

*Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16

HIGH COURT OF AUSTRALIA

FRENCH CJ, GUMMOW, HAYNE, CRENNAN AND KIEFEL JJ

**FRENCH CJ, CRENNAN AND KIEFEL JJ:**

1 This appeal from the Full Court of the Federal Court of Australia (Emmett and  
Nicholas JJ; Jagot J dissenting)<sup>1</sup> concerns the authorisation of copyright  
infringement by a person who is neither the owner nor the licensee of a copyright  
under ss 101(1) and 101(1A) of the *Copyright Act* 1968 (Cth) ("the Copyright  
Act").

2 The 34 appellants are Australian and United States companies which  
either own or exclusively license the copyright in thousands of commercially  
released films and television programs, including a sample of 86 films in  
evidence before the courts below ("the appellants' films"). The respondent  
("iiNet") is an Australian internet service provider ("ISP") which provides its  
customers with access to the internet in return for a monthly fee.

3 A number of parties sought leave to intervene or to appear as *amicus*  
*curiae*. Leave to appear as *amicus* was granted to the Australasian Performing  
Right Association Limited, which supported the appellants, and to the  
Communications Alliance Limited, which supported the respondent.

4 As will appear, some customers of iiNet have used the internet access  
provided by iiNet to infringe copyright in the appellants' films by making the  
films available online using the BitTorrent peer-to-peer file sharing system,  
explained below. The appellants claim that iiNet has infringed copyright in their  
films by authorising its customers' infringing acts.

5 The key question in the appeal, whether iiNet authorised its customers'  
infringing acts, "depends upon all the facts of the case"<sup>2</sup>. The facts and  
circumstances on which the appellants rely to support their contention that iiNet  
authorised its customers' infringing acts include the following:

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1 *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285.

2 *University of New South Wales v Moorhouse* (1975) 133 CLR 1 ("*Moorhouse*") at  
12 per Gibbs J; [1975] HCA 26. See also *Performing Right Society Ltd v Caryl*  
*Theatrical Syndicate Ltd* [1924] 1 KB 1 at 9 per Bankes LJ.

- the provision by iiNet to its customers (and to other users of those customers' accounts) of access to the internet, which can be used generally and, in particular, to access the BitTorrent system;
- the infringement of the copyright in the appellants' films by customers of iiNet who have made the films available online in whole or in part using the BitTorrent system;
- the knowledge by iiNet of specific infringements, as drawn to its attention by notices from the Australian Federation Against Copyright Theft ("AFACT"), representing the appellants;
- the technical and contractual power of iiNet to terminate the provision of its services to customers infringing copyright; and
- the failure by iiNet to take reasonable steps to warn identified infringing customers to cease their infringements and, if appropriate, to terminate the provision of its services to them.

For the reasons that follow, in our opinion, the conduct of iiNet did not constitute authorisation of its customers' infringing acts.

#### Relevant statutory framework

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Part IV of the Copyright Act (ss 84-113C), headed "Copyright in subject-matter other than works"<sup>3</sup>, includes provisions in respect of "cinematograph films", which are defined in s 10(1)<sup>4</sup>. Section 86 provides that copyright in relation to a cinematograph film includes the exclusive right to make a copy of the film (s 86(a)), and to communicate the film to the public (s 86(c)). Under s 10(1), "communicate", in relation to a cinematograph film, means "make [the film] available online or electronically transmit [the film]".

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3 "Works" are "original literary, dramatic, musical and artistic works" covered by Pt III.

4 Relevantly s 10(1) provides:

**"cinematograph film** means the aggregate of the visual images embodied in an article or thing so as to be capable by the use of that article or thing:

- (a) of being shown as a moving picture; or
- (b) of being embodied in another article or thing by the use of which it can be so shown;

and includes the aggregate of the sounds embodied in a sound-track associated with such visual images."

7 By s 13(2), found in Pt II (headed "Interpretation"), an exclusive right of a copyright owner to do an act includes the exclusive right to authorise a person to do that act.

8 Section 101(1) provides that:

"Subject to this Act, a copyright subsisting by virtue of [Pt IV] is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright."

Accordingly, a primary infringement of a copyright in a cinematograph film occurs when a person, who is neither the owner nor the licensee, makes the film available online without the copyright owner's consent; a secondary infringement occurs when a person, who is neither the owner nor the licensee, authorises the making available online of the film without the copyright owner's consent.

9 Section 101(1A)<sup>5</sup> provides for three matters that must be taken into account when determining whether authorisation of infringing conduct has occurred:

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

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

Something more will be said later about the context in which s 101(1A) was introduced.

10 It is also necessary to note specific provisions relevant to the liability of an ISP in respect of a communication.

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5 Introduced into Pt IV by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth).

11 Section 22(6) provides:

"For the purposes of this Act, a communication other than a broadcast is taken to have been made by the person responsible for determining the content of the communication."

Accordingly, iiNet is not liable for any primary infringement in respect of the conduct of its customers<sup>6</sup>.

12 Section 112E qualifies the operation of ss 101(1) and 101(1A) to the extent that they apply to a person (such as an ISP) who provides facilities for making communications. It provides:

"A person (including a carrier or carriage service provider) who provides facilities for making, or facilitating the making of, a communication is not taken to have authorised any infringement of copyright in an audio-visual item merely because another person uses the facilities so provided to do something the right to do which is included in the copyright."

As an ISP, iiNet is a "carriage service provider"<sup>7</sup>. A cinematograph film is an "audio-visual item" within the meaning of s 100A, and the meaning of the word "communication" in s 112E corresponds with the definition of "communicate" in s 10(1).

13 Sections 116AA to 116AJ limit the remedies available against carriage service providers for infringements of copyright which result from the carrying out of particular online activities by the carriage service provider, provided that the carriage service provider meets certain conditions. All of the members of the Full Court agreed that iiNet was not entitled to the benefit of these provisions in the circumstances of this case<sup>8</sup>, and iiNet does not seek to rely on them in this appeal. What might be noted, however, is that s 116AG(3)(b), which limits remedies against carriage service providers, empowers a court to make "an order requiring the carriage service provider to terminate a specified account".

