹ Copyright Act 1994, s16(1)(i).

⁸² This is because to qualify as an infringing act under s29, a restricted act must be done without license. ‘Authorised’ as defined in s2 is something done with license of the copyright owner. If this definition applied then s16(1)(i) would have no effect, as the restricted act would be done with license, therefore not meeting the requirements of s29.

⁸³ *Heinz Watties Ltd v Spantech Pty Ltd* (2005) 11 TCLR 591, at [36].

⁸⁴ Dramatic Literary Property Act 1833 (UK) 3 & 4 Vic c 45, s1. To similar effect see the Sculpture Copyright Act 1814 (UK) 54 Geo III c 56, s1.

⁸⁵ *Falcon v Famous Players Film Co* [1926] 2 KB 474 (CA) at 491.

⁸⁶ *Russell v Briant* (1894) 8 CB 836, 137 ER 737.

the landlord of a tavern, which had been hired by a person for musical performances. The defendant had notice of the infringing acts of the musician, had furnished the room for the performances, and had sold a ticket to the performance himself.⁸⁷ He was held not to have caused the musical compositions of the plaintiff to be represented.⁸⁸ Wilde CJ stated:⁸⁹

...we think, - having regard to the object of the act, and the language of the 2nd section, - that no one can be considered as an offender against the provisions of it, so as to subject himself to an action of this nature, unless, by himself, or his agent, he actually takes part in the representation which is a violation of copyright. And, if it be held, that all those who supply some of the means of representation to him who actually represents, are to be regarded as thereby constituting him their agent, and thus causing the representation, within the meaning of the act, such a doctrine would, we think, embrace a class of persons not at all intended by the legislature.

Similarly, in *Karno v Pathe Freres*,⁹⁰ the defendant was held not to have caused a film version of the plaintiff's play to be represented, even though he had hired out and sold a film based on the play. To be liable under that head the defendant or his agents would have had to have taken part in the representation.⁹¹ The passage from *Briant* was noted by the Court. Jelf J then stated:⁹²

It might, indeed, be plausibly argued that the defendants who make and sell the infringing instrument without which the infringement could not take place, and do so with the knowledge and intention that it will and shall be used for that purpose do take an important part in the infringement itself, but I think on the whole the inference would be too remote and too far-reaching in its consequences to be accepted.

The courts are in these two decisions limiting secondary liability for 'causing to be represented' to situations of vicarious liability. A defendant must take part in the infringing act, or be a principal to someone who does before liability will be found. Any other result would be too remote an inference. These decisions appear to be grounded in agency principles, with the Courts reluctant to extend the concept of a principal to encompass someone supplying the means by which the infringement takes place. Another possible reason for this limitation is that vicarious liability was still developing at the time this legislation was enacted: the case in *R v Walker*, which provides the roots of the control test for vicarious liability, did not take place until

⁸⁷ Ibid, at 742.

⁸⁸ Ibid, at 742.

⁸⁹ Ibid, at 742.

⁹⁰ *Karno v Pathe Freres* (1909) 100 LT 260.

⁹¹ Ibid, at 119.

⁹² Ibid, at 119.

1858.⁹³ Thus, the secondary head of ‘causes to’ may have been viewed as statutory provision for vicarious liability.

Accordingly, under this statutory wording copyright owners had no recourse against those providing the means by which infringement took place, unless orthodox agency principles were applicable. The concept of authorisation was introduced to get rid of the limitations of these decisions, and extend the protection afforded to rights holders.⁹⁴

The 1911 Copyright Act (UK),⁹⁵ in which authorisation was first introduced, replaced a number of subject specific statutes, and gave a modern, simplified version of copyright.⁹⁶ It prescribed a number of restricted acts in relation to a work which were reserved to the owner of the copyright and provided that the sole right of authorising any of these acts was also reserved to the owner.⁹⁷ The addition of ‘authorise’ to the definition of exclusive rights was regarded by a prominent commentator as superfluous, because if “a person has the sole right to do certain acts, no other person can have the right to authorise such acts.”⁹⁸ The effect of replacing ‘causes to’ with ‘authorisation’ was uncertain. Initial judicial approaches to the change were mixed.

In *Performing Rights Society v Ciry Theatrical Syndicate*,⁹⁹ Scrutton LJ agreed that the introduction of authorisation added nothing to the exclusive rights reserved to the copyright owner. The defendant was the manager of a company staging a play. This company had engaged a band which played music infringing the copyright of the plaintiffs. The court applied *Lyon v Knowles*¹⁰⁰ and *Monaghan v Taylor*,¹⁰¹ cases which considered the previous statutory wording of ‘causes to’. Bankes LJ stated held that as the band were not the agents or servants of the defendant, he could not have authorised their infringing performances.¹⁰² The court therefore restricted any inferences of authorisation to situations of agency and employment.¹⁰³ Little importance was placed on the change in statutory language. Inferred authorisation was seen as analogous to vicarious liability and thus dependant on the relationship

⁹³ P.S Atiyah *Vicarious Liability in the Law of Torts* (Butterworths, London, 1967), at 40. Discussing *R v Walker* (1858) 27 LJMC 207.

⁹⁴ *Falcon v Famous Players Film Co* [1926] 2 KB 474 (CA), at 491.

⁹⁵ Copyright Act 1911 (UK) 1 & 2 Geo V c 46.

⁹⁶ Lionel Bentley and Brad Sherman *Intellectual Property Law* (2nd ed, Oxford University Press, New York, 2004), at 31.

⁹⁷ Copyright Act 1911 (UK) 1 & 2 Geo V c 46, s1(2).

⁹⁸ Macgillivray *Copyright Act* (London, 1912), at 22.

⁹⁹ *Performing Rights Society v Ciry Theatrical Syndicate* [1924] 1 KB (CA) 1.

¹⁰⁰ *Lyon v Knowles* (1863) 3 B & S 556, 122 ER 209 (CA).

¹⁰¹ *Monaghan v Taylor* (1886) 2 TLR 685 (Ch D).

¹⁰² *Performing Rights Society v Ciry Theatrical Syndicate* [1924] 1 KB (CA) 1 at 11.

¹⁰³ *Ibid* at 11, 12, 15.

between the authoriser and the primary infringer. In *Performing Rights Society v Mitchell and Booker*,¹⁰⁴ McCardie J followed this line of reasoning, stating obiter that the addition of authorisation to the definition of exclusive rights was superfluous and that the old case law was still applicable.¹⁰⁵

An alternative view of authorisation developed from *Monckton v Pathe Freres*.¹⁰⁶ Buckley LJ held in that case that the seller of a record authorises its use.¹⁰⁷ This statement was applied by later courts to extend authorisation beyond situations of agency and employment. This understanding of authorisation was followed in *Evans v Hulton*.¹⁰⁸ There, Tomlin J held the courts in *Ciryl* and *Mitchell and Booker*:¹⁰⁹

may very well be...correct in the view that they expressed, that the words "to authorise any such acts as aforesaid" in the subsection are superfluous and add nothing to the definition of copyright contained in the subsection, but that does not necessarily involve any expression of an opinion as to the meaning of "to authorise."

The view that authorisation was restricted to servants and agents was held to be too narrow. Rather, authorisation means "to give formal approval to, to approve, sanction, countenance."¹¹⁰ Therefore the defendant who had sold a manuscript, in which he did not possess any rights, with the aim of its publication had authorised the copyright infringement which inevitably took place.¹¹¹

This wider interpretation of authorisation is clearly shown in *Falcon v Famous Film Players*.¹¹² Although the composition of the Court deciding *Falcon* was the same as that which decided *Ciryl*, no mention was made of that case in the judgment despite it being cited by counsel. In *Falcon* the plaintiffs owned the copyright to a play. The defendants imported and let a film based on the play at a cinema for public screenings. The Court of Appeal, by a majority, held the film company liable for authorising the public performance of the film. Authorisation was held to have been introduced to overcome the effect of old decisions like *Karno v Pathe Freres*.¹¹³ The object was to enlarge the protection afforded to authors.¹¹⁴ The two Lords in the majority gave

¹⁰⁴ *Performing Rights Society v Mitchell and Booker (Palais De Danse) Limited* [1924] 1 KB (CA) 762.

¹⁰⁵ *Ibid* at 774.

¹⁰⁶ *Monckton v Pathe Freres* [1914] 1 KB 395.

¹⁰⁷ *Ibid* at 403.

¹⁰⁸ *Evans v Hulton* [1924] All ER 224

¹⁰⁹ *Ibid* at 225.

¹¹⁰ *Ibid*, at 225.

¹¹¹ *Ibid* at 226.

¹¹² *Falcon v Famous Players Film Co* [1926] 2 KB 474 (CA).

¹¹³ *Ibid* at 491.

¹¹⁴ *Ibid* at 496.

separate judgements with differences of language which have assumed importance in subsequent decisions.

