

PART III — EXPLOITATION OF COPYRIGHT

I *First Ownership*

A *Introduction*

Copyright may be exploited by doing any of the exclusive acts authorised by copyright, or by licensing or assigning to others the right to do the same. The owner of copyright may deal with their copyrights exclusively, or can assign or license matters within the scope of their exclusive rights.

1 *Importance of determining the owner of copyright*

It is the owner of copyright who can exploit, assign and license it. It is the owner of copyright who has standing to sue someone who has exploited it without their permission. For these reasons, it is crucial to identify correctly the proper owner of copyrights.

Determining whether a party is the owner of copyright — as distinct from its mere licensee — is also of primary importance where the status of licensees (ie, whether exclusive or non-exclusive) is unclear, or where formalities particular to licensees or assignees have not been completed. If a party is a non-exclusive licensee, they will not have standing to allege infringement of copyright.

2 *Basic principles*

In most circumstances, the copyright in a thing is initially in its creator, who is said to be the first owner of the copyright.

In the case of works, this usually means its author. For broadcasts, films and sound recordings, copyright would vest in their makers. In the case of a published work, the creator is its publisher. The author of a work, and therefore its first owner, must be human: *Copyright Act* s 24(1). No such limitation is placed upon pt IV subject matter: *Copyright Act* s 84.

However, there are several significant additions and exceptions to this general principle. These are explored in greater detail in Part I(C) below.

B *General Rules*

1 *Part III works*

In relation to works, the general rule of first ownership is that prescribed by s 35(2) of the *Copyright Act*, which confers such ownership upon the work's author:

Copyright Act 1968 (Cth) s 35 — Ownership of copyright in original works:

(2) ... the author of a literary, dramatic, musical or artistic work is the owner of any copyright subsisting in the work by virtue of [Part III].

The identity of the author will be determined according to the principles set down in *Walter v Lane* and *Donoghue v Allied Newspapers Ltd*.

As previously noted, authors of pt III works must be natural persons.

'Author' is defined in s 10(1), but this operates only to include the author of a photograph, being 'the person who took the photograph'.

2 Part IV subject matter

The initial ownership of pt IV copyrights is prescribed by different rules in relation to each category of subject matter:

- *Sound recordings*: maker or producer of the recording: *Copyright Act* s 97;
- *Cinematograph films*: maker or producer of the film: *Copyright Act* s 98;
- *Broadcasts*: maker of the broadcast: *Copyright Act* s 99; and
- *Published editions*: publisher of the edition: *Copyright Act* s 100.

One interesting snippet of legislative history relates to the classification of cinematograph films as pt IV subject matter. Films ended up in pt IV, rather than as works under pt III, largely because legislators could not decide in whom copyright should initially vest. Films are products of many people having creative and financial input: directors, script-writers, dramatists, cameramen, studios, distributors and the like. The pragmatic solution adopted by the Parliament was simply to place the subject matter in pt IV and deem the producer (in a financial sense) to be the owner.

C Special Ownership Cases

The default position with regard to initial ownership is modified in five 'special ownership' cases. These are now examined in turn.

1 Joint authorship

Many copyright works are created by more than one author, maker or publisher. The copyright in such a 'work of joint authorship' is held jointly by each author as tenants in common in equal shares (*Acorn Computers Ltd v MCS Microcomputer Systems Pty Ltd*).

Work of joint authorship is defined in s 10(1) of the *Copyright Act* to mean a work produced by contributions from multiple authors that are not separate:

Copyright Act 1968 (Cth) s 10(1):

work of joint authorship means a work that has been produced by the collaboration of two or more authors and in which the contribution of each author is not separate from the contribution of the other author or the contributions of the other authors.

This definition requires that each of the contributing parties actually be authors. This calls for an application of the common law principles of authorship. Thus, Donoghue was not a joint author of the newspaper articles about him in *Donoghue v Allied Newspapers Ltd*, because he was not an 'author'. Similarly, Bond was not a joint author in *Cummins v Bond*.

The requirement that contributions not be 'separate' does not mean that all authors need to have been involved in producing all aspects of the work. For example, the fact that a book is coauthored in chapters, so that X writes chapters 1 through 3 and Y writes chapters 4 and 5, does not matter if the book is attributed to both equally. However, an artist and writer who collaborate on a children's book may not be its joint authors, since the drawings are separable from the text [???].

Joint authors are always tenants in common in equal shares, unless otherwise agreed by the parties (*Prior v Lansdowne Press*).

Once it is established that a work is one of joint authorship, the regular provisions of the *Copyright Act* apply as if all joint authors were brought within their ambit:

Copyright Act 1968 (Cth) s 78 — References to all of joint authors:

Subject to this Division, a reference in this Act to the author of a work shall, unless otherwise expressly provided by this Act, be read, in relation to a work of joint authorship, as a reference to all the authors of the work.

Copyright Act 1968 (Cth) s 79 — References to any one or more of joint authors:

The references in section 32, and in subsection 34(2) to the author of a work shall, in relation to a work of joint authorship, be read as references to any one or more of the authors of the work.

If one or more of the joint authors is not a qualified person, copyright will continue to subsist in the work, but will only vest in any authors who are qualified persons: *Copyright Act* s 82(1).

