

A SHIFT IN TIME SAVES NO-ONE: MOBILE TECHNOLOGIES AND THE NRL V OPTUS DECISION

KAYLEEN MANWARING*

ABSTRACT

In 2006, additions to the ‘fair dealing’ exceptions were made to the *Copyright Act 1968* (Cth) to recognise current community expectations about what should constitute legal copying. These included exceptions for ‘time-shifting’ and ‘format-shifting’, methods heavily used by the mobile-equipped generation to listen and watch all forms of content on their mobile phones and tablets.

Earlier this year, Federal Court judges issued trial and appeal judgments in the first case in Australia to interpret the ‘time-shifting’ exception contained in s 111 of the *Copyright Act 1968* (Cth) (s 111)¹. The contrasting decisions of the trial judge and the Full Federal Court in *Singtel Optus Pty Ltd v National Rugby League Investments Pty Ltd (No 2)*² and *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd*³ have been the focus of much interest in the media and telecommunications industries. This paper will briefly discuss problems with s 111, and propose an alternative exception for private and domestic use which may assist in encouraging innovation in the digital industry sector.

I. INTRODUCTION

On 30 March 2012, the Commonwealth Attorney-General announced a review by the Australian Law Reform Commission (ALRC) of the exceptions in the *Copyright Act 1968* (Cth) (‘ALRC review’).⁴ This release followed close on the heels of Rares J’s ground-breaking copyright decision in the Federal Court, in *Optus v NRL*.⁵ This case was the first in Australia to interpret the new ‘time-shifting’ exception⁶ introduced by the *Copyright Amendment Act 2006* (2006 Amendment Act).⁷

The decision of the trial judge in this case was overturned by the Full Federal Court (‘Full Court’) in April this year. However, the Full Court acknowledged the ‘difficulty and considerable uncertainty’⁸ inherent in the application of the time-shifting exception. Despite this acknowledged uncertainty, the High Court has refused special leave to appeal in this case⁹. In any event, it is unlikely that the drafting problems and public policy issues to which s 111 gives rise could have been satisfactorily dealt with judicially: so the ALRC review is opportune.

* Lecturer in Law, Australian School of Business, University of New South Wales.

1 On 7 September 2012, the High Court of Australia refused Singtel Optus Pty Ltd’s application for special leave to appeal in this case.

2 (2012) 199 FCR 300 (‘*Optus v NRL*’) (first instance before Rares J of the Federal Court).

3 (2012) 201 FCR 147 (‘*NRL v Optus*’) (appeal decision before Finn, Emmett and Bennett JJ of the full bench of the Federal Court).

4 Attorney-General’s Department (Cth), ‘Copyright exceptions to be reviewed’, (Media Release, 30 March 2012) <<http://www.attorneygeneral.gov.au/Media-releases/Pages/2012/First%20Quarter/30-March-2012---Copyright-exceptions-to-be-reviewed.aspx>>.

5 (2012) 199 FCR 300.

6 *Copyright Act 1968* (Cth) s 111.

7 An excellent summary of the history of the 2006 Amendment Act can be found in Kimberlee Weatherall, ‘Of Copyright Bureaucracies and Incoherence: Stepping Back from Australia’s Recent Copyright Reforms’ (2007) 31 *Melbourne University Law Review* 1, 3-18.

8 *NRL v Optus* (2012) 201 FCR 147, 152 [9].

9 7 September 2012, <http://www.hcourt.gov.au/assets/registry/special-leave-results/2012/7-09-12SLResults_Syd.pdf>

II. THE FACTS¹⁰

The copyright in free-to-air televised broadcasts of football games in Australia's two most popular codes (Australian Rules and rugby league)¹¹ is owned by the Australian Football League ('AFL') and National Rugby League partnership ('NRL') respectively. The AFL and NRL both granted Australia's largest telecommunications provider, Telstra Corporation Ltd ('Telstra'), an exclusive licence to communicate these games to the public on the internet and on mobile devices. It is supposed that Telstra paid handsomely for the privilege: the deal with the AFL alone is alleged to be worth more than AUD \$150 million over 5 years.¹²

The utility of this licence deal was threatened by the innovation activities of Singtel Optus Pty Ltd and its subsidiary, Optus Mobile Pty Ltd (together 'Optus'). In mid-July 2011, Optus began offering a cloud-based service to its mobile subscribers called 'TV Now'. The TV Now service (suspended after the Full Court decision) allowed subscribers to use a mobile application, or the TV Now website, to record their choice of free-to-air television shows, and watch the shows on any or all of their mobile telephone, tablet or PC devices. Optus offered a free service (to subscribers) with limited recording time, as well as two fee-based plans offering additional time.¹³

The TV Now service was based on a fully-automated software and hardware system, which was set up, owned and maintained by Optus. 'Record' requests from user devices were sent to a user database located on Optus equipment. If a 'record' request was received, free-to-air broadcasts intercepted by Optus antennae and receivers were converted and recorded in four different MPEG formats on Optus servers (compatible with PC viewing via the website, or on Apple, Android and other 3G devices). These copies were *unique* to each user (for example, if 10 users requested to record a particular football match, then 40 different copies were made of the same match - each identified in the Optus system with an unique customer ID).