Lord Justice Banks applied the law as found in *Monckton* and *Evans* – authorisation is to be “understood in its ordinary dictionary sense of ‘sanction, approve, and countenance’.”¹¹⁵ The defendant had authorised the performance of the play. Lord Justice Atkin stated that authorisation means “to grant or purport to grant to a third person the right to do the act complained of.”¹¹⁶ Atkin LJ saw this formulation as the one adopted by the courts in *Monckton* and *Evans*.¹¹⁷ Both their Lordships are therefore applying the same case law, yet providing a different construction of authorisation in this context. It is unclear whether these were regarded as two formulations of the same test, or whether their Lordships each viewed authorisation differently. Lord Justice Scrutton held that the purported grant of the right to exhibit the play, when coupled with an implied obligation in the contract that the hirer perform the play, constituted performance itself.¹¹⁸ He indicates that authorisation may extend further than granting a right to someone under a contractual duty to perform, but does not elaborate on circumstances in which this might occur.¹¹⁹

It follows that the ultimate legal principle flowing from *Falcon* is uncertain. The majority applied the same case law, yet troublingly used different formulations of the test for authorisation. It is contended that although these tests apply the same case law, they are not necessarily consistent. To sanction, approve, or countenance indicates a lesser standard. These words imply approval, consent, permission, endorsement. In contrast, to grant or purport to grant a right implies an action above mere sanction, approval, or countenancing – the granting of a right. This may be implied from the circumstances, but this would require that the only possible inference which could be drawn by the grantee was that they were authorised to do the act. For example, in *Falcon*, the only inference the theatre could draw from being given a film to show was that it had the right to show that film. In *Falcon*, the same result was reached by both approaches. This is because where it is held that a right has been granted (the more restrictive test), it is invariable that the defendant has sanctioned, approved or countenanced (the less restrictive test).

Two lines of authority thus flow from *Falcon*, which is arguably the founding case of modern authorisation law. These approaches, although not necessarily inconsistent, have been interpreted to different effect by later courts. This underlying uncertainty as

¹¹⁵ Ibid, at 491.

¹¹⁶ Ibid, at 499.

¹¹⁷ Ibid, at 499.

¹¹⁸ Ibid, at 494.

¹¹⁹ Ibid, at 496.

to how authorisation should be viewed illustrates the difficulty for a modern court of applying authorisation in an ever changing landscape. The *Falcon* approach has been followed in the courts of Australia, England, and Canada. However, within this agreement there is room for difference, as is shown by the variety of international approaches. The Australian courts have in general applied the formulation of Bankes LJ, and in some cases have applied *Ciryl* as well as *Falcon*.¹²⁰ The English courts have in general applied the formulation of Atkin LJ, with the focus on a grant or purported grant of a right. With this initial judicial understanding of authorisation in mind, the modern approaches to authorisation in Australia, England and Canada, and the United States common law doctrines, will be evaluated to provide an understanding of their utility in the context of internet file sharing.

II. APPROACHES TO AUTHORISATION

There are a number of international approaches to those who facilitate infringing file sharing. This chapter will consider the New Zealand, Australian, English and Canadian approaches to authorisation of copyright infringement, and the United States theories of contributory, vicarious and inducing copyright infringement.

The copyright legislation of Australia, Canada, and England all provide liability for authorising acts which are the exclusive rights of the copyright owner.¹²¹

1. AUSTRALIA

Australia has consistently taken a wide approach to authorisation of copyright infringement. It has favoured the wider approach of Bankes LJ in *Falcon*. This is evident in *WEA International Inc v Hanimex Corporation Ltd*,¹²² where Gummow J said:¹²³

One view of the 1911 Act was that the expression ‘to authorise’ describes a situation where the defendant purported to confer on a third party, for example as an agent or licensee, a right or authority to perform an activity which in truth would be, if carried out, an infringement of the plaintiff’s copyright...But the course of authority has shown that the concept of authorisation is not so confined.

¹²⁰ *Moorhouse v University of New South Wales* [1975] HCA 26, (1976) RPC 151.

¹²¹ See Copyright Act 1968 (Aus), Copyright, Designs, and Patents Act 1988 (UK), Copyright Act RSC 1985 c C-42.

¹²² *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274.

¹²³ *Ibid*, at 285-286.

The application of authorisation to internet file sharing necessarily involves drawing on cases relating to pre-digital subject matter. Thus, *University of NSW v Moorhouse*¹²⁴ provides the starting point for any consideration of authorisation in the Australian context.¹²⁵ In *Moorhouse*, a university library had provided coin operated photocopying machines. These had been used by Mr Brennan, a student at the university, to copy books from the library. In the High Court, the university was held to have authorised infringing copying by the student. Gibbs J gave a broad statement of principle which has been applied consistently by the Australian courts ever since:¹²⁶

...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 have authorised any infringement that resulted from its use.

The university was providing new technology with both lawful and unlawful uses. It had control over the technology. The university had constructive knowledge of infringement, as it must have known that it was likely users would copy substantial parts of books subject to copyright provided in the library. These facts resulted in the imposition, by the Court, of a positive duty to take reasonable steps to prevent infringement.¹²⁷ Providing attendants to supervise the machines, placing a copy of the relevant copyright legislation in the photocopy room, issuing library guides to students and placing notices on the photocopiers themselves did not constitute reasonably sufficient steps.¹²⁸ This poses the question of what more could reasonably be expected of the university to prevent infringement?

The High Court was unclear as to what steps would have been sufficient steps to avoid liability for authorising copyright infringement. Possible options include providing trained staff to undertake all copying, or having staff supervise all copying to ensure copyright was not breached. On one interpretation of *Moorhouse*, the steps required of the university could extend to not offering photocopying machines in the library at all.¹²⁹ Based on *Moorhouse*, a person providing technology capable of lawful and unlawful uses over which they have control, who has actual or

¹²⁴ *Moorhouse v University of New South Wales* [1975] HCA 26, (1975) RPC 151.

¹²⁵ *Australasian Performing Rights Association v Jain* (1990) 26 FCR 53, at 57.

¹²⁶ *Moorhouse v University of New South Wales* [1975] HCA 26, (1976) RPC 151, at 158.

¹²⁷ *Ibid*, at 158.

¹²⁸ *Ibid*, at 158.

¹²⁹ Support for this interpretation of *Moorhouse* can be found in *Cooper v Universal Music Australia* [2006] FCAFC 187, (2006) 237 ALR 714, at [36].

constructive knowledge of likely infringement, is required to take reasonable positive steps to prevent its misuse by third parties. This may even require active policing of the technologies use, or even withdrawal of the technology if infringement cannot be prevented by other means.

The requirement of reasonable steps in *Moorhouse* can be contrasted with the situation where technology is provided over which no control can be exercised. In *Australian Tape Manufacturers v Commonwealth of Australia*,¹³⁰ the constitutional validity of legislation imposing royalties on blank tapes was considered. The High Court stated obiter that a person providing technology which has lawful uses, even with knowledge that it may be used for infringement, will not be found to have authorised infringing conduct without some control over the purchaser's use. Therefore when a provider of technology has no control over its use, there will be no obligation to take reasonable steps to prevent infringing use.¹³¹

Based on *Moorhouse* and *Australia Tape*, a facilitator of infringing file sharing with actual or constructive knowledge of infringing use and control over the means of infringement will be required to take positive steps to prevent its infringing use. What will constitute sufficiently reasonable steps is uncertain. However, if the facilitator has no control over the service, there will be no duty to take reasonable steps imposed. Where file sharing systems are placed between these two positions was considered in *Universal Music Australia v Sharman*¹³² and *Universal Music Australia v Cooper*.¹³³

In *Sharman*, the individuals and corporations responsible for the Kazaa system were sued for authorising copyright infringement. To make use of the Kazaa system, a user must first download the Kazaa software, which allows them to link to every other user with Kazaa installed on their computer. Each computer with the software installed is referred to as a node, and a small percentage of these computers are designated supernodes. Every node computer is connected to a supernode computer, which in turn is connected to the nearest supernodes. This extends out on a worldwide basis. When the software is installed on a computer, a 'My Shared Folder' is created. The content of this folder is indexed by the supernode to which the computer is connected. The supernode index contains data allowing the retrieval and validation of the files

¹³⁰ *Australian Tape Manufacturers Association v The Commonwealth of Australia* (1993) 177 CLR 480.

¹³¹ *Ibid*, at 498.

¹³² *Universal Music Australia Pty Ltd v Sharman Licensing Holdings Ltd* [2005] FCA 1242, (2005) 65 IPR 289.

¹³³ *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972, (2005) 65 IPR 409, and *Cooper v Universal Music Australia* [2006] FCAFC 187, (2006) 237 ALR 714.

indexed, which will be from a number of users. A user seeking a file enters a search in their Kazaa program. This request is sent out to their supernode, which looks to its index to see if files matching the request are present in the index, and therefore in the Shared Folders of its connected users. The search may also be forwarded to other supernodes. The matching results are sent back to the initial user, with the internet protocol addresses of the users who possess the files. The initial user chooses which file it desires from the search results, and the Kazaa program connects to the relevant user and retrieves the file.¹³⁴

Sharman was providing a service with both lawful and unlawful uses. It was held to have constructive knowledge that Kazaa was being used for infringing file sharing, at the latest after receipt of a report on usage of the system.¹³⁵ The Federal Court also held that Sharman had control over the system, which could have been designed to include filtering to reduce or limit infringing file sharing.¹³⁶ This is a wide view of control, extending to an ongoing design duty to modify existing technology.¹³⁷ On these facts, reasonable steps were required of Sharman to limit infringing use of Kazaa. The measures taken by Sharman, such as notices and end user license agreements warning against copyright infringement were known by Sharman to be ineffective, and as such did not constitute reasonable steps to prevent infringement.¹³⁸ The Federal Court held that Sharman should have installed filtering measures to reduce the volume of infringing file sharing.¹³⁹ Not only had Sharman failed to exercise control, he had actively encouraged infringement by promoting the software for file sharing, exhorting users to share files, and running a 'Join the Revolution' campaign against film and music companies.¹⁴⁰ Therefore, the Federal Court was prepared to impose an ongoing design duty on the supplier of technology, which had lawful uses, to filter infringing content.