2 *Commissioned works*

A commissioned work is a photograph, portrait or engraving commissioned for a private or domestic purpose. The *Copyright Act* deems copyright in such a work to subsist not in its author but in its commissioner. However, if the work is commissioned for a particular purpose, the author can restrain other uses:

Copyright Act 1968 (Cth) s 32:

(5) Subject to [the employee exception], where:

(a) a person makes, for valuable consideration, an agreement with another person for the

taking of a photograph for a private or domestic purpose, the painting or drawing of a portrait or the making of an engraving by the other person; and

(b) the work is made in pursuance of the agreement;

the first-mentioned person is the owner of any copyright subsisting in the work by virtue of this Part, but, if at the time the agreement was made that person made known, expressly or by implication, to the author of the work the purpose for which the work was required, the author is entitled to restrain the doing, otherwise than for that purpose, of any act comprised in the copyright in the work.

(7) In this section:

...

private or domestic purpose includes a portrait of family members, a wedding party or children.

For this ownership situation to apply, there must be:

- A contract between the author and the client, supported by consideration; and
- One of:
 - A photograph for 'a private or domestic purpose';
 - A painting of a portrait;
 - A drawing of a portrait; or
 - An engraving;
- Creation of the work within the scope of the contract.

Note that portrait means 'a representation or a "correspondence" of a person taken "after life" rather than "from life" (*Duke of Leeds v Earl of Amherst* at 74). However, as the Lord Chancellor observed in that case, the portrait cannot be 'ideal' or imagined (cf *Leah v Two Worlds Publishing Co Ltd*, which treated as a portrait a picture of a dead boy by an artist who had never seen him). A painting can still be a portrait even though 'the picture is "bad" and the likeness is poor' (*Duke of Leeds v Earl of Amherst*).

If these conditions are met, then the client is the owner of copyright in the work:

- Copyright in the revision of an existing artistic work created at the request of a client for use in an advertising campaign vests in the client (*Con Planck Ltd v Kolynos Inc*); and
- Dobell's painting of Joshua Smith is a portrait within the terms of the Archibald bequest (*Attorney-General (New South Wales) v Trustees of National Art Gallery of New South Wales*).

Section 35(5) places an important qualification placed upon this ownership provision. Namely, if the client tells the artist that their work is for a particular purpose, then the artist can restrain by injunction the use of the copyright for another purpose. This qualification exists to protect the professional reputation of the artist, who may not want work made for one purpose to be critically examined in another context.

An example of this may be the commercialisation of a portrait painted for a private commissioner, or the publication or public display or a family photograph made only for private display within their home. An extreme case may lie in the use of a painting painted for artistic enjoyment being applied to the cover of a cereal box. In such cases, the author of the work has a statutory right of action to prevent such extraneous uses.

3 Employees

The third exception concerns works made under a contract of service. Where an employee under such a contract is the author of a work created in the pursuance of the terms of employment, copyright vests in the employer and not the author: *Copyright Act* s 35(6).

Copyright Act 1968 (Cth) s 35:

- (6) Where a literary, dramatic or artistic work [that is not commissioned or falling within the journalist exception], or a musical work, is made by the author in pursuance of the terms of his or her employment by another person under a contract of service or apprenticeship, that other person is the owner of any copyright subsisting in the work by virtue of [Part III].

This ownership provision recognises that the employee is the author of the work, but vests ownership in his or her employer. It effectively places a great many works within the control of companies.

Assuming the authored matter to be a 'work' within the meaning of pt III, two issues arise in relation to s 35(6). These are:

- (i) *Was there a contract of service?*
- (ii) *Was the work made in pursuance of the terms of employment?*

Each of these issues now falls to be considered.

(a) *Contract of service*

To fall within this special ownership provision, the employment relationship must be a 'contract of service' (that is, an employee) and not simply a 'contract for services' (that is, an independent contractor). Whether it is the former situation rather than the latter is determined by applying principles of employment law.

The traditional indicium of employment is control. That is: does the master control not only what is done but how it is to be done? (*Collins v Hertfordshire County Council*) Where the contract is one relating to professional services, the test is applied by asking whether the employer has the right or capacity to exercise control, rather than whether they actually choose to do so (*Stevens v Brodribb Sawmilling Co Pty Ltd*).

Relevant indicia of employment may be summarised as follows (as identified by the High Court of Australia in *Stevens v Brodribb Sawmilling Co Pty Ltd*):

- Extent of control over putative employee by putative employer (high or low?);
- The mode of remuneration (fixed salary or variable invoices?);
- Provision and maintenance of equipment (by employer or independent?);
- Obligation to work;
- Hours of work (full time or part time?);
- Provision for holidays;
- Deduction of income taxation;
- Delegation of work by the putative employee;

- Whether superannuation contributions are made; and so on.

United Kingdom courts have also applied an ‘organisation’ or ‘integration’ test, which was described by Lord Denning in *Stevenson Jordan & Harrison v MacDonald & Evans* in the following terms:

One feature which seems to run through the instances is that, under a contract of service, a man is employed as part of the business, and his work is done as an integral part of the business; whereas, under a contract of services, his work, although done for the business, is not integrated into it but is only an accessory to it (at 111).

(b) *Within the terms of employment*

The issue here is whether the work was made ‘in pursuance of the terms of employment’. This means that the work’s creation must have formed a part of the employee’s normal duties.

Redrock Holdings Pty Ltd v Hinkley illustrates the difficulty of ascertaining the scope of employment. If an employee brings an existing work into their employment and uses it to perform the tasks required of them, then they bear the onus of retaining ownership.