When a 'play' request was received, the TV Now system would stream the unique recording in the relevant format to the requesting device.¹⁴ No additional copy was made on either the Optus equipment or user device when the recording was played. Recordings were automatically deleted after 30 days.

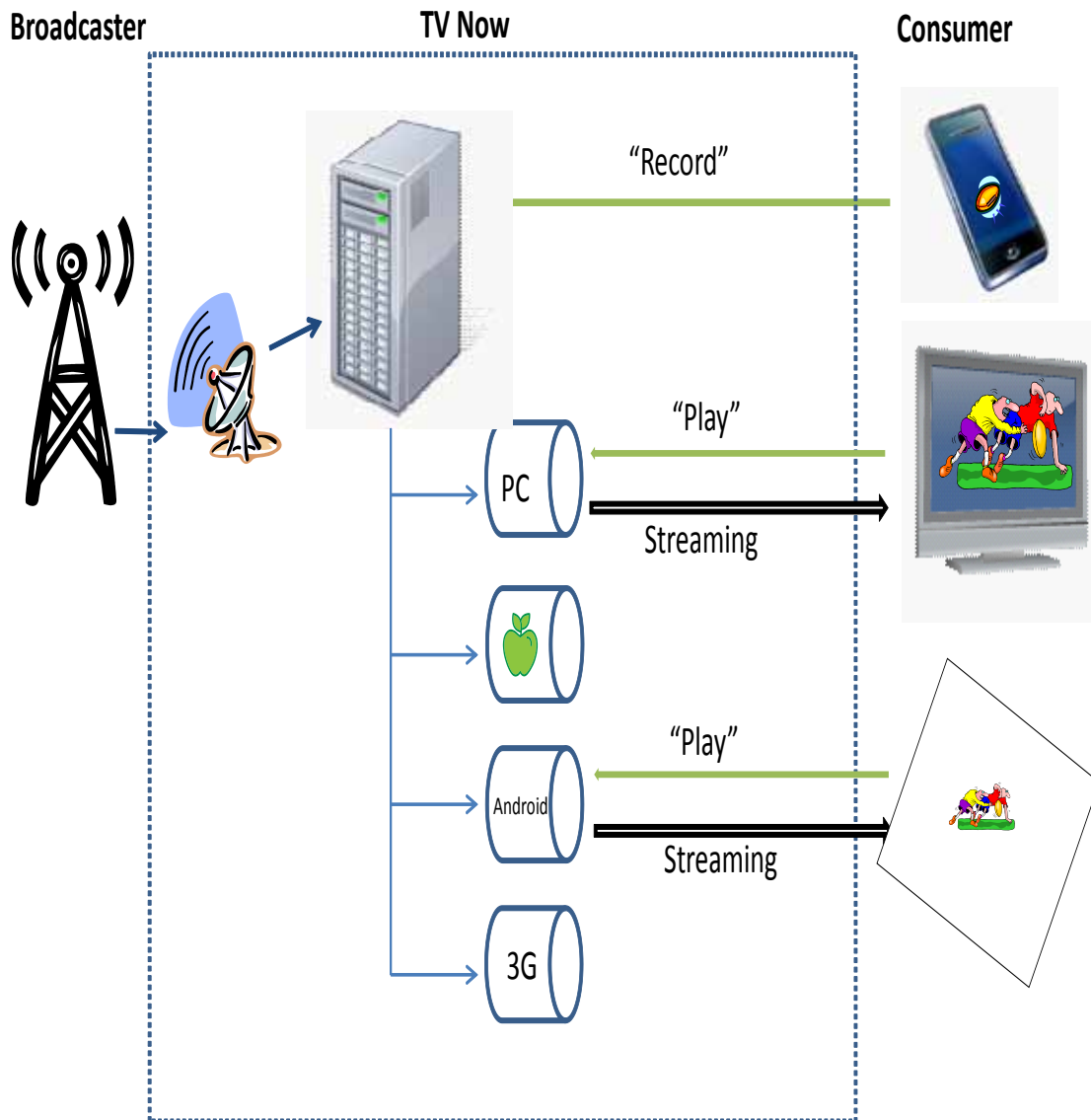
10 As set out in the trial judge's decision in *Optus v NRL* (2012) 199 FCR 300.

11 The most recent statistics on the popular sports attended in Australia over 2009-2010 can be found at Australian Bureau of Statistics, Catalogue No 4174.0, Spectator Attendance at Sporting Events, 2009-10, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4174.0Main+Features12009-10?OpenDocument>.

12 Justin Whealing, 'From the Footy Brawl to the Firm', *Lawyers Weekly* (online), 15 March 2012 <<http://www.lawyersweekly.com.au/news/from-the-footy-brawl-to-the-firm--1>>.

13 0c/45 min, (approx) \$7/5 hours, (approx) \$10/20 hours. *Optus v NRL* (2012) 199 FCR 300, 308 [15].