The Federal Court then considered changes made to the Copyright Act 1968 (Cth) by the Copyright (Digital Agenda) Amendment Act 2000 (Cth). A new s36(1A) and s101(1A) were inserted, providing factors that must be taken into account when considering whether a person has authorised an infringing act. The court must consider:¹⁴¹

¹³⁴ *Universal Music Australia Pty Ltd v Sharman Licensing Holdings Ltd* [2005] FCA 1242, (2005) 65 IPR 289, at [62].

¹³⁵ *Ibid.*, at [404].

¹³⁶ *Ibid.*, at [414].

¹³⁷ *Ibid.*, at [411].

¹³⁸ *Ibid.*, at [407].

¹³⁹ *Ibid.*, at [411].

¹⁴⁰ *Ibid.*, at [405].

¹⁴¹ Copyright Act 1968 (Cth), s36(1A) and s101(1A).

- (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.

This amendment confirms some aspects of the *Moorhouse* approach in Australia.¹⁴² However it is a non-exhaustive list, and knowledge of copyright infringement will still be taken into account.¹⁴³ *Sharman* was held to have a relevant power to prevent or reduce infringing file sharing through filtering in terms of s101(1A)(a). However, reasonable steps to use this power to reduce infringement had not been taken in terms of s101(1A)(c).

Finally, the application of s112E of the Copyright Act 1968 (Cth) to *Sharman* was considered. This section provides:¹⁴⁴

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

As *Sharman* had constructive knowledge of infringing use and had failed to take reasonable steps to prevent it, s112E did not preclude liability.¹⁴⁵

Cooper concerned an individual operating the website 'MP3s4FREE' and the ISPs hosting the site. The site facilitated the sharing of music files by allowing independent third parties to upload hyperlinks to music stored elsewhere on the internet. Users of the website could download these files by clicking on these hyperlinks. The overwhelming majority of these files were admitted to be protected by copyright.¹⁴⁶ *Cooper* had constructive knowledge of the infringing use made of the website, as he had sought advice and designed it to facilitate infringing file sharing.¹⁴⁷ In terms of s101(1A)(a), *Cooper* had the power to prevent infringing conduct, as he could have designed a website which did not automatically accept hyperlinks added by third

¹⁴² *Universal Music Australia Pty Ltd v Sharman Licensing Holdings Ltd* [2005] FCA 1242, (2005) 65 IPR 289, at [402].

¹⁴³ *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972, (2005) 65 IPR 409, at [81].

¹⁴⁴ *Universal Music Australia Pty Ltd v Sharman Licensing Holdings Ltd* [2005] FCA 1242, (2005) 65 IPR 289, at [395].

¹⁴⁵ *Ibid*, at [418].

¹⁴⁶ *Cooper v Universal Music Australia* [2006] FCAFC 187, (2006) 237 ALR 714, at [2].

¹⁴⁷ *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972, (2005) 65 IPR 409, at [84].

parties.¹⁴⁸ A reasonable step would have been to actively monitor and remove infringing links. Warnings on the website which did not accurately state Australian copyright law did not constitute reasonable steps to prevent infringement. Accordingly the Federal Court held that Cooper had authorised the infringing usages made of his website. As Cooper had encouraged users to download infringing material through banners on his website and had constructive knowledge of downloading, he was not protected by s112E.¹⁴⁹

The ISPs hosting the website were also held to have authorised infringement. They had assumed an “active role” by assisting in setting up the website and providing largely free hosting in return for advertising.¹⁵⁰ They had constructive knowledge of copyright infringement, as they knew of the high level of usage and related copyright problems.¹⁵¹ The ISPs had control over the infringing service, as they could stop hosting the website.¹⁵² Therefore, they were required to take reasonable steps to avoid acts of infringement.¹⁵³ However, that had not taken these reasonable steps as they had not placed pressure on Cooper to limit infringing use or stopped hosting the site, rather they had sought to extract commercial gain out of the situation.¹⁵⁴ As the ISPs had knowledge of the infringing nature of the site and took no reasonable steps to prevent infringement, they were not protected by s112E.¹⁵⁵

The decisions of *Sharman* and *Cooper* demonstrate that a supplier of a product or service which is known to be capable of infringing and non-infringing use must take all reasonable steps within its power to reduce or prevent infringement by users or face liability for authorising infringing actions. This may require a supplier to redesign a product with the ability to filter out infringing content, as was held in *Sharman*. In *Cooper*, this step was required even though it would result in the defendant’s business no longer being viable. It may also require an ISP in similar factual circumstances to those in *Cooper* to withdraw services from a known site of infringement. This is a broad formulation of authorisation, which is based on a strict application of the approach from *Moorhouse*.

¹⁴⁸ *Cooper v Universal Music Australia* [2006] FCAFC 187, (2006) 237 ALR 714, at [149].

¹⁴⁹ *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972, (2005) 65 IPR 409, at [99].

¹⁵⁰ *Ibid*, at [131].

¹⁵¹ Jeffrey Lee “The ongoing design duty in *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd - Casting the scope of copyright infringement even wider*” (2006) 15 IJLIT 275, at 292. *Cooper v Universal Music Australia* [2006] FCAFC 187, (2006) 237 ALR 714, at [62].

¹⁵² *Cooper v Universal Music Australia* [2006] FCAFC 187, (2006) 237 ALR 714, at [62].

¹⁵³ *Ibid*, at [64].

¹⁵⁴ *Ibid*, at [64].

¹⁵⁵ *Ibid*, at [158].

In 2010, the Federal Court decided *Roadshow Films v iiNet*.¹⁵⁶ The defendant ISP was held not to have authorised copyright infringement by its users when they downloaded films through the BitTorrent system.¹⁵⁷

Cowdry J held that the defendants had not provided the means of infringement. Rather, they had merely supplied one of the necessary preconditions for infringement, access to the internet.¹⁵⁸ The means of infringement was the BitTorrent system. The defendants were held to be in a different position than the ISP in *Cooper*. iiNet, as an ISP had no ability to persuade or shut down any of the constituent parts of the BitTorrent system.¹⁵⁹ iiNet therefore had no control over the means of infringement. In terms of s101(1A)(a), the only relevant power the defendant had was to act on notices received from copyright owners by first warning and ultimately suspending the accounts of subscribers.¹⁶⁰ However, these were not reasonable steps to take in terms of s101(1A)(c). Termination of internet services was not appropriate on these facts, which differed from *Cooper*.¹⁶¹ The ISP had not actively assisted in the creation of the means of infringement, means which were intended to be used to infringe.¹⁶² Therefore, the Court did not require any steps of the defendant to prevent infringement and they were held not liable for authorisation of copyright infringement.

Section 112E was considered, with Cowdry J stating that it has very little meaningful operation.¹⁶³ When there is a factor present that entitles a finding of authorisation, such as constructive knowledge of infringing acts, then the section will not preclude a finding of liability.¹⁶⁴ Therefore, as iiNet had at least constructive knowledge of infringement, s112E would not have provided protection against a successful action for authorisation.¹⁶⁵

In *Roadshow*, authorisation in the strictest form available from preceding case law was not applied. On a strict reading of *Moorhouse* and *Cooper*, the ISP in *Roadshow* could have been held to have control over the means of infringement, as they could have stopped users of the BitTorrent from accessing the internet through suspension of accounts. This control could have been held to result a positive duty to prevent

¹⁵⁶ *Roadshow Films v iiNet* [2010] FCA 24.

¹⁵⁷ Ibid, at [505].

¹⁵⁸ Ibid, at [400].

¹⁵⁹ Ibid, at [408].

¹⁶⁰ Ibid, at [424].

¹⁶¹ Ibid, at [436].

¹⁶² Ibid, at [436].

¹⁶³ Ibid, at [574].

¹⁶⁴ Ibid, at [577].

¹⁶⁵ Ibid, at [577].

infringement. However, Cowdry J in *Roadshow* limited the application of *Cooper*. ISPs will not be required to terminate internet services unless they have assumed an active role in the file sharing service itself, by assisting in its creation or having financial dealings with it, and have control over the service through the ability to withdraw hosting. An ISP in the normal course of business does not have an obligation to police and punish those infringing copyright.¹⁶⁶ This is not a reasonable step which will be required by the courts. The approach to authorisation taken by Cowdry J is a move away from a strict application of the *Moorhouse* principles. It demonstrates that the Australian courts may apply a more moderate approach to authorisation. However, it is only a minor shift in approach, with adherence still being shown to a wide interpretation of what will constitute authorisation of infringing file sharing.

It was noted in *Roadshow* that the claimants may have chosen the wrong respondent.¹⁶⁷ The question then arises, why was a claim of authorisation against one of the constituent parts of the BitTorrent system not pursued?