Redrock Holdings Pty Ltd v Hinkley (2001) Vic SC:

Facts

- Hinkley is a 17-year-old computer programmer employed by Redrock to develop a telecommunications program
- Prior to commencing employment, Hinkley develops a library of useful program classes and other utilities that he uses when developing software
- During employment, Hinkley uses the library to develop the telecommunications program, in the process adding to and refining the library
- The library is essentially a tool used in the performance of the task for Redrock
- Once written, the Redrock telecommunications program is fully integrated into the library and cannot function without it
- Future changes to the library would necessitate changing the program, and vice versa, which would involve having access to the library’s source code
- Redrock argues that it has copyright in the library since it was created in the course of Hinkley’s employment

Issue

- Who is the owner of copyright in the library created by Hinkley?

Reasoning (Harper J)

- ‘If Mr Hinkley proposed to fulfil his obligations to his employer by drawing upon the library by means which might in the absence of prior agreement blur the question of ownership of the copyright in the library, it fell to Mr Hinkley, as the only repository of the relevant information, to place his employer in a position from which the employer and employee, both being fully informed of the relevant facts, could either negotiate a mutually satisfactory resolution to the copyright problem or go their separate ways.’ (at 574)

Decision

- Redrock owns copyright in the library not Hinkley
- Further, Redrock is under no obligation to grant a licence to Hinkley to continue using the library he created

Although the result in *Redrock Holdings* may seem patently unfair, it highlights that the onus is on an employee clearly to separate their personal from their professional works of authorship.

4 Journalists

Since assent to the *Copyright Amendment Act [No 1] 1998* (Cth), journalists, photojournalists and other employees of newspapers and print periodicals have been granted only limited copyrights in their works. Previously, a broad exemption to the employee ownership provisions was granted to journalists, but in the wake of technological changes and challenges by the print publication industry, this exemption was considerably narrowed to the form now seen in s 35(4):

Copyright Act 1968 (Cth) s 35:

- (4) If a literary, dramatic or artistic work:
- (a) is made by the author under the terms of his or her employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship; and
- (b) is so made for the purpose of inclusion in a newspaper, magazine or similar periodical;
- the following paragraphs apply:
- (c) the author is the owner of the copyright only in so far as the copyright relates to:
- (i) reproduction of the work for the purpose of inclusion in a book; or
- (ii) reproduction of the work in the form of a hard copy facsimile ... made from a paper edition of ... an issue of the [periodical], but not including reproduction by the proprietor for a purpose connected with the publication of the newspaper, magazine or similar periodical;
- (d) except as provided by paragraph (c), the proprietor is the owner of the copyright.

In essence, this provision vests copyright in the literary, dramatic or artist works created by employees of print periodicals in the employers (namely, the periodicals), subject to two narrow exceptions:

- (i) **Inclusion in a book**
The author has copyright to reproduce the work in a book; and
- (ii) **Reproduction by facsimile**
The author has copyright to make a photocopy of the work.

These are fairly limited exceptions to the standard employee rule. A journalist is free to create an anthology of their works, or to make copies of them for private reading or collation, but they cannot exercise control over any reproduction by their employer 'for a purpose connected with the publication of the [periodical]'. They cannot republish the works; except, presumably, in a book — though even this right, as well as that of communication to the public, is expressly vested in the employer by virtue of s 35(4)(d). Whether the phrase 'inclusion in a book' will be defined

broadly so as to include websites, press clipping services and other forms of delivery is still unclear. The fact that s 35(4)(c)(i) is not limited in the same way as sub-paragraph (ii) suggests that it may extend to reproduction in books published by the employer; however, there is little case law concerning the new provision.

5 Live performances

Since the *US Free Trade Agreement Implementation Act 2004* (Cth) came into force, the copyright in a sound recording of a live performance is initially held jointly by:

- the owner of the record on which the first recording was made; and
- the performers who gave the performance; unless
- these parties are the same: *Copyright Act* s 22(3A).

A 'performer' is anyone who contributes to the sounds of the performance; this includes a conductor: s 84.

This provision typically applies to sound recordings of a live performance of a work, dance, improvisation, circus act, variety act, 'expression of folklore' or other performances

Note that performers' rights in a sound recording cannot be assigned.

Performers' live performance rights are retrospective, meaning that they subsist even in recordings made before commencement of the amending Act.

See further *Copyright Act* ss 22(3A)–(3C), 22(7).

D Private Agreement

1 Works

Note in four of the above special cases — with the notable exception of performers' rights — the special ownership rule can be modified or displaced by agreement between the relevant parties: *Copyright Act* s 35(3).

Copyright Act 1968 (Cth) s 35:

- (3) The operation of any of the next three succeeding subsections in relation to copyright in a particular work may be excluded or modified by agreement.

Performers' rights cannot be overridden or assigned.

2 *Subject matter other than works*

A commissioned sound recording or film is owned by the commissioner (client), not the maker, as would normally be the case: *Copyright Act* ss 97(3) (sound recordings), 98(3) (cinematograph films):

Copyright Act 1968 (Cth) s 97:

(3) Where:

- (a) a person makes, for valuable consideration, an agreement with another person for the making of a sound recording by the other person; and
- (b) the recording is made in pursuance of the agreement; the first-mentioned person is, in the absence of any agreement to the contrary, the owner of any copyright subsisting in the recording by virtue of [Part IV].

This provision can be overridden by 'any agreement to the contrary': ss 97(3)(b), 98(3)(b). The commission provisions for sound recordings and cinematograph films are functionally equivalent.

II **Rights Conferred by Copyright**

A *Introduction*

The content of copyright consists of various rights vesting in the copyright owner. These rights confer upon their owner the legal capability to deal with the copyright material in the specified way. A right may be identified in the act as an infinitive verb ('to reproduce', 'to publish', and so on).