14 The technology worked somewhat differently for Apple devices, giving rise to 'discrete' issues in relation to s 111: the parties agreed to deal with these issues separately from the existing proceedings. *Ibid* 334-335 [115].

Figure 1: A simplified diagram of the TV Now system¹⁵

III. THE ACTION

A. Optus Claims Unjustifiable Threats

The action was commenced not by the rights holders but by Optus. When confronted with claims by the NRL and AFL that the TV Now system infringed their copyright in the broadcast of the football games and they would seek to shut the system down, Optus responded by bringing proceedings in the Federal Court under s 202 of the *Copyright Act 1968* (Cth) for unjustifiable threats of infringement proceedings. The AFL and NRL duly cross-claimed for copyright infringement, and Telstra, the exclusive licensee of the internet and mobile rights, was also joined.

¹⁵ Considerable assistance in drafting this diagram was received from diagrams of comparable systems used in the US and Japan, prepared by Naoya Isoda, 'Copyright Infringement Liability of Placeshifting Services in the United States and Japan' (2011) 7 *Washington Journal of Law, Technology & Arts* 149, 200-204.

B. AFL, NRL and Telstra Cross-Claim for Infringement of Copyright

The AFL, NRL and Telstra based their cross-claim on sections 85-87 and section 101 of the *Copyright Act 1968* (Cth). These sections provide that copyright is infringed in a film, sound recording or broadcast, if a person without permission:

- makes a copy or film of the relevant copyright material;
- causes the material to be seen or heard in public; and/or
- communicates the material to the public.

C. Optus' Defence

There was no dispute about the facts. Optus defended the claim that they had infringed copyright by making copies of the broadcast and streaming them to the users of the TV Now service by counter-claiming that s 111 applied:

111 Recording broadcasts for replaying at more convenient time

(1) This section applies if a person makes a cinematograph film or sound recording of a broadcast solely for private and domestic use by watching or listening to the material broadcast at a time more convenient than the time when the broadcast is made....

(2) The making of the film or recording does not infringe copyright in the broadcast or in any work or other subject-matter included in the broadcast...

Optus claimed that each *user* of the TV Now service had been the one to 'make' the recorded copies, and replay them, for their own private or domestic use. This was not an infringement of copyright, Optus argued, under the time-shifting exception in s 111. No party sought damages at this stage, only a declaration as to the legality or otherwise of Optus' system.

IV. THE DECISIONS

A. At Trial

The main issues Rares J decided at trial were:¹⁶

16 The NRL (but not the other parties) also pressed an issue as to whether the recording was an 'article', or 'article or thing' under s 103 and s 111(3)(d), which prohibits sale or distribution of an article infringing copyright (s103) or an article or thing made for private or domestic use (s 111(3)(d)). Rares J held in *Optus v NRL* (2012) 199 FCR 300, 333-334 [110-111] that s 103 was not breached because there was no infringement of copyright, and that s 111(3)(d) did not apply because there was no distribution of Optus' server (held to be the article or thing under s 24). For a much more detailed analysis of the decision at first instance, see Rebecca Giblin, 'Optus v NRL: A Seismic Shift for Time Shifting in Australia' (2012) <<http://ssrn.com/paper=2007950>>.

	Issue	Decision
1.	Who made the recordings stored on the Optus servers?	TV Now users (not Optus), as ‘[i]f the user does not click “record”, no films will be brought into existence.’ ^a
2.	Could the maker avoid liability for copyright infringement under s 111(2) of the <i>Copyright Act 1968</i> (Cth)?	Yes , as the making was solely for private and domestic use.
3.	Who communicated (electronically transmitted or made available online) the programs to the user?	Users . Optus ‘did nothing to determine the content of that communication’. ^b
4.	Was the transmission a communication ‘to the public’ in breach of s 86(c) or s 87(c) of the <i>Copyright Act 1968</i> (Cth)?	No . ‘[A] communication made by the user to himself or herself of the film that he or she recorded is not made “to the public”’. ^c

a. *Optus v NRL* (2012) 199 FCR 300, 322 [63].

b. *Ibid* 329 [95].

c. *Ibid* 322 [106].

1. *The Authorities*

This case was the first to consider the interpretation of s 111 of the *Copyright Act 1968* (Cth). Therefore, Rares J took guidance from two foreign authorities which dealt with similar fact situations:

- the US Second Circuit Court of Appeals decision in *Cartoon Network LP, LLLP v CSC Holdings Inc* (‘*Cartoon Network*’);¹⁷ and
- the Singapore Court of Appeal decision in *RecordTV Pte Ltd v MediaCorp TV Singapore Pte Ltd* (‘*RecordTV*’).¹⁸

The judge also relied on an analogy with the facts in a High Court of Australia case, *University of New South Wales v Moorhouse*.¹⁹ The High Court in this case held that a university was not primarily liable for copyright infringement for copies made by a person who used a photocopier in the university library to make infringing copies.²⁰

2. *The Trial Judge’s Conclusion*

From one perspective, Rares J’s interpretation is a sensible one. The Explanatory Memoranda²¹ to the 2006 Amendment Act imply that the primary purpose behind s 111 was to allow users to watch content they already had a right to watch at a time of their choosing without further charge, consistent with community expectations. The section, consistent with an implicit aim

17 *Cartoon Network LP, LLLP v CSC Holdings Inc* 536 F 3d 121 (2nd Cir 2008).