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6 Cf *Telstra Corporation Ltd v Australasian Performing Right Association Ltd* (1997) 191 CLR 140; [1997] HCA 41.

7 Defined in s 10(1) by reference to the *Telecommunications Act 1997* (Cth).

8 *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285 at 347 [272] per Emmett J, 406 [524] per Jagot J, 464 [800] per Nicholas J.

## Technical background

14 The technical background to the appeal has been explained in the courts below<sup>9</sup> and is not contested on the appeal. Nevertheless, it is convenient to summarise some aspects of the relevant technology before considering the submissions made on the appeal.

### *The Internet Protocol and IP addresses*

15 Computers connected to the internet communicate with each other by means of a common language, or protocol, called the Internet Protocol ("IP"). Data sent by means of the IP is broken up into small "packets". Computers sending and receiving data are allocated IP addresses, which enable packets to be exchanged (in much the same way that postal addresses enable mail to be exchanged). Such IP addresses are sold in blocks to ISPs, and ISPs allocate IP addresses to their customers. The identity of the ISP to whom a particular block of IP addresses has been sold is publicly available information.

16 Where a customer's computer is directly connected to the internet (through a modem), the ISP will assign a public IP address to that computer. However, many computers are not directly connected to the internet, but are instead connected to a "router" – a device which can "route" data between a private network of computers. Where a customer's computer is connected to a router, the router will be directly connected to the internet (through a modem), and the ISP will assign a public IP address to the router. Where multiple computers are connected to a router, all of those computers will be able to access the internet – but only the public IP address assigned to the router will be visible to other computers on the internet. As such, a public IP address does not necessarily correspond to a specific person or computer.

17 iiNet allocates "dynamic" IP addresses to all of its non-business customers – this means that the IP address by which an iiNet customer's computer or router connects to the internet will change over time. Systems instituted by iiNet enable it to identify the customer account to which a particular IP address has been allocated at a particular time, but not necessarily the specific person or computer using that IP address (which may be several).

### *The BitTorrent system*

18 The BitTorrent system<sup>10</sup> is designed to enable rapid and decentralised distribution of data across the internet, and operates differently from certain

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9 See *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215 at 229-235 [44]-[78] per Cowdroy J; *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285 at 296-300 [35]-[63] per Emmett J.

10 Created by Bram Cohen in 2001.

peer-to-peer file sharing systems which have been the subject of litigation in Australia<sup>11</sup> and the United States of America<sup>12</sup>. Types of data which might be distributed using the BitTorrent system include, for example, documents (usually .doc files), films and television programs (usually .avi files), and songs (usually .mp3 files). Unlike traditional centralised methods of data distribution, the BitTorrent system operates on a peer-to-peer file sharing basis and all of the computers seeking the relevant data participate in its distribution.

19 The BitTorrent system has a number of parts, all of which must be employed before data can be distributed (that is, before a file can be downloaded). These parts are described below using the example of a person who wants to download a film (a .avi file):

1. BitTorrent client: A BitTorrent client is a computer program which allows a computer to access groups of computers sharing a particular .torrent file. These groups of computers are called "swarms", each computer in a swarm being a "peer". A person who wants to download a film using the BitTorrent system must first download and install a BitTorrent client.
2. .torrent file: A .torrent file contains the information necessary for a BitTorrent client to contact and participate in a swarm – in this case, the swarm sharing the .torrent file associated with the relevant film. The .torrent file does not contain the underlying data associated with the film – that information is contained in the .avi file. Rather, the .torrent file contains the name of the .avi file sought, the size of the .avi file, the "hash value" of the .avi file, the "hash value" of the pieces of the .avi file, and the location of the "tracker". .torrent files are available from websites which allow users to search for the .torrent file associated with a particular underlying file (in this case, the film) which they wish to obtain.
3. Hash value: Just as the IP breaks data into "packets", the BitTorrent system breaks data into "pieces". The hash value of a particular piece is unique, and identifies that piece. Hash values are important because the BitTorrent system distributes data (in this case, the film) in pieces. Pieces are downloaded out of sequence, rarest first, and must later be reassembled into a complete file.
4. Tracker: A tracker is a computer program on a server which monitors the particular swarm with which it is associated. Instructions for locating the

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11 See, for example, *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1 ("Kazaa").

12 See, for example, *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* 545 US 913 (2005) ("Grokster").

relevant tracker for a swarm are contained in the relevant .torrent file. Once located by the BitTorrent client, the tracker provides the BitTorrent client with the IP addresses of the peers in the swarm, enabling the BitTorrent client to participate in the swarm as a peer – that is, to send and receive pieces of the relevant file (in this case, the film).

20 In summary, a person who wants to download a film using the BitTorrent system must first download a BitTorrent client, and then locate and download a .torrent file associated with the relevant film. When the person opens the .torrent file, the BitTorrent client will use the instructions in the .torrent file to contact the tracker, and then start requesting and receiving pieces of the relevant .avi file – out of sequence – from peers in the relevant swarm. Once the BitTorrent client has received all of the pieces of the .avi file, it will use the instructions in the .torrent file to reassemble those pieces into the completed film and will save the file as instructed by the person who has downloaded the film.

21 As the BitTorrent client requests (and receives) pieces of the relevant .avi file that it has not yet obtained, it will receive requests from other peers in the swarm for pieces of the relevant .avi file that they have not yet obtained. Generally, once it has received a piece of the .avi file, the BitTorrent client will share that piece with any peer from whom it receives a request. When the BitTorrent client has received all of the pieces of the .avi file, it will continue to share those pieces as long as the computer on which the .avi file has been downloaded is connected to the internet and the BitTorrent client is running. In most cases, this process of sharing will only end when the .torrent file is removed from the BitTorrent client by deliberate deletion by the person using the BitTorrent system. A user of the BitTorrent system who downloads a film, the subject of copyright, will infringe not only s 86(a) of the Copyright Act, but also s 86(c), because the BitTorrent system will automatically make that film available online on the user's computer until the .torrent file is removed from the BitTorrent client.