Because the nature and scope of copyrights are intrinsically linked to the type of subject matter being protected, their content varies considerably between the categories of works and other subject matter protected under the *Copyright Act*. The following sections outline, in summary form, the identity of these rights insofar as they protect each type of copyright material. For details about the specific content and scope of each right, refer to Chapter IV.

B *Works*

1 *Literary, dramatic and musical works*

Section 31(1) of the *Copyright Act* provides that copyright, in relation to literary, dramatic and musical works, is the exclusive rights to:

- **Reproduction**
Reproduce the work (or its adaptation) in material form: s 31(1)(a)(i);
- **Publication**
Publish the work (or its adaptation) : s 31(1)(a)(ii);
- **Performance in public**
Perform the work (or its adaptation) in public: s 31(1)(a)(iii);
- **Communication to the public**
Communicate the work (or its adaptation) to the public: s 31(1)(a)(iv);
- **Adaptation**
Make an adaptation of the work: s 31(1)(a)(vi);
- **Commercial rental**
Enter into a commercial rental arrangement for sound recordings of dramatic, musical or literary works (but not computer programs) : s 31(1)(c);
- **Commercial rental (computer programs)**
Enter into a commercial rental arrangement for a computer program: s 31(1)(d); and
- **Authorisation**
Authorise the doing of any one of these acts: s 13(2).

2 *Artistic works*

Section 31(1) makes separate provision for artistic works, in relation to which copyright is narrower, being the exclusive rights to:

- **Reproduction**
Reproduce the work in material form: s 31(1)(b)(i);
- **Publication**
To publish the work: s 31(1) (b)(ii);
- **Communication to the public**
To communicate the work to the public: s 31(1) (b)(iii); and
- **Authorisation**
To authorise the doing of any of these acts: s 13(2).

C *Subject Matter other than Works*

1 *Sound recordings*

Section 85(1) of the *Copyright Act* provides that copyright in sound recordings consists of the exclusive rights to:

- **Literal copying**
To make a copy of the sound recording: s 85(1)(a);
- **Public airing**
To cause the recording to be heard in public: s 85(1)(b);
- **Communication to the public**
To communicate the sound recording to the public: s 85(1)(c);
- **Commercial rental**
To enter a commercial rental arrangement in respect of the sound recording: s 85(1)(d);
- **Authorisation**
To authorise the doing of any of these acts: s 13(2).

2 *Cinematograph films*

Section 85(1) of the *Copyright Act* provides that copyright in sound recordings consists of the exclusive rights to:

- **Literal copying**
To make a copy of the film: s 86(a);
- **Public screening**
To cause the film to be seen or heard in public: s 86(b);
- **Communication to the public**
To communicate the film to the public: s 86(c);
- **Authorisation**
To authorise the doing of any of these acts: s 13(2).

3 *Television and sound broadcasts*

Section 87 of the *Copyright Act* provides that copyright in television and sound broadcasts consists of the exclusive rights to:

- **Recording**
To make a film or sound recording of the broadcast, and to copy the resulting film or sound recording: s 87(a), (b);
- **Rebroadcasting**
To rebroadcast the broadcast, or to communicate the broadcast to the public in some other fashion: s 87(c);
- **Authorisation**
To authorise the doing of any of these acts: s 13(2).

4 *Printed edition of a work*

Section 88 of the *Copyright Act* provides that copyright in a printed edition of a work or works consists of the exclusive rights to:

- **Literal copying**
To make a facsimile copy of the edition: s 88; and
- **Authorisation**
To authorise the doing of this act: s 13(2).

D *Authorisation*

By virtue of *Copyright Act* s 13(2), it will be noted that all of the copyright materials described above have associated with them a right to authorise the doing of any of the acts comprising their copyright:

Copyright Act 1968 (Cth) s 13 — Acts comprised in copyright:

- (1) A reference ... to an act comprised in the copyright in a work or other subject-matter shall be read as a reference to any act that ... the owner of the copyright has the exclusive right to do.
- (2) ... the exclusive right to do an act in relation to a work, an adaptation of a work or any other subject-matter includes the exclusive right to authorize a person to do that act in relation to that work, adaptation or other subject-matter.

This means that a copyright owner has the permission to grant licences to others to exercise the copyright. In the case of an exclusive licensee, who has 'the exclusive right to do an act in relation to a work ... or any other subject-matter', this also confers the right to sub-license the

work. However, a sole or non-exclusive licensee will not have an 'exclusive' right, so s 13(2) does not appear to grant a broad right to sub-license copyright materials.

E *Ancillary Rights*

Copyright also confers certain protections which, although not 'rights' in the sense that they can be assigned or separated from other copyrights, still afford a cause of action in the event of their infringement.

1 *Importation*

A copyright owner will be entitled to commence proceedings for infringement of copyright if a copyright work or subject matter is imported without permission: ss 37, 102. A mental element must also be satisfied, viz, that the importer has actual or constructive knowledge that the manufacture by them of an equivalent article in Australia would amount to infringement. This is an example of an indirect economic right.

2 *Sale of infringing items*

A related indirect right is contained in ss 38 and 103, which provide that sale by a distributor of a work or subject matter imported into Australia without permission of the copyright owner, will infringe copyright if that distributor does so with actual or constructive knowledge that the work or subject matter would infringe copyright if manufactured in Australia, respectively.

III **Transmission of Ownership**

A *Introduction*

As was noted in Chapter I, copyright is a *chose in action*, a form of personal property. As such, there are three ways in which copyrights may be transferred between owners; namely, by:

- (i) Assignment;
- (ii) Will; or
- (iii) Devolution by operation of law.