18 *RecordTV Pte Ltd v MediaCorp TV Singapore Pte Ltd* [2010] SGCA 43.

19 (1975) 133 CLR 1 (‘*Moorhouse*’).

20 However, the university was held to have *authorised* the infringing copies in breach of s 36 of the *Copyright Act 1968* (Cth).

21 Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth), Supplementary Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth) and Further Supplementary Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth).

of technological neutrality,²² does not on its face confine itself to particular devices or systems available at the time, such as VCRs or DVRs.

Additionally, the drafting of the section was changed during the parliamentary process to broaden the scope of the exception. The original drafting required the *copying* to be in ‘domestic premises’;²³ this was removed in the final draft, and a definition of private and domestic use was added that specifically allowed for *use* ‘on or off domestic premises’.²⁴ This amendment was obviously intended to allow recording and viewing to take place anywhere, anytime in order to give users flexibility; a flexibility directly relevant for users of mobile technology.

The section on its face does not prohibit the assistance of third parties to achieve the desired object. This makes sense as the vast majority of users cannot ‘make’ a film or recording and watch it later without third party supply of a physical device (such as a DVR or computer) and/or a software program.²⁵ In fact, the first Explanatory Memorandum backing the 2006 Amendment Act specifically recognised the role of third parties in supplying ‘digital devices and services’ (emphasis added) for private copying.²⁶

B. *The Full Court*

The Full Court praised the trial judge and said that he had ‘reasoned cogently’.²⁷ However, despite this, the Full Court held that he did not correctly interpret s 111.²⁸ Finn, Emmett and Bennett JJ found instead that Optus *had* infringed copyright in the broadcasts. The unanimous judgment held:

- Optus alone, or Optus and the users jointly,²⁹ were the ‘makers’ of the recordings; and
- Optus could not rely on the so-called ‘private and domestic use defence’ of s 111, as the Full Court felt there was nothing in the section that suggested it was intended to cover commercial copying on behalf of individuals.³⁰

1. *The Reasoning*

(a) *The ‘Maker’ of the Copies*

Rares J at first instance held that:

[t]he ordinary and natural meaning of “makes” and “making” in the sense ... is “to create” by initiating a process utilising technology or equipment that records the broadcast.³¹

This interpretation of the meaning of ‘makes’ led to the trial judge’s conclusion that:

22 The Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth) mentions maintaining the technological neutrality (or technical neutrality – the terms appears to be interchangeable in this context) of the Act no less than five times, although not expressly in reference to the new s 111. In the earlier *Copyright Amendment (Digital Agenda) Act 2000* (Cth), a stated objective of the legislation was ‘[t]o replace technology-specific rights with technology-neutral rights so that amendments to the Act are not needed each time there is a development in technology’.

23 Further Supplementary Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth), 7 [27-29].

24 S 10(1) *Copyright Act 1968* (Cth), discussed in Supplementary Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth), 6 [14].

25 Such as Windows Media Center (<http://windows.microsoft.com/en-U/windows7/products/features/windows-media-center>) or XBMC (<http://xbmc.org/>).

26 Ibid 9, cited in *Optus v NRL* (2012) 199 FCR 300, 319 [54].

27 *NRL v Optus* (2012) 201 FCR 147, 152 [9].

28 *NRL v Optus* (2012) 201 FCR 147, 163-171 [55-99].

29 The preferred view of the Full Court was that of joint and several responsibility, but they did not think it necessary to rule definitively on this point. Ibid 167 [78].

30 Ibid 169 [89].

31 *Optus v NRL* (2012) 199 FCR 300, 322 [64].

the user of the TV Now service makes each of the films ... when he or she clicks on the “record” button ... This is because the user is solely responsible for the creation of those films. He or she decides whether or not to make the films and only he or she has the means of being able to view them. If the user does not click “record”, no films will be brought into existence that he or she can play back later. The service that TV Now offers ... is substantively no different from a VCR or DVR.³²

The Full Court disagreed with Rares J’s assessment of the ‘maker’ of the copies on four grounds:³³

(i) *Definition Of ‘Make’*

They disagreed with Rares J’s definition of the word ‘make’ as ‘create’. The Court preferred the AFL’s definition: ‘to produce (a material thing) by giving a certain form to a portion of matter’. The judges said that making is a ‘fundamental concept’ under the Act and ‘the essence of it is the idea of ... creating or producing ... a physical thing’.³⁴ However, the Court did recognise that there was a need for a ‘causative agency’.³⁵ This led to the conclusion that *both* Optus and the user were (probably) jointly and severally the makers of the copies: the user was the ‘instigat[or]’ of the copying, but it was Optus who ‘effect[ed]’ it.³⁶ This reasoning was supported by the Full Court’s analysis of the relationship between the parties evidenced in the contract between them.³⁷