The claim was brought against iiNet for a number of reasons. First, an ISP is a stable business with the financial ability to pay damages if they are awarded. This is in contrast to the ephemeral nature of the entities comprising the BitTorrent system. These constituent parts are always changing and developing, and when one part is taken down, another rises, hydra-like, to replace it. This makes any successful legal action of questionable value. An ISP such as iiNet provides one clear target on which to focus, and if the suit were successful, infringing file sharing would likely be severely curtailed.¹⁶⁸ Finally, there is uncertainty as to the liability of each of these parts. The BitTorrent system will now be briefly explained, and the potential liability for authorising infringement of copyright for BitTorrent clients, indices, trackers, and the developers of the protocol will be assessed.

A protocol is a series of rules with which different computers communicate. The BitTorrent protocol is one of these sets of rules. To share files using the BitTorrent protocol, a number of parts are required.

First, a user needs to download a BitTorrent client. This is a computer program available, free of charge, from the internet that allows users to access computers

¹⁶⁶ Ibid, at [452].

¹⁶⁷ Ibid, at [445].

¹⁶⁸ Through suspension or cancellation of infringers' accounts.

sharing files.¹⁶⁹ Examples include uTorrent and Tomato Torrent.¹⁷⁰ Once a user has a BitTorrent client, they need to download a '.torrent file'. This is not the file the user ultimately wants to download, for example a movie, rather it is a file containing data allowing the retrieval and validation of the ultimately desired file. Users can download .torrent files easily from the internet, through web based indices which host large numbers of .torrent files. A user then opens this .torrent file in their BitTorrent Client. The BitTorrent Client uses the information in the .torrent file to get the ultimate file. Included in the .torrent file is the location of the tracker associated with the .torrent file. A tracker is a page operating on the internet which essentially acts as a 'conductor' of the whole process.¹⁷¹ Notable trackers include ThePirateBay.org and Demonoid.com.¹⁷² When the .torrent file is opened in the BitTorrent Client, it automatically connects to the specified tracker. The tracker, when contacted by the BitTorrent Client looks for other users currently sharing the same .torrent file. These other users must be connected to the internet, have their BitTorrent Client operating, and be sharing the particular .torrent file. The tracker gives the BitTorrent Client of the user seeking the file the other users' internet protocol addresses. The BitTorrent Client then connects to these users, and begins downloading the file from them.¹⁷³

BitTorrent Client manufacturers and distributors are likely to have constructive knowledge of the infringing use of their systems, as was held in *Sharman* in relation to Kazaa, and infringement notices will provide actual knowledge. Similar also to *Sharman* is the level of control possessed by the operators of these systems. In *Sharman*, the Court based liability on a finding of fact that effective filters could be installed. Questions remain as to the effectiveness of these filters.¹⁷⁴ If a court holds, as Wilcox J did in *Sharman*, that effective filtering was not built into the system when it could have been, then it is likely there will be a finding of liability for authorising infringing conduct.¹⁷⁵ The manufacturers of BitTorrent Clients will be held to have

¹⁶⁹ Saikat Basu "The Big Book of BitTorrent"

<<http://downloads.makeuseof.com.s3.amazonaws.com/The-Big-Book-of-BitTorrent.pdf>>, at 6.

¹⁷⁰ <www.utorrent.com>.

¹⁷¹ Bram Cohen "Incentives Build Robustness in BitTorrent" (2003)

<<http://tinyurl.com/29k52cv>>, at 2.

¹⁷² <www.thepiratebay.org>.

¹⁷³ Bram Cohen "Incentives Build Robustness in BitTorrent" (2003)

<<http://tinyurl.com/29k52cv>>, at 2.

¹⁷⁴ The difficulties with filtering out infringing files were also raised in briefs filed with the court in *MGM Studios Inc v Grokster Ltd (2005) 64 IPR 645 (S. Ct. US)*. Questions remain as to their effectiveness at distinguishing between infringing and non-infringing content. Discussed in Hasina Haque "Decentralised P2P technology: Can the unruly be ruled?" (2009) 23 Int'l Rev.L.Computers & Tech. 123, at 125.

¹⁷⁵ *Universal Music Australia Pty Ltd v Sharman Licensing Holdings Ltd* [2005] FCA 1242, (2005) 65 IPR 289, at [254-294] and [310-330].

failed to take reasonable steps to prevent infringement by exercising control over the service provided and filtering infringing content.

Almost every BitTorrent website acts as both as a tracker and an index, allowing potential file sharers to upload .torrent files to their index and connecting would be downloaders with those holding the file.¹⁷⁶ They therefore provide the necessary linking for downloading to take place.¹⁷⁷ Prominent examples of this dual function include The Pirate Bay and uTorrent.¹⁷⁸ Websites such as this are likely to be held liable for authorising infringing conduct. They will be imputed with constructive knowledge based on file names, and will have actual knowledge on receipt of infringement notices from rights holders.¹⁷⁹ They have control over the means of infringement, as those responsible for the sites have the ability to moderate or delete .torrent files. The courts are unlikely to place much weight on the warnings given by these sites against copyright infringement, as evidenced in *Sharman*. It is likely the courts would consider that these sites had failed to take reasonable steps by not filtering out the infringing content. They would then be in a position factually distinct from the defendants in *Roadshow*, and required to take positive steps accordingly. Therefore, it is likely that BitTorrent websites providing indexing and tracking services will be held liable for authorising infringing conduct.

Therefore, it is likely that BitTorrent Clients, indices and trackers, and peer-to-peer applications such as Kazaa will be liable under the Australian approach to authorisation even following a slight narrowing of the formulation in *Roadshow*. In Australia, the application of authorisation against facilitators is likely to give rights holders with a successful legal remedy against those providing the means by which infringing file sharing takes place.

¹⁷⁶ It must be noted that the torrent system can run without trackers, though the use of Distributed Hash Tables. Essentially, every user acts as a tracker, storing an index of other geographically proximate users. This is similar in kind to the supernode operation of the Kazaa system, however under Distributed Hash Tables every user acts as a 'mini' super node. Nonetheless, almost every torrent user will operate through a tracker, at least for making the initial connection to other users sharing the desired file. See Matthew Helton "Secondary Liability for Copyright Infringement: BitTorrent as a Vehicle for Establishing a New Copyright Definition for Staple Articles of Commerce" (2006) 40 Colum.J.L. & Soc.Probs. 1, at 21.

¹⁷⁷ Benjamin Vincents Okechukwu "Secondary liability for copyright infringement in the BitTorrent platform: placing the blame where it belongs" (2008) 40 EIPR 4, at 8.

¹⁷⁸ See, for example: Torrent-box at <<http://www.torrentbox.com/torrents-browse.php?news>>, or Mininova at <<http://www.mininova.org>>.

¹⁷⁹ Benjamin Vincents Okechukwu "Secondary liability for copyright infringement in the BitTorrent platform: placing the blame where it belongs" (2008) 40 EIPR 4, at 8.

2. ENGLAND

The English courts have favoured a narrow approach as to what constitutes authorisation of infringing conduct, emphasising the formulation of Atkin LJ from *Falcon*: a grant or purported grant of right.¹⁸⁰

There are relatively few cases on the inferring of authorisation between *Falcon* and what can be termed the modern decisions. The court in *Ash v Hutchinson*¹⁸¹ accepted that the *Falcon* approach applied in cases of authorisation of infringing acts and applied the formulation of Bankes LJ: sanction, approve, or countenance.¹⁸² However, authorisation was not discussed in depth. The Privy Council in *Vigneux v Canadian Performing Rights Society*,¹⁸³ on appeal from Canada, did not make use of the available authority and held that no authorisation took place based on a lack of control.¹⁸⁴ It was not until the early 1980s that judicial development began to gather pace.

In *CBS v Ames Records & Tapes*,¹⁸⁵ Whitford J considered the liability of a record store owner who operated a record lending library and sold blank tapes. His Honour noted at the outset that at no time had the defendants sanctioned, approved, or encouraged home taping, using the formulation proposed by Bankes LJ.¹⁸⁶ However, the thrust of the analysis focused on whether a grant or purported grant of right had taken place – the formulation of Atkin LJ. The defendants had not granted the right to copy records, as any authorisation needed to come from someone having or purporting to have authority.¹⁸⁷ Enabling, assisting, or even encouraging another to do an infringing act without purporting to have authority to justify the act is not authorisation.¹⁸⁸ Whitford J noted the dangers in applying the terms sanction, approve, and countenance to define authorisation.¹⁸⁹ These words can be defined further, and result in a concept far removed from authorisation itself. As stated by Whitford J, “if Parliament had intended to give copyright owners the sole right to give countenance to infringing acts, then no doubt they would have said so in plain terms.”¹⁹⁰

¹⁸⁰ *Falcon v Famous Players Film Co* [1926] 2 KB 474 (CA), at 499.

¹⁸¹ *Ash v Hutchinson* [1936] Ch 489 (CA).

¹⁸² *Ibid*, at 496.

¹⁸³ *Vigneux v Canadian Performing Rights Society* [1945] AC 108 (PC).

¹⁸⁴ *Ibid*, at 123.

¹⁸⁵ *CBS v Ames Records and Tapes* [1982] Ch 91 (Ch).

¹⁸⁶ *Ibid*, at 103.

¹⁸⁷ *Ibid*, at 109.

¹⁸⁸ *Ibid*, at 106.

¹⁸⁹ *Ibid*, at 109.

¹⁹⁰ *Ibid*, at 109.