### Legislative background

22 This Court has recognised on many occasions that ascertaining the meaning of the text of statutory provisions may require consideration of their context<sup>13</sup>. Section 101(1A) was part of a group of amendments to the Copyright Act made by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) ("the

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13 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273 at 281 [12] per McHugh ACJ, Gummow and Hayne JJ; [2004] HCA 14; *Alcan (NT) Alumina Pty Ltd v Commissioner of Territory Revenue* (2009) 239 CLR 27 at 46-47 [47] per Hayne, Heydon, Crennan and Kiefel JJ; [2009] HCA 41; *Australian Education Union v Department of Education and Children's Services* (2012) 86 ALJR 217 at 224 [26]-[28] per French CJ, Hayne, Kiefel and Bell JJ; 285 ALR 27 at 34-35; [2012] HCA 3.

2000 amendments") described by the then Attorney-General, the Hon Daryl Williams, as the legislature's response to "rapid developments in communications technology, in particular the huge expansion of the Internet"<sup>14</sup>. The relevant Explanatory Memorandum contains echoes of those remarks<sup>15</sup> and, by reference to *Moorhouse*, explains that s 101(1A) partially codifies the principles in relation to authorisation which exist at common law<sup>16</sup>.

23 The 2000 amendments followed the opening for signature by the World Intellectual Property Organisation ("WIPO") of the WIPO Copyright Treaty on 20 December 1996. Article 8 of the WIPO Copyright Treaty provides that "authors ... shall enjoy the exclusive right of authorizing any communication to the public of their works". The agreed statement concerning Art 8 relevantly provides:

"It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention."

24 The 2000 amendments can usefully be summarised as follows:

- Sections 31, 85, 86 and 87 were all amended to add a new right, comprised in copyright in works and subject matter other than works, to communicate the work, sound recording, cinematograph film or television or sound broadcast to the public. The new right replaced the rights to broadcast and to transmit to subscribers to a diffusion service. Those rights had been overtaken by the availability of access to the internet. Section 10 was amended to include a definition of "communicate", as set out above.
- Section 101 was amended (as was s 36, in Pt III) to include a new sub-s (1A) to codify at least partially common law developments in relation to authorisation.

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14 Australia, House of Representatives, *Parliamentary Debates* (Hansard), 2 September 1999 at 9748.

15 Australia, House of Representatives, Copyright Amendment (Digital Agenda) Bill 1999 (Cth), Explanatory Memorandum at 1.

16 Australia, House of Representatives, Copyright Amendment (Digital Agenda) Bill 1999 (Cth), Explanatory Memorandum at 52 [122]-[124].



- Section 22(6) was inserted (as, later, was s 22(6A)<sup>17</sup>), effectively exempting ISPs from direct liability for communication of copyright material<sup>18</sup>.
- Section 112E was inserted (as was s 39B, in Pt III), implementing the agreed statement in relation to Art 8 of the WIPO Copyright Treaty.

25 This statutory framework was subsequently added to:

- Sections 116AA to 116AJ, the "safe harbour" provisions, which correspond with cognate provisions in the United States<sup>19</sup>, were introduced into Pt V (headed "Remedies and offences") by the *US Free Trade Agreement Implementation Act 2004* (Cth) and the *Copyright Legislation Amendment Act 2004* (Cth). Sections 116AB and 101(1A)(c) refer to industry codes. Regulation 20B of the Copyright Regulations 1969 (Cth) provides for the development of industry codes intended to represent a "consensus of copyright owners and carriage service providers".
- Sub-sections (5), (6), (7) and (8) of s 115, which were inserted into Pt V by Sched 4 to the *Copyright Amendment Act 2006* (Cth), specify certain matters for courts to take into account when determining appropriate relief for electronic infringement on a commercial scale.

26 The 2000 amendments predated the release of the BitTorrent system. Their evident purpose was to respond to new communications technology by attempting to strike a balance between conflicting policy considerations. Access to internet technology is fostered by ss 22(6), 22(6A), 112E and 39B, and the "safe harbour" provisions, ss 116AA to 116AJ; the rights of copyright owners are enhanced by relevant amendments to ss 10, 31, 85, 86 and 87; the statutory clarification of the concept of authorisation in s 101(1A) is balanced against ss 22(6) and 112E. All three of those last-mentioned provisions can apply to a third party intermediary between copyright owners and copyright infringers (such

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17 A clarifying provision introduced by Sched 7 to the *Copyright Amendment Act 2006* (Cth).

18 Cf *Telstra Corporation Ltd v Australasian Performing Right Association Ltd* (1997) 191 CLR 140.

19 The *Digital Millennium Copyright Act 1998* (US) introduced a new §512 to Title 17 (Copyrights) of the United States Code. Sections 116AC, 116AD, 116AE and 116AF of the Copyright Act correspond with §§512(a), 512(b), 512(c) and 512(d), respectively. The legislation was not directed to peer-to-peer file sharing: *Recording Industry Association of America Inc v Verizon Internet Services Inc* 351 F 3d 1229 at 1237-1238 (2003).

as an ISP) although, as noted correctly by the primary judge (Cowdroy J), s 112E appears to provide protection where none is required<sup>20</sup>.

### Factual background

#### *Contractual relationship with iiNet's customers*

27 iiNet provides internet access to its customers under the terms of its Customer Relationship Agreement ("CRA"), which provides that an iiNet customer is responsible for the use of the customer's internet access by any other person. In October 2008, the CRA relevantly provided as follows<sup>21</sup>:

#### **"Comply with all laws**

4.1 In using the Service, you must comply with all laws and all directions by a Regulatory Authority and reasonable directions by us.

#### **Prohibited Uses**

4.2 You must not use, or attempt to use, the Service:

(a) to commit an offence or to infringe another person's rights;

...