Assignment occurs when a voluntary transfer of copyright is made. Copyright is transferred by will in a bequest or other testamentary instrument. Devolution occurs by way of automatic and involuntary transfer: for example, from a bankrupt to their trustee in bankruptcy, or by operation of primogeniture for intestate succession.

Multiple transfers of the same copyright will be adjudicated by operation of the standard priority rules governing property disputes. Because incomplete transfers, or interests in future works may give rise to equitable interests, such disputes raise many interesting issues, but are not canvassed here.

B *Assignment*

1 *Alienability of copyright*

Section 196(1) of the *Copyright Act* confirms that copyright is personal property and able to be assigned, devised or devolved:

Copyright Act 1968 (Cth) s 196 — Assignments and licences in respect of copyright:

- (1) Copyright is personal property and, subject to this section, is transmissible by assignment, by will and by devolution by operation of law.

A copyright owner may assign any or all of their exclusive rights in the copyright matter, including the right to authorise others to do those acts (*Devefi Pty Ltd v Mateffy Pearl Nagy Pty Ltd*).

However, statutory causes of action provided under the indirect infringement provisions (importation, technological protection measures, and so forth) are not exclusive rights in the required sense (*Kervan Trading Pty Ltd v Aktas* per Bryson J). This means that, for example, the copyright owner cannot assign the right to import copyright material. The copyright holder is limited to the grant of a non-exclusive licence to do the acts that would otherwise amount to infringement.

2 Divisibility of Ownership

The copyright owner's exclusive rights are divisible, meaning that they can be assigned in any number of parts and individual grants made subject to any number of qualifications:

Copyright Act 1968 (Cth) s 196 — Assignments and licences in respect of copyright:

- (2) An assignment of copyright may be limited in any way, including any one or more of the following ways:
- (a) so as to apply to one or more of the classes of acts that, by virtue of this Act, the owner of the copyright has the exclusive right to do ...;
 - (b) so as to apply to a place in or part of Australia;
 - (c) so as to apply to part of the period for which the copyright is to subsist.

Section 196(2) gives several examples of ways in which an assignment may be delimited:

- Classes of acts (one or more exclusive rights; for example, to separate the right to publish from the right to make a film adaptation);
- Geographic location (where the rights may be exercised; for example, to provide for separate publication rights in different countries); and
- Temporal location (when the rights may be exercised; for example, to provide for a reversionary interest after a term of years).

The individual rights comprising copyright are numerous. Because of this, it may be convenient for authors to deal with those rights separately — as by licensing a right to publication in Australia to X for a term of years, while assigning the right to publish in America to Y. Section 196(2) permits copyright owners to do this and more.

In general, an author may divide their copyright into innumerable components, each 'limited in any way': *Copyright Act* s 196(2). These dealings remain subject to federal and state trade practices regulation, however.

3 Formalities

In order to be legally effective, an assignment must be both in writing and signed by the assignor: *Copyright Act* s 196(3):

Copyright Act 1968 (Cth) s 196 — Assignments and licences in respect of copyright:

- (3) An assignment of copyright (whether total or partial) does not have effect unless it is in writing signed by or on behalf of the assignor.

4 Future copyright

Section 197 of the *Copyright Act* permits the assignment of copyright not yet in existence. Essentially, the section provides that where a complete or partial assignment of future copyright is made, the copyright vests in the assignee to that extent upon coming into existence:

Copyright Act 1968 (Cth) s 197 — Prospective ownership of copyright:

- (1) Where, by an agreement made in relation to a future copyright and signed by or on behalf of the person who would, apart from this section, be the owner of the copyright on its coming into existence, that person purports to assign the future copyright (wholly or partially) to another person (in this subsection referred to as **the assignee**), then if, on the coming into existence of the copyright, the assignee or a person claiming under him or her would, apart from this subsection, be entitled as against all other persons to have the copyright vested in him or her (wholly or partially, as the case may be), the copyright, on its coming into existence, vests in the assignee or his or her successor in title by force of this subsection.

If the initial assignment was partial, then copyright will only vest in the prospective assignee, upon its coming into existence, to the extent of the assignment. This is confirmed by an application of s 16 to the words of s 197:

Copyright Act 1968 (Cth) s 16 — References to partial assignment of copyright:

A reference in this Act to a partial assignment of copyright shall be read as a reference to an assignment of copyright that is limited in any way.

Future assignments are most commonly made in relation to recording and publishing contracts; a publisher may 'acquire the rights to' an author or musician's next three albums or books. Typically some kind of advance payment (hence, the much-celebrated 'advance' in popular literature) is provided by way of consideration. Thus, although the albums or books have not yet been authored or produced, copyright in them will vest upon their reduction to material form.

Note that because a future assignment for value will give to an equitable interest in the assignee, interesting priority disputes may occur. If, for example, the author subsequently assigns the legal interest in a third party, the equitable assignee may have an action against that party, in addition to their action on the contract against the author.

Effectively, s 197 allows material to be sold before being created, encouraging the creation of works that, because of their costliness to produce, it would otherwise be too risky to create.

C *Licensing*

A licence is a personal right giving permission to do an act (*Banks v Transport Regulation Board (Vic)* per Windeyer J). There are several types of licences, varying with the number of licensees:

- **At large**
Permission is given to all the world to do the act concerned;
- **To specified persons**
Permission is given to those persons only;
- **Bare**
Permission is unsupported by consideration and may be unilaterally revoked;
- **Sole**
Permission is given to one person only; and
- **Exclusive**
A sole licence granted to the exclusion of the copyright owner's own rights.