This narrower focus on the granting of a right is evident in the ruling that authorisation would not be made out when notices in the store and stickers attached to the records explained the copyright position.¹⁹¹ Even without the stickers and notices, indifference to infringing acts did not amount to authorisation. This is in contrast to the situation in *Falcon*, where a finding of authorisation was justified because the defendants had plainly purported to grant the right to show the film – this was the only possible inference the theatre could draw.¹⁹² Whitford J also held that the outcome of the case may have been different had the defendant supplied the records, blank tapes, and recording facilities.¹⁹³ In that situation, if the defendant had charged people a fee for making copies, it may have been reasonable for an ordinary person to infer that they were authorised to infringe copyright. A reasonable inference for a user to draw from these factors would be that they had been granted a right to do the infringing acts.

The House of Lords in *CBS Songs v Amstrad Consumer Electronics*¹⁹⁴ endorsed this approach. The defendant manufactured and advertised a double speed twin deck tape machine, which allowed for fast ‘dubbing’ of tapes. It was claimed that through advertising and supply they had authorised the infringing use made of the tape machines. Lord Templeman, speaking for the House, applied the law as stated in *Falcon*. Again, the focus was the grant of a right to do the infringing act. Lord Templeman stated:¹⁹⁵

I respectfully agree with Atkin L.J. and with Lawton L.J. in the present case that in the context of the Copyright Act 1956 an authorisation means a grant or purported grant, which may be express or implied, of the right to do the act complained of. Amstrad conferred on the purchaser the power to copy but did not grant or purport to grant the right to copy.

No reasonable user could infer from the facilities of the machine that Amstrad had conferred on the purchaser authority to copy unlawfully.¹⁹⁶ The machine had both lawful and unlawful uses and the operator of the machine decided to what use it was put.¹⁹⁷ Similarly, no purchaser could reasonably infer from Amstrad’s advertising, which stated people could even ‘make a copy of their favourite cassette,’ that Amstrad possessed or purported to possess the authority to grant the required

¹⁹¹ Ibid, at 107.

¹⁹² Ibid, at 110.

¹⁹³ Ibid, at 118.

¹⁹⁴ *CBS Songs Ltd and Others v Amstrad Consumer Electronics and Another* [1988] AC 1013.

¹⁹⁵ Ibid, at 1054.

¹⁹⁶ Ibid, at 1053.

¹⁹⁷ Ibid, at 1053.

permission.¹⁹⁸ Amstrad's advertising was deplorable and cynical, however, the operator of the machine decided how it should be used. This was clear from a footnote on the advertisement, which warned of copyright infringement and stated Amstrad had no authority to grant permission to copy.¹⁹⁹

In *Amstrad*, the House of Lords held that the defendants could be distinguished from those in *Moorhouse*, as the defendants in *Amstrad* had no control over the use of their machines once they were sold. However, this does not mean that control over the means will result in a finding of authorisation. A proposition from Australian case law suggesting that authorisation took place when the defendant had some form of control over the infringer, or was responsible for placing in the infringer's hands material inevitably to be used for infringement, was said to be much too wide.²⁰⁰ Also, the phrase "whatever may be said of that proposition" was used in *Amstrad* to pejoratively refer to *Moorhouse*.²⁰¹ On the ruling in *Amstrad*, if a defendant has provided a service capable of both lawful and non-lawful uses, the courts will not hold that the defendant has authorised any resulting infringement. This decision therefore demonstrates a narrower formulation of authorisation of copyright infringement than evident in the Australian case law, even following *Roadshow*'s slight shift. In England, as in Australia, the application of authorisation to digital file sharing is required to draw on legal precedent relating to pre-digital subject matter.

In *Twentieth Century Fox v Newzbin*,²⁰² the High Court considered the application of authorisation to the digital copyright environment. The defendants operated an index of the Usenet system. The Usenet system is a global bulletin board in which users can upload and view messages. Files such as movies can be uploaded to the bulletin board, but they must be encoded as text and split over thousands of messages. The Newzbin index allowed paying users to avoid the time consuming and difficult task of searching for all of the messages which make up a file, by identifying all messages which relate to a particular file and drawing them together into one entry. These entries were called reports, and were accompanied by information about the file. Users could search using categories of content, such as film or television. A user simply had to download a 'NZB file', open it in their news client, and the relevant file would be downloaded to the user's computer. A content analysis which took place

¹⁹⁸ Ibid, at 1053.

¹⁹⁹ Ibid, at 1053.

²⁰⁰ Ibid, at 1054 discussing *RCA Corporation v John Fairfax* [1982] RPC 91.

²⁰¹ Ibid, at 1054.

²⁰² *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43. This decision has already been discussed in relation to the possibility of founding liability at common law for facilitators. See above at 8-12.

showed the overwhelming majority of the reports in the movie category were commercial and very likely to be protected by copyright.²⁰³

His Honour took a wider approach to authorisation than the House of Lords did in *Amstrad*, and held that the defendants had authorised the infringing acts of their members.²⁰⁴ Even though the defendants had provided a service with potential lawful uses, they were still liable for authorising copyright infringement. Kitchin J stated that a number of factors were important in this decision: the paying relationship between Newzbin and its members, the provision of a sophisticated service which constituted the means of infringement, the control Newzbin maintained over the system, the inevitability of infringement, and the failure of Newzbin to take steps to prevent infringement through filtering.²⁰⁵ Although it was ultimately up to users to decide how to use the system, these other factors lead to the conclusion that a finding of authorisation. A reasonable user would infer that the defendant purported to possess authority to grant the required permission.²⁰⁶

The decision in *Newzbin* is arguably a widening of the English approach to authorisation. Although only at High Court level, it represents pragmatic judicial development. The defendants in *Newzbin* were in a more culpable position than those in *Amstrad*. They had provided a sophisticated means for infringing copyright over which they retained control and had actively encouraged infringement by providing incentives for editors to create NZB reports. However, on a strict reading of *Amstrad*, they could have been held not to have authorised infringing use. This judicial development can be compared with that in *Roadshow*. The courts in these two cases appear to be moving away from strict applications of opposite approaches to authorisation. This can be demonstrated by considering how each case would have been decided in the alternate jurisdiction.

If the defendants in *Newzbin* had been tried in Australia, it is likely they would have been held to have authorised copyright infringement. They had constructive knowledge of copyright infringement. The defendants had control over the means of infringement, in that they could have installed filters. The position of Newzbin was factually distinct from the defendants in *Roadshow* as they were providing the means of infringement, not just a necessary precondition for infringing use. Thus, it is likely that Newzbin would be held to have failed to take steps reasonably open to it to reduce copyright infringement. If *Roadshow* had been tried in England, it is likely that they would not have been held to have authorised copyright infringement. In light of

²⁰³ Ibid, at [46] and [47].

²⁰⁴ Ibid, at [102].

²⁰⁵ Ibid, at [99-101].

²⁰⁶ Ibid, at [102].

the decision in *Newzbin*, liability for authorising infringing action may be held notwithstanding that the service has both lawful and unlawful uses. The defendants in *Roadshow* were providing a service with lawful uses. They were in a factually distinct position from the defendants in *Newzbin*. They had no control over the means of infringement, a weak relationship with file sharers, had given no encouragement of file sharing, and were not providing a sophisticated facility for infringing copyright. Therefore, it is likely that the defendants from *Roadshow* would be held not to have authorised copyright infringement if the case had been tried in England.

In light of this analysis, it is considered that both jurisdictions, Australia and the United Kingdom, are moving towards a middle ground in formulating approaches to authorisation of copyright infringement, and away from strict application of different approaches. Although different language is used the legal results of both jurisdictions are nevertheless likely to be similar. Nevertheless, there will still be differences in the application of the approaches when applied to contemporary file sharing systems. This is evident in the likely treatment of facilitators by the English courts.

In the English jurisdiction, it is unlikely those providing the BitTorrent Client software will be held liable for authorising infringing use. They are supplying technology with both lawful and unlawful uses. End users decide how to use the software. Those providing the software do have the ability to filter out infringing use by redesigning it. However, it is contended that this will not be required of them. In terms of *Newzbin*, those providing the software have no relation to the websites hosting torrents or tracking.²⁰⁷ They provide no encouragement of file sharing. The position of these programs is similar to the news clients in *Newzbin*, which used the NZB files to download movies, and were not considered for liability.

Those providing peer-to-peer software, such as Kazaa, are in a similar position to those providing BitTorrent Clients. However, the level of control they exercise over the means of infringement is greater than that of BitTorrent Client developers, as the Kazaa software is self contained and does not rely on outside services to track or index files. Therefore, they provide a complete facility through which copyright can be infringed. Although there are copyright warnings on the sites from which these programs are downloaded, these are somewhat superficial, and are, in the words of Kitchin J in *Newzbin*, “inconsistent with the structure and operation of the [Newzbin] system.”²⁰⁸ On these factors, a court following the *Newzbin* widening of the approach to authorisation may require a developer to have installed filtering software. Thus, a

²⁰⁷ Benjamin Vincents Okechukwu “Secondary liability for copyright infringement in the BitTorrent platform: placing the blame where it belongs” (2008) 40 EIPR 4, at 7.

²⁰⁸ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43, at [101].

failure to do this may result in liability for authorising infringing conduct. This is the most uncertain application of law to a file sharing platform in this dissertation, and the inability to draw definite conclusion demonstrates the ambiguity surrounding the concept.