(ii) *How The System Works*

The Full Court felt that ‘Optus [was] not merely making available its system to another who uses it to copy a broadcast’.³⁸ They considered that:

Optus’ role in the making of a copy – ie in capturing the broadcast and then in embodying its images and sounds in the hard disk – is so pervasive that, even though entirely automated, it cannot be disregarded when the ‘person’ who does the act of copying is to be identified.³⁹

(iii) *The Analogies Used*

The Full Court also rejected the trial judge’s use of the *Moorhouse* photocopier analogy. They expressed significant doubt that analogies were useful at all, as:

they both divert attention from what the TV Now system has been designed to do and pre-suppose what is the function (albeit automated) it performs in the ongoing Optus-subscriber relationship.⁴⁰

However, they did hold that if an analogy was to be used, the TV Now system was *not* analogous to the *Moorhouse* situation: it was closer to that of a commercial photocopier who takes material given to it and copies it on behalf of its customers,⁴¹ with the implication that this would not be sufficient to attract the protection of s 111.

32 Ibid 322 [63].

33 *NRL v Optus* (2012) 201 FCR 147, 163-165 [58-65].

34 Ibid 164 [58].

35 Ibid.

36 Ibid 167 [76].

37 Ibid 167 [74, 76].

38 Ibid 166 [68].

39 Ibid 165 [67].

40 Ibid 164 [60] (relating back to the discussion in 163 [57]).

41 Ibid 166 [71].

The Full Court added that the way the TV Now system had been designed made Optus the ‘main performer of the act of [copying]’, adopting the language and conclusions of a Japanese appellate court examining similar technology.⁴²

(iv) Problems With ‘Volitional Conduct’

The Full Court considered a concept labelled ‘volitional conduct’ concept used in *Cartoon Network* was not relevant in Australian law. The court in *Cartoon Network* considered that:

[i]n determining who actually “makes” a copy, a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct ...⁴³

The use of the ‘volitional conduct’ requirement, according to the Full Court, was unnecessary in Australian law and put an inappropriate gloss on the word ‘make’ in ss 86 and 87 of the *Copyright Act 1968* (Cth). They held that:

[i]t ... is not apparent to us why a person who designs and operates a wholly automated copying system ought as of course not be treated as a “maker” of an infringing copy where the system itself is configured designedly so as to respond to a third party command to make that copy.⁴⁴

(b) Could Optus As ‘Maker’ Nevertheless Claim Protection Under s 111?

In deciding this question, the Full Court examined the various bills and explanatory memoranda leading up to the passing of the new s 111. Unfortunately for Optus, the Full Court held that:

[t]here is nothing in the language, or the provenance, of s 111 to suggest that it was intended to cover commercial copying on behalf of individuals... [T]he natural meaning of the section is that the person who makes the copy is the person whose purpose is to use it.⁴⁵

2. ‘Policy And A Technologically Neutral Interpretation’

The Full Court ended their decision with a brief discussion of statutory construction, in an attempt to shore up its particular interpretation of s 111. The judges acknowledged the desirability of technological neutrality, and recognised it as a parliamentary objective in previous amendments to the *Copyright Act 1968* (Cth).⁴⁶ However, the Full Court expressly recognised that their interpretation was not a technologically neutral one (unlike the decision at first instance), but felt constrained by what they saw as the ‘clear and limited legislative purpose of s 111’ to insist on an interpretation which excluded at least some of the technologies post-dating the section.⁴⁷

42 Ibid 164 [60], citing *Re Rokuraku II*, First Petty Bench of the Supreme Court, Japan, 20 January 2011. This case concerned similar technology to the TV Now system and the First Petty Bench held that it was the service provider who performed the reproduction, not the user. Not cited in the Full Court’s decision was a similar decision 11 months later by the Paris Court of Appeal in *Cour d’appel de Paris, Pôle 5, chambre 1, 14 décembre 2011, Wizzgo/Metropole Television et autres (Wizzgo)*. For an English language summary of *Wizzgo*, see Anne-Sophie Laborde, ‘Online digital video provider does not benefit from private copying exception’ (2012) *International Law Office Media and Entertainment Newsletter* <<http://www.internationallawoffice.com/Newsletters/Detail.aspx?g=4f0eff65-d63f-4a2a-9601-c1fa0088733e&redir=1>>.

43 *NRL v Optus* (2012) 201 FCR 147, 164-165 [62-63], citing *Cartoon Network*, 536 F 3d 121 (2nd Cir 2008), 10 [131].

44 *NRL v Optus* (2012) 201 FCR 147, 165 [64].