An exclusive licence is a licence of a special breed in that it functions like an assignment for the duration of the licence:

Copyright Act 1968 (Cth) s 10(1):

exclusive licence means a licence in writing, signed by or on behalf of the owner or prospective owner of copyright, authorizing the licensee, to the exclusion of all other persons, to do an act that, by virtue of this Act, the owner of the copyright would, but for the licence, have the exclusive right to do ...

Exclusive licences may be likened to a landlord granting a lease to a tenant: the tenant can bring a trespass action against landlord for unauthorised entry onto the land the subject of the lease. Similarly, an exclusive licensee has the exclusive right to do acts comprising copyright in Australia to the exclusion of all others, including the copyright owner.

Because a licensee does not acquire any property, its terms are not normally enforceable at common law against successors in title. For example, if the copyright owner, having previously licensed use of the property to X, assigns ownership to a third party, Y, who contravenes the licence terms, the licensee may lack a cause of action against Y. However, *Copyright Act* s 196(4) modifies this default position, providing that, in such a situation, Y would have a direct action against X:

Copyright Act 1968 (Cth) s 196 — Assignments and licences in respect of copyright:

- (4) A licence granted in respect of a copyright by the owner of the copyright binds every successor in title to the interest in the copyright of the grantor of the licence to the same extent as the licence was binding on the grantor.

D Implied Terms

Whether by assignment or licence, transfers of copyright normally take place pursuant to some agreement or contract. Indeed, in the case of assignments and exclusive licences, such an agreement must be evidenced in writing. Terms may be implied into these agreements by applying the regular principles of contractual implication.

In a copyright context, several additional themes emerge from the case law, which are briefly summarised below:

- **Chattels are not copyright**
A provision in a contract for the acquisition of a chattel does not confer copyright in the chattel. Thus, for example, the purchaser of compact disc does not acquire a right to reproduce the disc as they please; similarly, the purchase of a book does not imply a licence to import and sell copies of the book (*Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV*);
- **Implied licence to carry out a stated purpose**
However, a provision in a contract that permits use or acquisition of a chattel for a specified purpose implies the grant of any licence needed to use the copyright material for that purpose (*Beck v Montana Constructions Pty Ltd*); this implication has been applied more cautiously than in the united kingdom (cf *Solar Thompson Engineering Co Ltd v Barton*, which implied a licence for the purpose of making repairs); and
- **Implied licence to protect economic interests of copyright owner**
Courts have been prepared to imply terms to the effect that an exclusive licensee would not 'impede or obstruct opportunities to receive royalties' (*Moorhead v Brennan*); in *Moorhead*, a publisher breached this implied term by refusing to grant a license to an English publisher because he disagreed with its 'lesbian feminist politics and philosophy'. In the circumstances, it was unreasonable of the publisher to refuse to grant the licence simply because it would not include a publisher's note referring to 'the sole surviving witness to a remembered past and hoped-for future of gender détente and peaceful sexual co-existence' (at 172 per Bryson J).

E Invalid Transfers

A transfer of copyright may be invalidated (rendered unenforceable) under pt IV of the *Trade Practices Act 1974* (Cth) ('*Trade Practices Act*') if the agreement would amount to:

- A provision in a contract that restricted the supply or acquisition of goods or services in a way that lessened competition (s 45)
- A covenant which lessened competition (s 45C);
- A secondary boycott (s 45D);
- Misuse of market power (ss 46 and 46A);
- Exclusive dealing (s 47);
- Resale price maintenance (s 48); or
- An acquisition of assets which lessened competition (ss 50 and 50A).

The fact that the transfer may be authorised by legislation will not excuse the breach of the Act, because intellectual property regimes are explicitly excluded from s 51(1) (which otherwise provides that an agreement authorised by an Act would amount to a contravention).

Section 51(3) of the *Trade Practices Act* provides exempts only those acts necessary to give effect to a condition of a licence or assignment of (*inter alia*) copyright. However, there can still be a contravention under either of ss 46, 46A or 48.

F Statutory Licensing

1 Compulsory licences

A statutory licence confers upon certain classes of persons an automatic right to deal with copyright works. It effectively compels a copyright owner to grant permission to these copyright users, in exchange for equitable remuneration from the statutory licensee. The effect of statutory licensing is to turn the copyright in a thing from an exclusive right to exploit that thing into a non-exclusive right to receive royalties for exploitation of that thing by others.

Statutory licensing exists to encourage the efficient use of copyright works by people other than their owners. As distribution and reproduction technology has continued to improve rapidly, obtaining permission from the copyright owner is becoming an increasingly large proportion of the transaction costs associated with a use of copyright material. A statutory licence therefore provides certainty to potential users of copyright by creating a known and efficient procedure to obtain the right to use the material and insulating such a user against possible infringement.

Statutory licensing is governed by various provisions in the *Copyright Act*, which vary depending upon the type of subject matter that is being used:

- *Musical works*: see further *Copyright Act* ss 54–64;
- *Broadcasts*: see further pts VA (copying by educational and other institutions), VC (retransmission of free-to-air broadcasts), s 152 (broadcast of sound recordings);
- *Works*: see further pt VB (copying by educational and other institutions); and
- *Crown use of copyright*: ss 183–183E.

Statutory licensing may also be conceived of as a 'remunerated exception' to copyright infringement.

2 Collecting agencies

The reality of many copyright materials is that one or more of the exclusive copyrights of their owners are exercised by millions of people daily — whether in reproducing those materials, broadcasting them, communicating them to the public, or otherwise. Although a statutory licence may govern many of those uses, it would be highly impracticable for copyright owners to negotiate and enforce the terms of those licences with and upon every user of copyright, and equally undesirable to grant blanket licences to the world at large.