Indexing and tracking services on the internet have non-infringing uses, such as the sharing of .torrent files relating to non-copyright work. However, this will not preclude a finding of liability for authorising infringing use. The operators of these sites have constructive knowledge of infringing use. They provide the essential link between users of the system.²⁰⁹ The facility being provided is essentially the same as in *Newzbin*, as a user downloads the .torrent file, which when opened in their BitTorrent Client automatically results in an infringing copy of the work being made.²¹⁰ The facility is extensive, with, for example “Top 100” indexes containing solely infringing files, and the practice of ridiculing copyright complaints on The Pirate Bay.²¹¹ Control could easily be exercised to filter out infringing files. This failure to exercise control is likely to result in liability for those providing indexing and tracking services.

The English judiciary has therefore adopted a narrower formulation of authorisation of infringing conduct than that taken by the Australian courts. When applied to digital file sharing, this approach will provide legal recourse to rights’ holders against some facilitators of infringing file sharing. It cannot be denied that the Australian courts apply a much wider approach to authorisation. As shown by the analysis of contemporary file sharing systems above, the Australian approach will result in liability in some instances where the English approach will not. However, the gap between the approaches of England and Australia is reducing. Decisions in both jurisdictions in 2010 have moved away from strict applications of opposing principles. This is evidenced by the likely outcome if those decisions, *Roadshow* and *Newzbin*, had been tried in alternate jurisdictions (the same).

3. CANADA

The Canadian courts have adopted a narrow approach to authorisation of copyright infringement, similar to that taken by the English courts. Two cases in the Supreme Court have addressed the issue of inferring authorisation against those providing facilities through which copyright infringement takes place.

²⁰⁹ As noted in footnote 176, even when making use of distributed hash tables, BitTorrent indices and trackers are still used for initial connections.

²¹⁰ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43, at [100].

²¹¹ The Pirate Bay, <www.thepiratebay.org>.

In *Law Society of Upper Canada v CCH Canadian*,²¹² the Supreme Court considered virtually identical facts to those faced by the High Court of Australia in *Moorhouse*. In *CCH*, a library had provided photocopying machines, with a notice which stated that the library was not responsible for infringing copies made on the machines. Access was restricted to law society members, the judiciary, and authorised researchers.²¹³ There was no supervision of the machines. The Australian approach to authorisation was emphatically rejected, as the court noted it was inconsistent with prior Canadian and English law, and shifted the balance too far in favour of owners' rights.²¹⁴ The library had not authorised infringement merely by authorising the use of equipment that could be used to infringe copyright.²¹⁵ Courts should:²¹⁶

presume that a person who authorizes an activity does so only so far as it is in accordance with the law. This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement.

No evidence that the photocopiers had been used to infringe was offered. Even if infringement had been established, the presumption would not have been rebutted. Although the library did exercise some control over the means of infringement, this was not sufficient to rebut the presumption. This indicates that an extremely high level of control over the means of infringement will be required for a finding of authorisation in Canada. The relationship between library and users was also insufficient to justify a finding of authorisation, as one of master-servant or principal-agent is required.²¹⁷

In *Society of Composers, Authors and Music Publishers of Canada v Canadian Association of Internet Providers*,²¹⁸ the Supreme Court reinforced this narrow approach to authorisation. The claimants wanted to collect royalties from Canadian ISPs and claimed the ISPs had authorised communications in breach of the society's exclusive rights. The Court noted that when there is a large amount of non-infringing material available on the internet it is not possible to impute authorisation based solely on the provision of facilities.²¹⁹ Copyright liability could attach if there was

²¹² *CHH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339 (SCC).

²¹³ *Ibid.*, at [1].

²¹⁴ *Ibid.*, at [41].

²¹⁵ *Ibid.*, at [43].

²¹⁶ *Ibid.*, at [43].

²¹⁷ *Ibid.*, at [45].

²¹⁸ *Society of Composers, Authors and Music Publishers of Canada v Canadian Association of Internet Providers* [2004] 2 SCR 427 (SCC).

²¹⁹ *Ibid.*, at [123].

specific notice of infringing material and the ISP failed to take down the material. However the Court warned against an overly quick inference of authorisation, and noted that legislation providing for notice and take down procedures would be preferred.²²⁰

The Canadian courts have taken a moderate approach to authorisation of copyright infringement. This is somewhere between the stances taken by, respectively, the English and Australian courts before this year. However, as has been argued, after the decisions of *Roadshow* and *Newzbin* this moderate approach is one to which the English and Australian courts are moving. Following *Roadshow*, in circumstances where a service provider is operating at arms length from the infringement, termination of internet services will not be a reasonable step required of them. This is a relaxation of the strict Australian approach. Following *Newzbin*, an individual providing a service capable of lawful uses may be liable for authorising infringing actions, if they had control over the means of infringement, encouraged infringement, provided a facility designed to enable file sharing, and failed to restrict infringement. The Canadian approach sits somewhere between these two formulations. Where a service provider has actual knowledge of infringing acts, obligations to exercise powers from a relationship such as employer-employee or to utilise existing (extensive) control over the means of infringement may arise. Therefore, it is contended that the three jurisdictions considered which use the concept of authorisation are converging on their approach to the concept. However, there are still differences in application of the approaches, and certainly no 'global consensus'. This is evident in the likely treatment of facilitators of copyright infringement by the Canadian courts.

Peer-to-peer systems like Kazaa are unlikely to be found liable for authorising infringing conduct. Actual knowledge may attach if infringement notices have been sent out and the operators of such systems do have control in that the system could be redesigned with filters. However, since the court in *CCH* was unwilling to impose any further control obligations on the library, it is unlikely they would be prepared to impose an ongoing design duty on the provider of a peer-to-peer service. Moreover, the relationship between users and service providers is not in one of the categories referred to in *CCH*.²²¹ Arguably, the relationship between peer-to-peer providers and users is weaker than that between a law library and law society members, as law society members pay for the library through fees whereas systems like Kazaa are

²²⁰ Ibid, at [127].

²²¹ Such as employee-employer, or agent-principal. See *CHH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339 (SCC), at [43].

offered for free. It is also important that systems like Kazaa provide access to large quantities of non-infringing content, similar to ISPs in *SOCAN*.

The result is likely to be the same against those operating BitTorrent Clients. Even if knowledge can be attached, they will not possess the requisite control or have a sufficient relationship with users to justify a rebuttal of the presumption of lawful use.

Those providing indexing and tracking services are the most likely to face liability. If actual knowledge was found, then the level of control they possess over the means of infringement may result in a finding of authorisation. They can easily filter out .torrent files on receipt of specific notice. This is likely to provide grounds to rebut the presumption of lawful authorisation.

4. UNITED STATES

Liability for facilitating infringing file sharing in the United States is based on the common law and does not make use of the doctrine of authorisation.²²² In 2005, the Supreme Court considered liability for facilitating copyright infringement in *Metro-Goldwyn-Mayer Studios v Grokster*.²²³ The defendants Grokster and StreamCast were the United States licensees of the Kazaa system.²²⁴ The defendants were held not liable by the Court of Appeal for the Ninth Circuit for contributory or vicarious copyright infringement.²²⁵ Contributory infringement applies when a defendant has actual knowledge of direct infringement and has materially contributed to the infringement.²²⁶ The Ninth Circuit applied *Sony Corporation of America v Universal City Studios* (“*Sony Betamax*”)²²⁷. In *Sony Betamax*, the Supreme Court held that where a device is capable of substantial non-infringing use, constructive knowledge based on the characteristics of the device itself will not suffice for contributory liability.²²⁸ However, when an article has only infringing uses, knowledge can be imputed based on design alone.²²⁹ In *Grokster*, as the software was capable of substantial non-infringing use, the *Betamax* rule was treated as requiring actual knowledge of specific instances of infringement and a failure to act as conditions of

²²² Primary protection of copyright is based on Constitutional law and found in the Copyright Act 17 USC.

²²³ *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US).

²²⁴ 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 MALR 1, at 4.

²²⁵ *MGM Studios, Inc v Grokster Ltd* 380 F 3d 1154, at 1165-66.

²²⁶ *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US), at 650.

²²⁷ *Sony Corporation of America v Universal City Studios* (“*Sony Betamax*”) 464 US 417 (1984).

²²⁸ *Ibid*, at 439.

²²⁹ *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US), at 653.

liability. Due to the decentralised nature of the Grokster system, the defendants did not have actual knowledge.²³⁰ Vicarious liability applies when a defendant has a right to control the infringing activity and financial interest in the infringement.²³¹ The Ninth Circuit in *Grokster* held the defendants had no control over the use of the software due to its decentralised nature.²³²

The Supreme Court, in a unanimous decision, found the defendants liable for inducing copyright infringement.²³³ It is unclear whether the Supreme Court saw inducement of copyright infringement as a separate head of secondary liability, or as an extension of contributory liability. Nonetheless, the Court continued the trend of importing doctrines from patent law into copyright law,²³⁴ and held that:²³⁵

One who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps to foster infringement, is liable for the resulting acts of infringement by third parties.

Thus, when a service is distributed which has potential non-infringing use, the Sony Betamax rule will not preclude liability if there is evidence of statements or actions directed to promoting infringement.²³⁶ Three elements were essential in the Court's analysis. First, the advertising of the defendants was directed at attracting former users of the illegal Napster system.²³⁷ The defendants had promoted the infringing capabilities of the file sharing systems and encouraged their use for this purpose.²³⁸ Second, both Grokster and StreamCast had failed to develop filtering tools to reduce copyright infringement.²³⁹ They took no steps to diminish the infringing activity that took place through their software. Finally, the defendants' advertising income was

²³⁰ Ibid, at 650.