(e) for illegal purpose or practices;

or allow anybody else to do so.

...

#### **Cancellation or suspension by us**

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14.2 We may, without liability, immediately cancel, suspend or restrict the supply of the Service to you if:

...

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<sup>20</sup> *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215 at 339 [574]. See also Ficsor, "Copyright for the Digital Era: The WIPO 'Internet' Treaties", (1997) 21 *Columbia-VLA Journal of Law & the Arts* 197 at 214.

<sup>21</sup> The case was conducted on the basis that versions of the CRA which applied at all relevant times were not materially different.

- (b) you breach a material term (other than a breach which separately gives rise to rights under this clause 14.2) and that breach is not capable of remedy;
- (c) you breach a material term (other than a breach which separately gives rise to rights under this clause 14.2) and, where that breach is capable of remedy, you do not remedy that breach within 14 days after we give you notice requiring you to do so;
- ...
- (i) you breach clause 4 ... or otherwise misuse the Service;
- (j) we reasonably suspect fraud or other illegal conduct by you or any other person in connection with the Service;
- ...

14.3 If we suspend the Service under clause 14.2, then we may later cancel the Service for the same or a different reason."

*Notices alleging infringement by iiNet customers*

28 AFACT is an organisation which represents owners and exclusive licensees of copyright in films and television programs, including the appellants. From August 2007, AFACT employed a company called DtecNet Software APS ("DtecNet") to gather evidence of alleged copyright infringement by Australian internet users. From June 2008, DtecNet narrowed its investigations to target the use of the BitTorrent system by customers of four Australian ISPs, one of which was iiNet. DtecNet used a computer program ("the DtecNet Agent") to gather evidence that iiNet customers had used the BitTorrent system to download and share the appellants' films.

29 In essence, the DtecNet Agent is a BitTorrent client with an additional function – at the same time that it receives and shares pieces of a file, it gathers and records information about the peers in the swarm who are also receiving and sharing the pieces of that file. By using only .torrent files associated with the appellants' films (identified as such by hash values) and connecting only to peers with a public IP address that matched an IP address which had been sold to iiNet, DtecNet claimed that it was able to identify instances of copyright infringement by iiNet customers.

30 On 2 July 2008, the Executive Director of AFACT, Mr Neil Gane, sent iiNet the first of what would be many letters entitled "Notice of Infringement of Copyright" ("the AFACT notices"). The letter alleged infringement by customers of iiNet of the appellants' copyright in "movies and television shows" through the use of the BitTorrent system. The alleged infringements were said to

involve "communication to the public of unauthorised copies of the motion pictures and television shows shared with other internet users via BitTorrent".

31 Attached to the letter was a spreadsheet said to contain the information relevant to infringing activities of iiNet customers occurring between 23 June 2008 and 29 June 2008.

32 The letter alleged that the attached spreadsheet showed that individual iiNet customers were involved in multiple infringements of copyright, and went on to state that iiNet's failure to prevent the alleged infringements from occurring "may constitute authorisation of copyright infringement by iiNet". iiNet was asked to "[p]revent the Identified iiNet Customers from continuing to infringe".

33 AFACT sent iiNet a second notice on 9 July 2008, including an almost identical letter relating to the period 30 June 2008 to 6 July 2008 and a corresponding spreadsheet. On 16 July 2008, AFACT sent iiNet a third notice, this time also enclosing three DVDs. These DVDs contained the spreadsheets attached to the earlier notices, as well as additional information said to be the underlying data gathered by DtecNet in its investigations.

34 AFACT sent iiNet a notice in similar terms (enclosing the same type of information) every week until August 2009. The AFACT notices did not contain information about how the data in the spreadsheets had been gathered, or how the DtecNet Agent operated. Responses by iiNet to the AFACT notices raised three issues: the desirability of AFACT referring its allegations to appropriate authorities; iiNet's inability to understand AFACT's data; and the insufficiency of an identification of an IP address to pinpoint a particular user of internet access provided by iiNet.

35 In the period 2008-2009, iiNet had approximately 490,000 customers, and was the third largest ISP in Australia. In the end, iiNet did not suspend or terminate any customer account in response to allegations of copyright infringement in the AFACT notices. It can be noted that, in responding to particular management or internet abuse issues (such as customers spamming or not paying bills), iiNet did, in some cases, suspend or terminate customer accounts. However, the taking of those steps did not depend upon the accuracy of information provided by others.

36 When first sued, iiNet issued media releases on 20 November 2008 and 17 December 2008 asserting that it did not support or encourage any infringement of the appellants' copyright. iiNet also asserted in the media releases that it was for law enforcement agencies rather than iiNet to respond to the appellants' complaints about copyright infringement and that, in the absence of proof of the alleged infringements, iiNet was not prepared to disconnect any customer's internet service.

37 In addition to relevant clauses in the CRA, iiNet had other measures in place which it claims were designed to prevent or discourage copyright infringement by users of its internet services. These included a notice on iiNet's website which warned that the hosting or posting of illegal copyright material would constitute a breach of the CRA, and that such a breach may result in the suspension or termination of a customer's internet access. iiNet also provided and published an email address, facsimile number and postal address to which copyright owners could send copyright notices in accordance with the "safe harbour" provisions of the Copyright Act. Further, iiNet provided a service known as "Freezone", which allowed users of iiNet's internet services to download or stream a range of licensed, non-infringing material including films, sport, television programs, games, music and online radio stations.

38 By mid-2008, more than half the usage of iiNet's internet services by its customers (measured by volume) was represented by BitTorrent file sharing, and it was common knowledge that the BitTorrent system was used for infringing activities – although not solely for such.

#### Proceedings below

39 In the course of discovery in the proceedings before Cowdroy J, iiNet was provided with data from DtecNet which enabled iiNet to identify the accounts of 20 iiNet customers alleged in the AFACT notices to have repeatedly infringed the copyright in the appellants' films ("the R20 accounts"). Further, after the filing of expert reports which explained the DtecNet methodology, iiNet did not dispute the primary infringements by iiNet customers alleged in the spreadsheets attached to the AFACT notices between 23 June 2008 and 9 August 2009<sup>22</sup>.