The system of collecting agencies exists to solve this problem. It consists of two bodies:

- **Private collection societies**
These private companies act as agents for copyright owners, investigating and policing copyright use (eg, Australasian Performing Right Association) and, where relevant, taking action to encourage users of copyright to take out the appropriate licence; 'declared'

collection societies are granted monopoly power to administer compulsory and voluntary licence schemes under the *Copyright Act*; many collection societies used to require copyright owners to assign their copyrights to them; this is no longer required due to action by the Australian Competition and Consumer Commission; and

- **Copyright Tribunal**

This administrative body can make certain orders relating to compulsory licences and collecting societies declared under the *Copyright Act*, such as the rate of remuneration payable under a compulsory licence. By default this is 6.25 per cent of the recommended retail price for musical works. For most broadcasters, royalties are capped at 1 per cent of the broadcaster's gross profit.

G *Licences and Infringement*

For the owner of copyright to establish a case of infringement, they must show that the relevant exclusive right was exercised without permission. This effectively places the onus upon the plaintiff in such an action to prove that the exercise of the right was not covered by a relevant compulsory or non-compulsory licence.

IV Remedies

A Jurisdiction

Part V of the *Copyright Act* creates entitlements to statutory and other remedies in civil actions by copyright owners against infringers of copyright. In addition, it creates several criminal offences relating to infringement of copyright and other ancillary protections.

Section 115 is the source of a copyright owner's basic entitlement to sue under the *Copyright Act*:

Copyright Act 1968 (Cth) s 115 — Actions for infringement:

- (1) ... the owner of a copyright may bring an action for an infringement of the copyright.
- (2) ... the relief that a court may grant in an action for an infringement of copyright includes an injunction ... and either damages or an account of profits.
- (3) Where, in an action for infringement of copyright, it is established that an infringement was committed but it is also established that, at the time of the infringement, the defendant was not aware, and had no reasonable grounds for suspecting, that the act constituting the infringement was an infringement of the copyright, the plaintiff is not entitled under this section to any damages against the defendant in respect of the infringement, but is entitled to an account of profits in respect of the infringement whether any other relief is granted under this section or not.
- (4) Where, in an action under this section:
 - (a) an infringement of copyright is established; and
 - (b) the court is satisfied that it is proper to do so, having regard to:
 - (i) the flagrancy of the infringement; and
 - (ia) the need to deter similar infringements of copyright; and
 - (ib) the conduct of the defendant after the act constituting the infringement or, if relevant, after the defendant was informed that the defendant had allegedly infringed the plaintiff's copyright; and
 - (ii) whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form; and
 - (iii) any benefit shown to have accrued to the defendant by reason of the infringement; and
 - (iv) all other relevant matters;

the court may, in assessing damages for the infringement, award such additional damages as it considers appropriate in the circumstances.

The Court's power to grant relief under s 115, and pt V more generally, is largely discretionary, subject to some automatic relief (see, eg, s 115(3)). Because relief is discretionary, the Court may withhold equitable remedies from the plaintiff on any of the recognised equitable grounds for denying relief, such as acquiescence or laches.

However, as equitable concepts, it could amount to an inappropriate fusion to apply those limiting concepts to an application for a common law remedy such as damages. This is notwithstanding the fact that these remedies are referenced by statute: the implication of equitable limitations at all is equitable in origin, and should not be imported into what is ultimately a proprietary remedy of legal origin. Words to this effect were expressed by Drummon J in *A-One Accessory Imports Pty Ltd v Off Road Imports Pty Ltd [No 2]*. Thus, for example, laches will not prevent a plaintiff from obtaining damages under s 115.

B Standing

On the terms of s 115, an action for infringement is only available to 'the owner of a copyright': s 115(1). This includes an assignee of a portion of the overall copyright in a matter.

Note that while s 115(1) refers to actions commenced by 'the owner of a copyright', s 119 grants to the exclusive licensee the same rights of action and remedies as if the licence had been an assignment.

C Injunction

An injunction is an order to do or to refrain from doing something. As a remedy for copyright infringement, injunction usually consists of an order restraining apprehended or continuing conduct that would or does amount to infringement of the plaintiff's copyright.

Interlocutory and interim injunctions are granted pending the resolution of the issues at a full trial, and subject to an undertaking as to damages by the applicant. An injunction becomes permanent or final when the issues have been finally determined. Many actions do not proceed beyond an interlocutory stage, as this is usually indicative of the outcome of a trial and most defendants choose not to contest the matter further.

An interlocutory injunction will only be ordered where (*Australian Coarse Grain Pool Pty Ltd v Barley Marketing Board of Queensland [No 1]*):

- There is a 'serious question to be tried' (the claim is not vexatious); and
- The balance of convenience favours the granting of an injunction.

See further *American Cyanamid Co v Ethicon Ltd* per Lord Diplock.

D Damages

1 Innocence

Section 115(3) provides that damages may not be awarded against an 'innocent' defendant. An innocent defendant is one who was not aware that the act constituting infringement was actually infringing copyright. In addition, such a defendant, to be innocent, must also have had no reasonable basis for believing same.

These conditions have been interpreted as conjunctive requirements. That is, if, despite a person's actual ignorance of infringement, they had reasonable grounds for believing that it would infringe, then they will not be deemed an innocent person. So it was held in *Olympic*

Amusements Pty Ltd v Milwell Pty Ltd that just because the defendant was a “rough and ready” type of businessman, not well informed about the law relevant to his business and not curious about it, this was insufficient. The Full Court of the Federal Court of Australia observed that the defendant bears the onus of proving:

- (i) an active, subjective, lack of awareness that the act constituting the infringement was an infringement of the copyright; and
- (ii) that, objectively considered, [the defendant] had no reasonable grounds for suspecting that the act constituted an infringement.