²³¹ Gabriel Finch "From Napster to Kazaa: What the Recording Industry Did Wrong and What Options Are Left" (2004) 9 ITJPL 183, at 189.

²³² *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US), at 651. This can be seen in contrast to the position of the defendants in *A & M Records Inc v Napster Inc* 293 F 3d 1004.

²³³ Ibid, at 658.

²³⁴ Having already imported the staple article of commerce doctrine from patent law in *Sony Corporation of America v Universal City Studios Inc* 464 US 417. See, Matthew Helton "Secondary Liability for Copyright Infringement: BitTorrent as a Vehicle for Establishing a New Copyright Definition for Staple Articles of Commerce" (2006) 40 Colum.J.L.& Soc.Probs. 1, at 9.

²³⁵ *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US), at 655.

²³⁶ Ibid, at 654.

²³⁷ Ibid, at 657.

²³⁸ 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 MALR 1, at 5.

²³⁹ *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US), at 657.

dependant on high volumes of software use, much of which was known to be infringing.²⁴⁰ This was a business plan which rested on a high volume of infringement.²⁴¹ Taken together, these factors evidenced a clear unlawful objective.

Liability is predicated on the active encouraging of copyright infringement. As noted by the Supreme Court, a failure to take positive steps to prevent infringement will not be sufficient evidence for a finding of inducement.²⁴² Similarly, a business plan based on high volume infringing use alone will not justify an inference of unlawful intent.²⁴³ Without active encouragement, any finding of liability would run contrary to the Sony Betamax rule.

Based on the decision of the Ninth Circuit in *Grokster*, peer-to-peer facilitators and BitTorrent Client distributors will not face liability under contributory or vicarious heads of liability. Under inducement theory, a peer-to-peer facilitator such as Kazaa may escape liability if they refrain from any encouragement of file sharing or advertising of file sharing capabilities. A novel file sharing technology is more likely to receive protection, as the court will place weight on promoting innovation in communication technologies.²⁴⁴ If the service has clear warnings against file sharing, and evidence of at least potential for substantial non-infringing use, the operator is unlikely to be found liable for inducing copyright infringement. This same result is likely for those manufacturing and distributing BitTorrent Clients, as they do not promote the file sharing capabilities of their services.²⁴⁵

Those providing indexing and tracking services for the BitTorrent system are the most likely to face liability under American copyright law. In *A & M Records Inc v Napster*,²⁴⁶ the defendants operated a file sharing system in which they maintained a central index users were able to search. The Sony Betamax doctrine was held not to preclude liability as a contributory infringer because the defendants had actual knowledge of infringing files of which express notice was given and had failed to take reasonable steps to block access to those files.²⁴⁷ If these websites are served with notice of specific infringing files, then actual knowledge will be established. It is likely that the material contribution arm of contributory liability will also be found,

²⁴⁰ Ibid, at 657.

²⁴¹ 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 MALR 1, at 5.

²⁴² *MGM Studios Inc v Grokster Ltd* (2005) 64 IPR 645 (S. Ct. US), at 657, footnote 12.

²⁴³ Ibid, at 657.

²⁴⁴ Ibid, at 651.

²⁴⁵ Benjamin Vincents Okechukwu “Secondary liability for copyright infringement in the BitTorrent platform: placing the blame where it belongs” (2008) 40 EIPR 4, at 7.

²⁴⁶ *A & M Records Inc v Napster Inc* (2000) 50 IPR 232, 293 F 3d 1004.

²⁴⁷ Ibid, at 246.

and that indexers and trackers will be held liable as contributory infringers. Liability as a vicarious infringer is also likely. The financial interests of indexers and trackers are dependant on usage, and, as was held in *Napster*, the availability of infringing material acts as a draw for customers.²⁴⁸ Indexes and trackers also have the ability to supervise and control content on their sites. Liability for inducing copyright infringement is also likely to be found if those providing tracking and indexing services advertise the infringing capabilities of their websites.²⁴⁹

Secondary liability in the United States is therefore an alternative method of addressing those facilitating infringing file sharing. For rights holders, it will provide legal recourse against facilitators. It is contended that despite the differences in approach between the United States and those countries who use the concept of authorisation, the results between jurisdictions are likely to be similar. This can be evidenced by an application of United States law to the most recent Australian and English cases.

If *Roadshow* had been tried in the United States, it is likely that the defendants would not have been held to have infringed copyright under any head of secondary liability. As they had no control over the file sharing system (BitTorrent), and their financial interests were not related to infringing actions, iiNet would not be held to have infringed vicariously. Contributory infringement would be precluded by operation of the Sony Betamax doctrine. As the service had substantial non-infringing uses, actual knowledge of specific infringing files would be required. If knowledge were attached by infringement notices, iiNet arguably did not materially contribute to the infringement, as they did not provide the means by which infringement took place. Furthermore, as iiNet had not promoted use of the internet for infringing file sharing there would be no basis for any claim of inducing copyright infringement. Thus, iiNet would not face liability in the United States. This was the result reached in Australia, and is the result likely to be reached if *Roadshow* had been heard by the English courts.

If *Newzbin* had been tried in the United States, it is likely the defendants would have been liable as contributory infringers as they had received notice of specific infringing files, and operated a central index which materially contributed to the infringement.²⁵⁰ They would be in a similar position to the defendant in *Napster*. As they had actual

²⁴⁸ Ibid, at 247.

²⁴⁹ Any outcome is uncertain, as the only torrent search case to go to court ended with termination, based on the actions of the defendant in destroying evidence. See *Columbia Pictures Indus., Inc. v. Bunnell, et al.*, 2007 WL 4877701 (C.D.Cal. Filed Dec. 13, 2007).

²⁵⁰ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43, at [77].

knowledge of specific infringing files and had failed to take reasonable steps to block access to those files, Sony Betamax would not operate to preclude liability as contributory infringers. The defendants in *Newzbin* would also be likely to be held to have vicariously infringed copyright, as they had control over the system and a financial interest in new members who would invariably infringe. It is also likely that the defendants in *Newzbin* would be liable for inducing copyright infringement. The defendants had actively encouraged infringement by providing incentives for editors to create NZB reports,²⁵¹ interacted with members on forums to reassure and explain how to download files²⁵² and offered members a sophisticated facility, for a fee, which enabled members to make easy use of the system.²⁵³ It is contended that these actions amount to a fostering of infringement. Thus, the defendants would be liable under United States' law. Again, this is the result reached in England, and is the result likely to be reached if *Newzbin* had been heard in Australia.

The various international approaches to file sharing are therefore increasingly aligned. Two cases decided in 2010²⁵⁴ would be likely to have had the same result in any of the jurisdictions considered. However, even though these approaches are converging across the jurisdictions, varying outcomes are still likely if legal action were taken against facilitators of file sharing. In Australia, it is likely that, all considered, facilitators would face liability for authorising infringement. In England, all facilitators except those providing BitTorrent Clients are likely to face liability. In Canada, only those providing peer-to-peer services are likely to be held to have authorised infringing conduct. Finally, in the United States, liability will be found for all facilitators if they have openly encouraged infringement under inducement theory. However, if this is not the case, then only BitTorrent indices and trackers are likely to be liable for contributory and vicarious infringement. Thus, the various approaches to facilitators of internet file sharing all provide some level of recourse to rights holders. However, depending on the approach to authorisation applied, individual platforms may or may not face liability.

5. NEW ZEALAND

There is very little guidance from the New Zealand courts as to how the concept of authorisation should be applied to deal with facilitators of copyright infringement. In *APRA v Koolman*,²⁵⁵ a coffee bar owner hired a band. By allowing them to play what

²⁵¹ Ibid, at [34].

²⁵² Ibid, at [66-76].

²⁵³ Ibid, at [98].

²⁵⁴ *Twentieth Century Fox Film Corp and others v Newzbin* (2010) EWHC 608 (Ch), [2010] D All ER 43; *Roadshow Films v iiNet* [2010] FCA 24.

²⁵⁵ *Australasian Performing Right Association Ltd v Koolman* [1969] NZLR 273 (SC)

they wanted, he was held to have authorised their copyright infringement when they played a Beatle's cover without license.²⁵⁶ A number of interlocutory applications touched on authorisation, but none were in the context of internet file sharing and there was no focused discussion on the issue.²⁵⁷ The Court of Appeal in *Heinz Watties v Spantech Ltd* expressly declined to comment on the approach that New Zealand should take to inferring authorisation of copyright infringement. It stated:²⁵⁸

Finally, for the avoidance of doubt, we make it clear we are not to be taken as deciding on the exact extent to which the *Amstrad* case has modified the concept of authorisation or as deciding whether *Moorhouse* applies in New Zealand despite *Amstrad*.

There is thus a number of international approaches to those facilitating digital file sharing. Although there is international convergence, application of these approaches will result in different outcomes. There is no guidance from the New Zealand courts as to how authorisation should be approached in this context. Therefore, the New Zealand courts will have to make a choice as to how authorisation will be applied. This decision will determine the viability of legal remedies for rights holders against those facilitating copyright infringement.