40 In concluding that iiNet did not authorise its customers' infringing acts, Cowdroy J did not have regard to the matters in s 101(1A). At the forefront of his Honour's reasoning was the fact that the BitTorrent system was the "means" of infringement, rather than iiNet's provision of access to the internet. His Honour observed that the evidence showed that iiNet had no connection with, or control over, the BitTorrent system<sup>23</sup>. Consequently, it could not be said to be incumbent upon iiNet to stop the infringements. The issue of a warning and the termination of customer accounts on the basis of the AFACT notices would not be a reasonable step to prevent or avoid infringements and would not constitute a relevant power to prevent infringements, his Honour held<sup>24</sup>.

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22 *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215 at 272 [275].

23 *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215 at 301 [404], 302 [407].

24 *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215 at 309 [436].

41 All members of the Full Court found that the statutory test for authorisation had not been applied correctly by his Honour. All agreed that a matter necessary to be taken into account in connection with s 101(1A) in this case was whether the exercise of any power on the part of iiNet to prevent acts of infringement was reasonable<sup>25</sup>.

### Authorisation

42 As explained in the reasons of Gummow and Hayne JJ<sup>26</sup>, the concept of authorisation in copyright law has a long history in Australia and has existed since the *Copyright Act* 1905 (Cth)<sup>27</sup>. That Act was repealed by s 4 of the *Copyright Act* 1912 (Cth), which adopted the *Copyright Act* 1911 (UK) ("the Imperial Act")<sup>28</sup> as applying in Australia. Section 1(2) of the Imperial Act included in a copyright owner's statutory monopoly a right "to authorise" any of the sole rights constituting that monopoly, and it came to be recognised that authorisation of infringement was a separate statutory tort, distinct from primary infringement<sup>29</sup>. That amendment enlarged the copyright owner's protection in circumstances where the liability of a person for "causing" an infringement (a formulation found in prior legislation) had been construed as limited to situations involving employment and agency<sup>30</sup>.

### Relevant cases

43 In *Evans v E Hulton & Co Ltd*<sup>31</sup>, Tomlin J relied on the Oxford English Dictionary's definition of "authorise" in connection with the authorisation of acts, "[t]o give formal approval to; to sanction; to approve; to countenance"<sup>32</sup>. His Honour did so in apparent rejection of counsel's contention that authorisation under the Imperial Act did not enlarge the copyright owner's protection in respect of infringement beyond employment and agency (as under the prior law).

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25 *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285 at 326-327 [179]-[180], 328 [188]-[189] per Emmett J, 381 [399] per Jagot J, 447 [713] per Nicholas J.

26 At [105].

27 Sections 13, 14 and 34. See *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274 at 282.

28 Which itself followed the Revised Berne Convention of 1908.

29 See *Ash v Hutchinson and Co (Publishers) Ltd* [1936] Ch 489.

30 Easton, *Copinger's Law of Copyright*, 5th ed (1915) at 136.

31 [1923-28] MacG Cop Cas 51.

32 [1923-28] MacG Cop Cas 51 at 59-60.

Tomlin J concluded that the scope of authorisation could not be so narrow<sup>33</sup>. That appears to be the first reference, in the context of authorisation of infringement, to synonyms to be found in the dictionary. The synonyms have been mentioned in numerous subsequent cases concerned with authorisation both in the United Kingdom and in Australia. However, in concluding that a defendant who sold a manuscript authorised its printing and publication, Tomlin J relied on an *obiter dictum* of Buckley LJ in *Monckton v Pathé Frères Pathephone Ltd*<sup>34</sup>:

"The seller of a record authorizes ... the use of the record, and such user will be a performance of the musical work."

44 In *Falcon v Famous Players Film Co*<sup>35</sup>, whilst the members of the Court of Appeal affirmed a judgment below that the defendants had infringed copyright in a play by authorising a theatre proprietor to perform the play, two differing approaches to the meaning of "authorise" emerged. Bankes LJ referred to *Evans v E Hulton & Co Ltd* and *Monckton v Pathé Frères Pathephone Ltd*, and then said<sup>36</sup>:

"in the opinion of those learned judges ['authorise'] is to be understood in its ordinary dictionary sense of 'sanction, approve, and countenance'."

That cumulative approach to the synonyms differed from the approach of Tomlin J.

45 Atkin LJ referred to the same cases after stating<sup>37</sup>:

"it appears to me that to 'authorize' means to grant or purport to grant to a third person the right to do the act complained of, whether the intention is that the grantee shall do the act on his own account, or only on account of the grantor".

46 The approach of Atkin LJ was applied by the House of Lords in *CBS Songs Ltd v Amstrad Consumer Electronics plc*<sup>38</sup>. Lord Templeman (with whom the other Law Lords agreed) found that the defendants (sellers of hi-fi systems

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33 [1923-28] MacG Cop Cas 51 at 59-60.

34 [1914] 1 KB 395 at 403.

35 [1926] 2 KB 474.

36 [1926] 2 KB 474 at 491.

37 [1926] 2 KB 474 at 499.

38 [1988] AC 1013.

which included facilities for tape recording) did not "sanction, approve or countenance" infringing use of these systems and went on to say that, by the sale of the products, the defendants "conferred on the purchaser the power to copy but did not grant or purport to grant the right to copy"<sup>39</sup>.

47 Infringement under the Imperial Act included not only authorising the doing of an act within the copyright without the owner's consent (s 2(1)), but also permitting a theatre or place of entertainment to be used for the performance in public of a copyright work (s 2(3)). A managing director of a theatre company was sued in respect of both forms of infringement in *Performing Right Society Ltd v Ciry Theatre Syndicate Ltd*<sup>40</sup>. In that case, Bankes LJ stated that both forms of infringement might be inferred "from acts which fall short of being direct and positive", and went so far as to say that "indifference, exhibited by acts of commission or omission, may reach a degree from which authorization or permission may be inferred"<sup>41</sup>.