2 *Quantum*

Damages in an action for copyright infringement are compensatory: they aim to ‘compensate the defendant for the loss suffered as a result of the defendant’s breach’ (*Autodesk Australia Pty Ltd v Cheung*). In determining the loss to the copyright owner, any depreciation caused by the infringement might be taken into account.

However, this depreciation is not necessarily just the licence fee that the plaintiff may have extracted had the defendant acquired a legitimate licence: instead, external market conditions and other factors, such as the likelihood that a licence would actually have been acquired legitimately, must be considered. In *Autodesk*, for example, Wilcox J noted that some infringements may even increase the value of copyright; in such circumstances, it may be more appropriate to calculate damage by reference to the licence fee, or lost sales.

Similarly, in the case of computer software piracy, it may be that not all acts of infringement, had they not occurred, would have resulted in the acquisition of legitimate licences. In *Autodesk*, this made it ‘not logical’ simply to multiply the number of infringements by the cost of individual licences. Instead, damages were ‘at large’ and calculated by awarding ‘the amount I think right as if I were a jury’ (per Wilcox J). What often occurs is the assessment of damages as if the action were a common law action in conversion: that is, the value of the infringing goods at the time of conversion (eg, the street value of the pirated software). In *Autodesk Inc v Yee*, this meant that a student found to have infringed Autodesk’s copyright by pirating and selling its software was liable only to repay the value of the pirated software, and not the full licences.

3 *Additional damages*

Section 115(4) provides for the award of additional damages. Similar to exemplary damages at common law, additional damages may be awarded where the circumstances suggest that the infringement was flagrant or particularly deleterious. The list of relevant factors enumerated in the Act is not exhaustive, by s 115(4)(iv).

E *Account of Profits*

An account of profits prevents unjust enrichment by requiring the defendant to disgorge their ill-gotten gains from the infringement. It was described in the following manner by Windeyer J in *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd*:

The distinction between an account of profits and damages is that by the former the infringer is required to give up his ill-gotten gains to the party whose rights he has infringed; by the latter he is required to compensate the party wronged for the loss he has suffered.

An account of profits is an alternative to damages. It is impossible to obtain both damages *and* an account, since the former is to compensate loss while the latter is to make restitution of unjust gains.

Because an account of profits only operates upon the net gain made by a defendant from their infringement, a reduction must be made for any expenses incurred by the defendant during the course of their infringing conduct. For example, manufacturing costs associated with manufacturing an infringing article may be taken into account (*Dart Industries Inc v Décor Corporation Pty Ltd*).

In *Colbeam Palmer*, Windeyer J emphasised that the remedy acts upon the use wrongful of industrial property for profit:

The true rule, I consider, is that a person who wrongly uses another man's industrial property — patent, copyright, trade mark [design, confidential information] — is accountable for any profits which he makes which are attributable to his use of the property which is not his. ... If one man makes profit by the use or sale of some thing, and that whole thing came into existence by reason of his wrongful use of another man's property in a patent, design or copyright, the difficulty disappears and the case is then, generally speaking, simple. In such a case the infringer must account for all the profits which he thus made.

The position as regards partially infringing articles is more complex. Should a defendant be required to disgorge all profits where an article only infringes in a small way, or would this be to perpetrate an unjust gain upon the plaintiff? For example, where a manufacturer produces a luxury car whose dashboard reproduces a substantial part of a literary work relating to seatbelt safety information, clearly the manufacturer should not be required to pay over all profits associated with manufacture and sale of the entire item. Comments of the equity judges in relation to the transformation of equitable remedies into vehicles for delivering unjust gains to plaintiffs form an interesting adjunct to this issue.

F Immunity

Carriage service providers have both general and specific immunities from actions under pt V. These operate to protect internet service providers, web hosts, telecommunications operators, and other information technology services from liability for the infringing actions of their users.

The limitations upon remedies against such a defendant are contained in the following sections:

- Section 116AG(2): general requirement that a court not award damages, an account of profits, additional damages or other monetary relief, where:
 - The infringement occurred in the course of the carriage service provider's relevant activities:
 - Provision of facilities and services for transmitting, routing or providing connections for copyright material: s 116AC;
 - Automatic caching of copyright material: s 116AD;
 - Storing of copyright material by users on a system or network controlled or operated by the service provider: s 116AE;
 - Referral of users to an online location using information location tools or technology: s 116AF; and
 - The carriage service provider must have complied with the required conditions:
 - Adopting and implementing a policy for terminating the accounts of repeat infringers;
 - Complying with relevant industry codes regarding technical measures used to identify and protect copyright material;

- In relation to s 116AC:
 - that the activity was initiated by someone other than the carriage service provider; and
 - that the service provider did not make any substantive modifications to the copyright material during transmission: s 116AH;
- In relation to s 116AC:
 - expeditiously removing access to cached material if notified of an infringement; and
 - not making substantive modifications to the cached material: s 116AH;
- In relation to s 116AE and s 116AF:
 - not receiving a directly attributable financial benefit for the infringing act; and
 - expeditiously removing access to the infringing material: s 116AH.

Where the immunity applies and there has been an infringement, the Court is limited to such remedies as ordering the carriage service provider to terminate the relevant account or taking reasonable steps to remove the infringing material or references to it, or 'some other less burdensome but comparatively effective non-monetary order if necessary': s 116AG(4).