Before discussion of which concept of authorisation should be adopted, it is appropriate to consider the application of the new s92B Copyright Act 1994.²⁵⁹ Section 92B(2) provides that merely because a person uses the internet services of an ISP in infringing copyright, the internet provider does not “without more” infringe copyright.²⁶⁰ An internet service for the purpose of s92B is one referred to in the definition of ISP in s2.²⁶¹ This includes people who do either or both of the following things:²⁶²

- (a) Offers the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing
- (b) Hosts material on websites or other electronic retrieval systems that can be accessed by a user.

²⁵⁶ Ibid, at 275.

²⁵⁷ See: *Kelly Tarlton's Underwater World v Mellsop* (1989) 3 PRNZ 362 (HC)) 3 PRNZ 362 (HC); *Brintons v Feltex Furnishings of New Zealand* [1991] 2 NZLR 677 (HC); *Pierson Holdings v Auckland Area Health Board* (19 October 1992) High Court, Auckland CP 1867/90, Master Gambrill) High Court, Auckland CP 1867/90, Master Gambrill).

²⁵⁸ *Heinz Watties Ltd v Spantech Pty Ltd* (2005) 11 TCLR 591, at [36].

²⁵⁹ Copyright Act 1994, s92B.

²⁶⁰ Ibid, s92B(2)(a).

²⁶¹ Ibid, s92B(4), s2(1) “internet service provider.”

²⁶² Ibid, s2(1) para (a) and (b) “internet service provider.

This is a broad definition of ISP, and may include those facilitating file sharing. Thus, if facilitators have provided any of the services in the definition of ISP, without more, they will be found not to have infringed copyright. What will constitute ‘more’ is currently uncertain. It is likely that this provision will be read in a similar manner to s112E of Australian Act.²⁶³ Therefore, constructive knowledge will be sufficient to take an ISP outside the protection of the section.²⁶⁴ Although s92B is broader than the Australian provision, the focus is similar. This interpretation of s92B is strengthened by the introduction of a Bill which provides a further safe harbour for ISPs who have knowledge of infringing use being made of their services but comply with obligations to forward notices and record copyright infringement.²⁶⁵ The drafters of the Bill have proceeded on the assumption that an ISP with knowledge would not be protected by s92B. Therefore, if a facilitator is found liable for authorising infringing file sharing in New Zealand by adopting one of the approaches discussed, it is contended that s92B will not operate to prevent liability. This is because the factors leading to a finding of authorisation invariably preclude operation of s92B.

²⁶³ Copyright Act 1968 (Cth), s112E.

²⁶⁴ *Roadshow Films v iiNet* [2010] FCA 24, at [577].

²⁶⁵ Copyright (Infringing File Sharing) Amendment 2010 (119-1), cl 6 (proposed new s92B(2A)).

PART THREE: WHAT APPROACH SHOULD NEW ZEALAND TAKE?

There are a number of international approaches to authorisation. The Australian approach remains the widest, and the most likely to result in liability for facilitators of infringing file sharing. This is therefore the approach which will provide copyright owners with some recourse against those facilitating mass infringement of their copyright. If the New Zealand courts did apply the Australian formulation of authorisation to those facilitating file sharing, it is likely all systems considered in this dissertation would face liability for authorising infringing file sharing.

This dissertation started with a problem – mass infringement of the rights of copyright owners. It is contended that any concept of authorisation applied will be of questionable utility in solving this problem. Evidenced by the comparative analysis, application of authorisation will provide a legal remedy against facilitators of copyright infringement. However, the practical benefit to rights holders is minimal. Substantive awards of damages will not be sufficient to recoup lost revenue resulting from file sharing. Injunctive relief against facilitators only applies to parties in the proceeding, and not to other individuals providing the same facilities. The futility of successful legal proceedings is put in stark relief by the continued operation of the Newzbin facility following successful legal proceedings against them. They are merely operating in a different country on a different server.²⁶⁶ Legal proceedings are slow and cumbersome, and even when they are successful do not provide meaningful protection against internet file sharing. Also, for rights holders in New Zealand, jurisdictional issues will occur as most of these facilitators operate from other countries.

The problem of applying pre-digital legal principles to modern technology is also clearly illustrated. Legal proceedings against facilitators will be unsatisfactory for rights holders. As discussed in part one,²⁶⁷ strategies focusing on individuals or ISPs are unlikely to provide meaningful recourse to rights holders. Drawing on the analysis of authorisation, ISPs are unlikely to face liability unless they have actively assisted in the setting up of a service known to enable copyright infringement (as demonstrated by *Cooper*). No ISP is likely to do this following the decision in *Cooper*. Further, although the inadequacy of s92B has been discussed, s92C and s92D will provide immunity from damages for ISPs which comply with the stipulated conditions.²⁶⁸ If the focus is on individual file sharers, it is difficult to get the

²⁶⁶ <www.newzbin.org>.

²⁶⁷ See above at 5-8.

²⁶⁸ However, injunctive remedies will still be available. Copyright Act 1994, ss92B(3), 92C(5), and 92E(3).

necessary personal details to pursue them in court. Also, court proceedings are expensive and time consuming. Finally, any damages will be dependant on the copyright owner being able to show loss from the individual's actions.

It is contended that other legal means will be necessary to provide rights holders with the ability to prevent the mass infringement of their copyright which is taking place. Traditional copyright remedies do not protect rights holders' interests. A Bill currently referred to the Commerce Select Committee proposes an alternative method – enlisting the help ISPs to educate and enforce copyright law against users.²⁶⁹ This Bill proposes a graduated three strike response for copyright owners to invoke against infringing file sharers. ISPs are required to co-operate with rights holders by matching internet protocol addresses with account holders and issuing infringement notices.²⁷⁰ After sending three notices to an account holder, a rights owner is able to apply to the Copyright Tribunal for damages of up to \$15,000 or the District Court for suspension of the user's account for up to six months. The scheme is intended to provide rights holders with a cheap alternative to orthodox suits against file sharers for infringing copyright. Similar legislation has been passed in England, in the Digital Economy Act 2010 (UK).²⁷¹ The effectiveness of these legislative developments remains to be seen, however, it is contended that instead of stretching existing legal concepts beyond all recognition to deal with new technology, innovative legal responses such as these will be more effective.

²⁶⁹ Copyright (Infringing File Sharing) Amendment 2010 (119-1).

²⁷⁰ Ibid, cl 7 (proposed new s122C).

²⁷¹ Digital Economy Act 2010 (UK).

CONCLUSION

This dissertation has demonstrated that authorisation as applied to facilitators of copyright infringement will not provide rights holders with the ability to protect their copyright. Even if it is applied in strict form, the practical utility will be minimal. Other recourse available to rights holders is also likely to be inadequate. This demonstrates that existing legal options will not adapt to the problems posed by digital storage and dissemination of creative works. The result is that alternate solutions must be sought. The Copyright (Infringing File Sharing) Bill 2010 is a viable alternative. The effectiveness of this approach is uncertain. However, if New Zealand deems it socially desirable to prevent infringing file sharing, then schemes such as that proposed by the Bill are likely to protect the interests of rights holders to a greater extent than existing legal options.

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APPENDICES

APPENDIX A: RELEVANT STATUTORY SECTIONS

Copyright Act 1994

Section 16 – Acts restricted by copyright

- (1) The owner of the copyright in a work has the exclusive right to do, in accordance with sections 30 to 34 of this Act, the following acts in New Zealand:
 - (i) To authorise another person to do any of the acts referred to in any of paragraphs (a) to (h) of this subsection.

Section 92B – Internet service provider liability if user infringes copyright

- (1) This section applies if a person (“A”) infringes the copyright in a work by using 1 or more of the Internet services of an Internet service provider to do a restricted act without the consent of the copyright owner.
- (2) Merely because A uses the Internet services of the Internet service provider in infringing the copyright, the Internet service provider, without more,—
 - (a) does not infringe the copyright in the work
 - (b) must not be taken to have authorised A's infringement of copyright in the work
 - (c) subject to subsection (3), must not be subject to any civil remedy or criminal sanction.
- (3) However, nothing in this section limits the right of the copyright owner to injunctive relief in relation to A's infringement or any infringement by the Internet service provider.
- (4) In subsections (1) and (2), Internet services means the services referred to in the definition of Internet service provider in section 2 (1).

Copyright Act 1968 (Cth)

Section 101 - Infringement by doing acts comprised in copyright

- (1) Subject to this Act, a copyright subsisting by virtue of this Part 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.
- (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 a copyright subsisting by virtue of this Part 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 other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

Section 112E – Communication by use of certain facilities

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.

Copyright, Designs, and Patents Act 1988 (UK)

Section 16 – The acts restricted by copyright in a work.

- (2) Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright.

Copyright Act RSC 1985 c C-42

Section 3 – Copyright in works

- (1) For the purposes of this Act, "copyright", in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right to:

...

and to authorize any such acts.

APPENDIX B: PROPOSED COPYRIGHT (INFRINGING FILE SHARING) AMENDMENT BILL
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Clause 6 – Internet service provider liability if user infringes copyright

(1) Section 92B is amended by inserting the following after subsection (2):

(2A) An Internet service provider does not infringe the copyright in the work, or authorise A's infringement of the copyright in the work, merely because the Internet service provider knows of the infringement from information received as a result of anything done under sections 122A to 122R, provided that, in relation to the alleged infringement, the Internet service provider complies with all its obligations under those sections and under any regulations made under section 234(eb) to (eh)."