48 By way of contrast, *Adelaide Corporation v Australasian Performing Right Association Ltd*<sup>42</sup> ("*Adelaide Corporation*") was concerned only with s 2(3) of the Imperial Act. Isaacs J (in the minority) saw s 2(3) as a "necessary complement" to s 2(1), and said that he understood the word "authorise" in the Imperial Act to import the sense of "sanction, approve and countenance"<sup>43</sup>. Higgins J (in the majority) appeared to agree, without expressly differentiating between the act of authorising and the act of permitting infringing conduct<sup>44</sup>. Higgins J went on to consider statements made by Atkin LJ in *Berton v Alliance Economic Investment Co Ltd*<sup>45</sup>. In that case, Atkin LJ said that "permit", in the context of a covenant in a lease, could mean "to abstain from taking reasonable steps to prevent the act where it is within a man's power to prevent it", although "sympathy" or even "assistance" with an act was not equivalent to permitting it to occur<sup>46</sup>. Higgins J considered that, for authorisation of infringement to be made out, there must be a direct power to prevent a specific act, such as a specific infringement of copyright, and not a power which would indirectly achieve that

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39 [1988] AC 1013 at 1054.

40 [1924] 1 KB 1.

41 [1924] 1 KB 1 at 9.

42 (1928) 40 CLR 481; [1928] HCA 10.

43 (1928) 40 CLR 481 at 489.

44 (1928) 40 CLR 481 at 497.

45 [1922] 1 KB 742.

46 [1922] 1 KB 742 at 759.



result only by putting an end to a relationship, such as that between lessor and lessee<sup>47</sup>. The other judges constituting the majority, Gavan Duffy and Starke JJ, said: "[p]ermission to do an act involves some power or authority to control the act to be done"<sup>48</sup>; they also agreed that indifference does not necessarily establish permission to infringe<sup>49</sup>.

49 In *Moorhouse*<sup>50</sup>, a copyright owner of a literary work, a collection of short stories published under the title *The Americans, Baby*, alleged that a university was required to take positive steps to stop primary copyright infringement by library users photocopying library books on a photocopier located in the university library. It was contended that the university was indifferent to the occurrence of infringements through the use of the photocopier and had posted an inadequate notice concerning copyright infringement.

50 Jacobs J (with whom McTiernan ACJ agreed) spoke of the meaning of authorisation by reference to the dictionary sense of "sanction, approve, countenance"<sup>51</sup>. His Honour went on to find that an implied invitation to infringe could constitute authorisation despite the absence of knowledge of any actual act of infringement<sup>52</sup>. His Honour also found that providing a photocopier in a library was an unqualified invitation to users of the library which sufficiently caused the primary infringer to do the infringing acts comprised in the copyright<sup>53</sup>.

51 Gibbs J likewise accepted as the meaning of authorise the dictionary sense, referred to in *Adelaide Corporation*, of "sanction, approve, countenance"<sup>54</sup>. His Honour then cited passages from that case to support the proposition that "[a] person cannot be said to authorize an infringement of

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47 (1928) 40 CLR 481 at 499.

48 (1928) 40 CLR 481 at 503.

49 (1928) 40 CLR 481 at 504-505.

50 (1975) 133 CLR 1.

51 (1975) 133 CLR 1 at 20.

52 (1975) 133 CLR 1 at 21.

53 (1975) 133 CLR 1 at 23.

54 (1975) 133 CLR 1 at 12.

copyright unless [the person] has some power to prevent it"<sup>55</sup>. His Honour went on to say<sup>56</sup>:

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

52 The derivation of the text of s 101(1A) – and in particular pars (a) and (c) – from these statements of Gibbs J is clear enough and, as already mentioned, this was acknowledged in relevant extrinsic material<sup>57</sup>. The effect of the *Moorhouse* decision on libraries was overcome by the introduction to the Copyright Act of s 39A<sup>58</sup>. Part VB of the Copyright Act (ss 135ZB-135ZZH) was subsequently introduced by the *Copyright Amendment Act 1989* (Cth), instituting a system for the payment of equitable remuneration in respect of the copying of copyright works in educational and other institutions. Further, sub-ss (1A) and (1B) were added to s 40, exempting fair dealing for the purposes of research or study from copyright infringement.

53 *Australian Tape Manufacturers Association Ltd v The Commonwealth*<sup>59</sup> ("*Tape Manufacturers*") concerned the constitutional validity of a compulsory levy<sup>60</sup> imposed on vendors of blank cassette tapes. Citing Gibbs J in *Moorhouse*, among other cases, Mason CJ, Brennan, Deane and Gaudron JJ said<sup>61</sup>:

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55 (1975) 133 CLR 1 at 12.

56 (1975) 133 CLR 1 at 13.

57 At [22].

58 See *Copyright Amendment Act 1980* (Cth), s 6. Section 39A provides that, if a notice of a particular size is affixed in proximity to a machine (including a computer), neither the body administering the library or archives, nor the officer in charge, shall be taken to have authorised the making of an infringing copy on such a machine by reason only that the infringing copy was made on the machine. See also Copyright Regulations 1969 (Cth), reg 4B and Sched 3.

59 (1993) 176 CLR 480; [1993] HCA 10.

60 The compulsory levy at issue, referred to in s 135ZZN as a "blank tape royalty", had been introduced by the *Copyright Amendment Act 1989* (Cth) as part of a new Pt VC, headed "Use of blank tapes for private and domestic copying".

61 (1993) 176 CLR 480 at 497.

"The sale of a blank tape does not constitute an authorization by the vendor to infringe copyright. That is principally because the vendor has no control over the ultimate use of the blank tape".

Their Honours went on to say<sup>62</sup>:

"manufacture and sale of articles such as blank tapes or video recorders, which have lawful uses, do not constitute authorization of infringement of copyright, even if the manufacturer or vendor knows that there is a likelihood that the articles will be used for an infringing purpose such as home taping of sound recordings, so long as the manufacturer or vendor has no control over the purchaser's use of the article".