45 Ibid 169 [89].

46 Ibid 170 [95].

47 Ibid 170 [96].

This conclusion was followed by a brief discussion of ‘interpretation informed by legislative policy’,⁴⁸ and the concept of purposive construction contained in the *Acts Interpretation Act 1901* (Cth):

In interpreting a provision of an Act, the interpretation that would best achieve the purpose or object of the Act (whether or not that purpose or object is expressly stated in the Act) is to be preferred to each other interpretation.⁴⁹

The Full Court concluded that despite the use of policy as a tool of construction for ‘many centuries’, this tool had some limits, in particular:

if the apparently confined words of a statute are to be given a more extended scope, not only must they be capable as a matter of language of sustaining such an extension, there must also be some indication in the legislation, its purpose and context of whether, and if so how, the legislature would wish to extend what, on its face, is the confined scope of the statute or of a section of it.⁵⁰

Essentially, the Full Court saw Rares J’s decision, which adopted the purposive approach, as an inappropriate attempt to extend the scope of the section, an attempt which the Full Court believed was not supported by the language of the section or any *express* legislative purpose.

Like Rares J, the Singapore Court of Appeal took a purposive approach, but with one significant addition:

... where the Copyright Act is unclear as to how much copyright protection ought to be granted to a copyright owner, the courts should not be quick to construe a statutory provision so liberally as to deter or restrict technological innovations by preventing them from being applied in a manner which would benefit the public *without harming the rights of the copyright owner*. (emphasis added)⁵¹

It is arguable that the technology in this case did actually cause harm to the copyright owners, in the form of revenue loss from licence deals with Telstra and other service providers. This is pertinent as the government did express some intention to protect this type of revenue, stating that “reforms should not unreasonably harm or discourage the development of new digital markets *by copyright owners*”⁵² (emphasis added). However, the Full Court did not mention this point. This is perhaps unsurprising, considering the Court’s expressed determination to justify their decision purely on interpretation of the precise language of the section.

V. LOST IN THE CLOUD, OR, WHERE TO FROM HERE?

A. Ambiguity And Applicability

Contrary to the Full Court’s conclusion that the trial judge had used the purposive approach to inappropriately extend the scope of the section, it is arguable that the trial judge’s interpretation is consistent with the current wording of s 111; The problem is, so is the Full Court’s! The essential problem with the case does not lie in the interpretation of the section contained in either judgment. The problem lies in the actual drafting of the section, which is simply ambiguous, leaving gaps which cannot easily be filled by the judicial process.

48 Ibid 170 [97].

49 S15AA.

50 Ibid 170-171 [97], citing *Woodside Energy Ltd v Federal Commissioner of Taxation* (2009) 174 FCR 91, [51].

51 *RecordTV*, [2010] SGCA 43, 64.

52 Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth), 1.

The most likely reason for this ambiguity is not hard to discover. The 2006 Amendment Act attracted trenchant criticism from the Senate Standing Committee⁵³ and other members of parliament.⁵⁴ Criticism did not focus on the actual content of the provisions, rather on the perception that they were pushed through without sufficient time for consideration.

Kimberlee Weatherall, in a prescient 2007 article, criticised the lack of guiding principles applying to the *Copyright Act 1968* (Cth), and said that this was ‘indicative of a deeper failure to think through the policy goals’.⁵⁵ The problems with a lack of consideration of those goals, and an underdone drafting job, are borne out by the result in this particular decision. Also, in the absence of such guiding principles, it is unlikely that the ambiguity inherent in s 111 can be appropriately resolved by the courts.

The Full Court’s approach has created an additional problem: how can this decision be applied in other contexts? The Full Court clearly confined its decision to the particular TV Now service: ‘different relationships and differing technologies may well yield different conclusions to the ‘who makes the copy’ question’.⁵⁶

Unfortunately, the Full Court did not attempt to give any general guidelines on how to answer this question in other circumstances. They also rejected the use of analogies as aids to interpretation. This case has left the public and industry with little assistance in establishing which technologies may breach this provision. The High Court’s decision to refuse special leave means that assistance will not soon be forthcoming.

Of course, courts could attempt to extend the Full Court’s judgment to its fullest extent and hold that if there is *any role* by a third party (other than pure supply of a device) then you have joint ‘makers’ and the non-user party will not be able to avoid liability for copyright infringement by the use of s 111. However, this is not borne out by the reasoning of the Full Court. In particular, the judges placed significant emphasis on the ‘pervasiveness’ of Optus’ role in the making of the copies as part of the TV Now service, which indicates that there is some threshold level of involvement by a third party before they are considered a ‘maker’. Unhelpfully, the Full Court gave little guidance on what that threshold level might be. For example, if the Full Court’s reasoning is applied, how would s 111 and other sections of the *Copyright Act 1968* (Cth) deal with a technology which worked like this:

- program broadcasts, selected by the user, are intercepted via the user’s *personal* digital receiver;
- the broadcasts are then converted, transmitted to, copied and stored on a cloud server maintained by a *third party*; and
- the programs are later transmitted to and played by the user on their personal device?

This scenario raises a number of questions about the interpretation of s 111 and other sections of the *Copyright Act 1968* (Cth). Would the third party’s role be considered ‘pervasive’ enough to fall within the Full Court’s definition of ‘maker’? The process of conversion, transmission and storage of the signal may well require multiple copies to be created, depending on the technology: how would this be treated under s 111, especially considering the use of the word ‘solely’? Would transmission to the cloud server be a ‘communication to the public’ in breach of the copyright holder’s rights?