54 In 2000, a new Pt VC (ss 135ZZI-135ZZZE), headed "Retransmission of free-to-air broadcasts", was introduced by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth). The new Pt VC instituted a scheme for the payment of equitable remuneration in respect of retransmission of free-to-air broadcasts, including cinematograph films subject to copyright<sup>63</sup>.

### Submissions

#### *Appellants*

55 The appellants have brought no legal action against any individual user of the internet services provided by iiNet for any primary infringements of copyright under either s 86(a) or s 86(c), and it did not appear to be in contention that it would be somewhat impractical to do so<sup>64</sup>. The present proceedings do not cover those responsible for providing the BitTorrent system. No party doubted that the rationale for the separate tort of authorisation is economic – namely, cost-efficient enforcement of the rights of a copyright owner.

56 The appellants' complaint against iiNet is confined to alleging secondary infringement. The appellants contend that iiNet is liable for infringement of copyright in the appellants' films because it authorised users of its internet

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62 (1993) 176 CLR 480 at 498.

63 However, this scheme does not apply to retransmissions which take place over the internet.

64 See *In re Aimster Copyright Litigation* 334 F 3d 643 (2003) ("*Aimster*") at 645, where Judge Posner, citing Picker, "Copyright as entry policy: the case of digital distribution", (2002) 47 *Antitrust Bulletin* 423 at 442, referred to the possibility of copyright owners taking action against individual infringers as a "teaspoon solution to an ocean problem".

services to communicate those films to the public by making them available online to be downloaded by others through the use of the BitTorrent system, as prohibited by s 86(c).

57 In alleging the separate tort of authorisation, the appellants made it plain that their complaints were not complaints of contributory infringement; nor did they rely upon the principles applicable to joint tortfeasors. American authorities were referred to only as showing different approaches to dealing with the phenomenon of large-scale copyright infringements, occasioned by developments in communication technology including video recording<sup>65</sup> and peer-to-peer file sharing<sup>66</sup>. Accordingly, the appellants did not seek to show that iiNet had induced, incited or persuaded its customers to undertake acts of primary infringement.

58 The appellants relied on the second passage quoted above from the judgment of Gibbs J in *Moorhouse*<sup>67</sup>. The appellants equated the "control" referred to in that passage with the "power to prevent" referred to in s 101(1A)(a), and contended that iiNet's technical and contractual relationship with its customers gave it the indirect power to control the use of its services – that is, to prevent continuing primary infringements (through warnings, suspension of services and termination of contractual relations). That led to the submission that, once iiNet had received credible information of past infringements sufficient to raise a reasonable suspicion that such acts of infringement were continuing, failure to enforce the terms of the CRA (through warnings, suspension and termination) amounted, at the very least, to "countenancing" the primary infringements. Further, applying the language used by Jagot J in the Full Court, it was contended that iiNet's media releases amounted to "tacit approval" of the primary infringements<sup>68</sup>.

59 The appellants stated that, on any remitter to the Federal Court, they would seek injunctive relief to restrain iiNet from "continuing to provide internet services to each of [11 of the R20 accounts] without obtaining confirmation from the account holder ... that each of the cinematograph films identified ... in relation to that account has been removed from the BitTorrent system on that account". Accordingly (and consistently with the pleadings as amended from time to time), the appellants' case on authorisation ultimately was that iiNet could not avoid secondary infringement unless it implemented a system designed to achieve the removal of infringing material by iiNet customers from the

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65 *Sony Corporation of America v Universal City Studios Inc* 464 US 417 (1984).

66 *Grokster* 545 US 913 (2005).

67 (1975) 133 CLR 1 at 13.

68 *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285 at 397 [477].

BitTorrent clients on those customers' computers. The appellants did not identify any statutory warrant for the imposition of these obligations.

*iiNet*

60 iiNet's main contention was that the appellants' approach to s 101(1A) and the question of authorisation was inappropriately rigid. iiNet emphasised Jacobs J's statement in *Moorhouse* that "[i]t is a question of fact in each case what is the true inference to be drawn from the conduct of the person who is said to have authorized"<sup>69</sup>, which was itself drawn from a passage in the judgment of Gavan Duffy and Starke JJ in *Adelaide Corporation*<sup>70</sup>.

61 iiNet contended that authorisation cannot be determined on the basis that particular factors – such as knowledge or a power to prevent – are either present or absent. Rather, iiNet relied on the language of s 101(1A) and emphasised that each of those factors is a matter of degree, and that a court must consider the extent to which each factor exists before determining whether a person's "inactivity or 'indifference, exhibited by acts of commission or omission, [has reached] a degree from which authorization ... may be inferred". iiNet also emphasised that questions of reasonableness ought to inform this process, and submitted that both *Moorhouse* and *Adelaide Corporation* leave room for legitimate inactivity or indifference. The facts in *Moorhouse* were said to be distinguishable because the university was responsible for the library, the books on its shelves and the photocopier, whereas iiNet is responsible for the provision of internet services but has no involvement in, or control over, the BitTorrent system.

62 iiNet further submitted that, when all of the relevant factors are considered, it cannot be inferred from iiNet's inactivity or indifference that it authorised its customers' infringing acts. In particular, iiNet relied on the fact that it has no direct control over its customers' acts (only the ability to suspend or terminate their internet access completely). Further, iiNet argued that its ability

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69 (1975) 133 CLR 1 at 21.