All of these are technical questions that would likely arise for discussion in an Australian court. However, none of these questions in the end point usefully to whether or not as a matter of public policy, this technology and its use should be allowed. Should not lawmakers’ questions

53 Senate Standing Committee on Legal and Constitutional Affairs, Parliament of Australia, *Copyright Amendment Bill 2006 [Provisions]* (2006), Supplementary Report by the Labor Party, 45, [1.2] and Dissenting Report by the Australian Democrats, 51, [1.2].

54 Eg Commonwealth, *Parliamentary Debates*, House of Representatives, 1 November 2006, 28 (Nicola Roxon).

55 Weatherall, above n 7, 21.

56 *NRL v Optus* (2012) 201 FCR 147, 171 [100].

be about ease of use for consumers, and the encouragement of technological innovation? Or alternatively, from a rights holder perspective, would this type of copying have the potential to damage revenue streams to the extent that continued production of cultural content would no longer make economic sense?

In essence, the questions asked should be less about the ‘pervasiveness’ of third party roles and more about how the technology affects the balance between users and rights holders.

B What Should Happen to Section 111?

1. The Need For A Clearer Legislative Choice

In the present matter such are the conflicting interests and values, such are the possible consequential considerations of which account might need to be taken that, if a choice is to be made to extend or otherwise modify an exception such as s 111, this requires a legislative choice to be made, not a judicial one.⁵⁷

As discussed, it is arguable that Rares J’s interpretation of s 111 was *not* an extension or modification of s 111 as held by the Full Court, rather just one possible interpretation of an ambiguous section. However, in the light of the courts’ clear difference of opinion, in particular about the definition of ‘makes’, a clearer legislative choice does need to be made. In contrast to mostly piecemeal approaches to reform that have characterised amendments to copyright law in recent times, a comprehensive review by the ALRC is to be welcomed.

However, the Australian government does not have untrammelled discretion as to the drafting of their exceptions. The ALRC review will have to take into account Australia’s international obligations, in particular the ‘three-step test’ introduced in the Berne Convention.⁵⁸ One of the most relevant recent articulation of the ‘three-step test’ can be found in Article 13 of TRIPs:

Members shall confine limitations or exceptions to exclusive rights to certain special cases which *do not conflict with a normal exploitation* of the work and *do not unreasonably prejudice the legitimate interests* of the right holder.⁵⁹(emphasis added)

The most *certain* way to proceed, considering the technical nature of the Full Court’s decision, would be to draft the section to one of two extremes:

1. Take the Full Court’s decision to its furthest possible extent and state clearly that users can only time-shift using devices and/or systems over which they *have total possession, control, and proprietary rights*; or
2. Confirm Rares J’s purpose-based approach, and expressly permit a user who has a right to view content to *use any device or system it prefers to time-shift that content, whether or not a third party is involved*. Corporate entities may still make a profit out of selling a shifting service, but in order to comply with the ‘three step test’ this profit at the expense of the rights holders should be circumscribed eg by restrictions on the use of copies for anything other than the private purpose of the individual.

Both of these approaches have the benefit of increased certainty, but are not equal in their ability to balance the rights of content creators, digital product and service providers, and users.

⁵⁷ Ibid 171 [99].

⁵⁸ Article 9(2), *Berne Convention for the Protection of Literary and Artistic Works*, opened for signature 24 July 1971, 1161 UNTS 3, (entered into force 1 March 1978).

⁵⁹ *Marrakesh Agreement Establishing the World Trade Organisation*, opened for signature 15 April 1994, 1867 UNTS 3, annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*) (entered into force 1 January 1995). Other similar incarnations of the ‘three-step test’ can be found in Article 10 of the *WIPO Copyright Treaty*, opened for signature 20 December 1996, 36 ILM 65 (entered into force 6 March 2002) and Article 16 of the *WIPO Performances and Phonograms Treaty*, opened for signature 20 December 1996, 36 ILM 76 (entered into force 20 May 2002).

2. *Costs And Benefits*

The first approach above provides most benefit to content rights holders. However, note that not only Optus' TV Now service, but at least two other TV-recording cloud services have been suspended⁶⁰ as a direct result of the Full Court's judgment in *NRL v Optus*⁶¹. As a consequence, any amendment to the Copyright Act 1968 (Cth) which cements the Full Court's interpretation of the time-shifting right is not likely to assist 'industries investing in the delivery of digital devices and services'⁶² and 'the importance of the digital economy and the opportunities for innovation ... created by the emergence of new digital technologies'.⁶³

Any legislative approach which discourages competition between and innovation by digital service providers will also adversely affect consumer choice in digital technologies, and their legitimate interest in 'fair access to and wide dissemination of information'.⁶⁴ The ALRC is additionally of the opinion that '[n]ew business models should be allowed to develop without copyright hindering these benefits'.⁶⁵

Content rights holders do have a legitimate interest in being paid for content, to support development. However, it is arguable that community standards – which led to the introduction of a time-shifting right for private and domestic use in the first place⁶⁶ - are such that a 'double payment' for content is not part of that legitimate interest⁶⁷. This may limit the commercial ability of companies to enter into secondary content distribution deals like the one between the NRL, AFL and Telstra. However, the extent of those limitations may not be as significant as content developers fear, especially if they themselves invest in innovative delivery technologies: for example, the US National Basketball League appears to be attracting considerable revenue from its internet distribution model, even though it competes with legal time-shifting services.⁶⁸

The second approach above promotes both consumer choice and innovation in technology development. With appropriate restrictions on user rights (required by the 'three-step test' in any event), it should not unduly threaten the initial content investment and the legitimate interests of rights holders.

3. *A New Private And Domestic Use Exception?*

A 'new general exception for private and domestic use' (aimed at both the time- and format-shifting exceptions) is currently being considered by the ALRC.⁶⁹ The combination of the two

60 Considering the High Court's refusal of special leave, it is likely that the services will now be permanently shut down.

61 Beem (<http://www.beem.com.au/>) and MyTVR (<http://www.mytvr.com.au/>). Josh Taylor, 'Cloud TVRs stop in wake of TV Now ruling', *ZDNet*, 28 May 2012, <http://www.zdnet.com/cloud-tvrs-stop-in-wake-of-tv-now-ruling-1339338503/>.

62 An interest group that the Australian government has previously expressed a legislative desire to protect. Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth), cited by Rares J in *Optus v NRL* (2012) 199 FCR 300, 319 [54].

63 Attorney-General of Australia, *ALRC Terms of Reference: Copyright and the Digital Economy* (2012), advised to the Australian Law Reform Commission on 29 June 2012

64 Australian Law Reform Commission, *Copyright and the Digital Economy*, Issues Paper 42 (IP 42), (2012), 20 [35].

65 Australian Law Reform Commission, *Copyright and the Digital Economy*, Issues Paper 42 (IP 42), (2012), 20 [35].

66 Explanatory Memorandum, Copyright Amendment Bill 2006 (Cth), 6.

67 Note that this also applies to free-to-air services, as there is an ultimate (albeit indirect) cost to consumers for content in free-to-air services (the impact of advertising costs on pricing of consumer goods and services).

68 Christophor Rick, *Over 1.9 Billion Online Video Streams at NBA.com for 2010 Season* (2011) ReelSEO <<http://www.reelseo.com/19-billion-online-video-streams-nbacom-2010-season>> at 3 February 2012, cited in Giblin, above n16.

69 Australian Law Reform Commission, *Copyright and the Digital Economy*, Issues Paper 42 (IP 42), (2012), 31 [89].

exceptions appears to be a sensible one: at the very least it should reduce the complexity of the current legislative arrangements. A more general exception is also to be welcomed if it assists a move towards the desired technological neutrality.

A 2007 proposal for an exception along similar lines allowed ‘fair copying for the purposes of private and domestic use of legitimately purchased material.’ This type of amendment could well ‘be less technology-bound and more adaptable to changing market conditions,’⁷⁰ but adopting this broad wording without more may lead to significant uncertainty and a consequent reluctance to innovate. An arguably more certain (but as yet untested) approach can be found in the recent Canadian *Copyright Modernization Act*⁷¹:

29.22 (1) It is not an infringement of copyright for an individual to reproduce a work ... or any substantial part of a work ... if

(a) the copy ... from which the reproduction is made is not an infringing copy;

(b) the individual legally obtained the copy ... from which the reproduction is made, other than by borrowing it or renting it, and owns or is authorized to use the medium or device on which it is reproduced;

(c) the individual, in order to make the reproduction, did not circumvent ... a technological protection measure...⁷²;

(d) the individual does not give the reproduction away; and

(e) the reproduction is used only for private purposes.

However, considering the strict interpretation of the Full Court, any drafting of an Australian exception should attempt to avoid further controversy as to the specific nature of the *actors* in a private copying scenario. Prudent drafting practice would also dictate a section along the following lines:

the individual may use the products or services of a third party to make the reproduction. Any copies made by or under the control of a third party must not be used for any purpose other than to facilitate the rights of the individual under this section.

VI. CONCLUSION

This case is just one illustration that Australia is still struggling to find a coherent view of *what* copyright should protect, and *how* it should do so. Mobile and cloud technologies are undeniably useful tools to navigate an increasingly globalised world: it is disappointing to see their use and continued development hampered by the incoherence of principle underlying the *Copyright Act 1968* (Cth), an incoherence which has led to ambiguity and uncertainty in the drafting of legislative provisions. It is hoped that the ALRC review will provide a long-awaited opportunity for a thorough exploration of the operational, economic and logistical issues arising from private and domestic use of copyright material, and also lead to more certain outcomes and a better balancing of the interests of content developers, users and technological innovators alike.

70 Weatherall, above n 7, 34.

71 (S.C. 2012, c. 20), assented to on 29 June 2012, s 22, inserting a new s 29.22 into Canada’s *Copyright Act*. R.S.C., 1985, c. C-42. At the time of writing, the amendments were not yet in force.

72 This subsection would also be required under Australian law due to international obligations such as Article 17.4 (7) of the *Australia-United States Free Trade Agreement*, entered into force 1 January 2005.