70 (1928) 40 CLR 481 at 504:

"Mere inactivity or failure to take some steps to prevent the performance of the work does not necessarily establish permission. Inactivity or 'indifference, exhibited by acts of commission or omission, may reach a degree from which an authorization or permission may be inferred. It is a question of fact in each case what is the true inference to be drawn from the conduct of the person who is said to have authorized the performance or permitted the use of a place of entertainment for the performance complained of' [citing *Performing Right Society Ltd v Cyril Theatrical Syndicate Ltd* [1924] 1 KB 1 at 9 per Bankes LJ]."

to implement a system of warnings, suspension and termination depended on it first undertaking the complex and costly task of reviewing and analysing the allegations in the AFACT notices. That task raised questions – of expense and effort, and of the possible risks (as a proxy for copyright owners) of exposure to contractual liability to customers if the information in the AFACT notices turned out to be inaccurate. Such matters were said to bear on the reasonableness of taking no steps to warn its customers after receipt of the AFACT notices.

### Questions

63 The appeal can be determined by asking interrelated questions informed by s 101(1A). Did iiNet have a power to prevent the primary infringements and, if so, what was the extent of that power (s 101(1A)(a))? Did reasonable steps to prevent those infringements (after receipt of the AFACT notices) include warnings and subsequent suspension or termination of the accounts of all customers identified as infringing the appellants' copyrights (s 101(1A)(c)), if such customers failed to cease communicating infringing material using the BitTorrent system? How does the relationship between iiNet and its customers (s 101(1A)(b)) bear on each of those questions? It will be observed that these are largely questions of fact and the ultimate question of whether iiNet authorised the infringements will be an inference to be drawn from those facts<sup>71</sup>.

64 Before turning to those questions, some general observations as to matters of fact need to be reiterated. Access to the internet can be used for diverse purposes, including viewing websites, downloading or streaming non-infringing content, sending and receiving emails, social networking, accessing online media and games, and making voice over IP telephone calls. The BitTorrent system is also capable of being used for non-infringing purposes.

### iiNet's power to prevent primary infringements

#### *Technical power*

65 It is important to note that iiNet has no involvement with any part of the BitTorrent system and therefore has no power to control or alter any aspect of the BitTorrent system, including the BitTorrent client. Further, iiNet is not a host of infringing material, or of websites which make available .torrent files relating to infringing material<sup>72</sup>. iiNet does not assist its customers to locate BitTorrent clients or .torrent files by any indexing service or database entries<sup>73</sup>. It cannot

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71 *Adelaide Corporation* (1928) 40 CLR 481 at 504 per Gavan Duffy and Starke JJ.

72 Cf *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380 ("*Cooper*") at 392 [61]-[65] per Branson J, 413 [157] per Kenny J.

73 Cf *Kazaa* (2005) 220 ALR 1; *Aimster* 334 F 3d 643 (2003); *Twentieth Century Fox Film Corp v Newzbin Ltd* [2010] FSR 21.

monitor the steps taken by users of its internet services under the BitTorrent system, it cannot directly prevent users of its internet services from downloading a BitTorrent client or .torrent files, and it cannot identify specific films to which users of its internet services seek access. Once infringing material is stored on a customer's computer iiNet cannot take down or remove that material, and cannot filter or block the communication of that material over its internet service. Nor has iiNet any power to prevent its customers from using other internet services – and, as noted earlier, several users of an internet service may share an IP address. Whilst the relationship between iiNet and its customers involves the provision of technology, iiNet had no direct technical power at its disposal to prevent a customer from using the BitTorrent system to download the appellants' films on that customer's computer with the result that the appellants' films were made available online in breach of s 86(c).

### *Contractual power*

66 Under the CRA, iiNet contracted to give its customers access to the internet (which carried with it power to use the internet for infringing or non-infringing purposes) on the basis (set out in cll 4.2(a) and (e) of the CRA) that iiNet was not thereby purporting to grant to the customer any right to use the internet to infringe another person's rights, or for illegal purposes.

67 Because the CRA, in its terms, indicated iiNet's express, formal and positive disapproval of using access to the internet for infringing or illegal purposes, the appellants were driven to rely on the notion that iiNet's inactivity (after receipt of the AFACT notices) amounted at least to "countenancing" acts of primary infringement.

68 "Countenance" is a long-established English word<sup>74</sup> which, unsurprisingly, has numerous forms and a number of meanings which encompass expressing support, including moral support or encouragement<sup>75</sup>. In both the United Kingdom and Canada, it has been observed that some of the meanings of "countenance" are not co-extensive with "authorise"<sup>76</sup>. Such meanings are remote from the reality of authorisation which the statute contemplates. The argument highlights the danger in placing reliance on one of the synonyms for "authorise" to be found in a dictionary. Whilst resort to such meanings may have been necessary in the past, attention is now directed in the first place to

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74 *The Oxford English Dictionary*, 2nd ed (1989), vol 3 at 1016-1017.

75 *The Oxford English Dictionary*, 2nd ed (1989), vol 3 at 1017.

76 *Amstrad Consumer Electronics plc v The British Phonographic Industry Ltd* [1986] FSR 159 at 207 per Lawton LJ, approved in *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013 at 1055 per Lord Templeman. See also *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339 at 361 [38].

s 101(1A). That provision is intended to inform the drawing of an inference of authorisation by reference to the facts and circumstances there identified, and recourse must be had to it. That is an express requirement.

69 Even if it were possible to be satisfied that iiNet's inactivity after receipt of the AFACT notices, and its subsequent media releases, "supported" or "encouraged" its customers to continue to make certain films available online, s 101(1A) (construed with both s 22(6) and s 112E) makes it plain that that would not be enough to make iiNet a secondary infringer. An alleged authoriser must have a power to prevent the primary infringements<sup>77</sup>. *Australasian Performing Right Association Ltd v Jain*<sup>78</sup>, *Tape Manufacturers*<sup>79</sup>, *Kazaa*<sup>80</sup> and *Cooper*<sup>81</sup> all confirm that there must be such a power to prevent. So much had been recognised earlier, in any event, in *Adelaide Corporation*<sup>82</sup> and *Moorhouse*<sup>83</sup>.

70 As explained, the extent of iiNet's power was limited. It had no direct power to prevent the primary infringements and could only ensure that result indirectly by terminating the contractual relationship it had with its customers.

#### *Reasonable steps*

71 The nature of the internet, the BitTorrent system, and the absence of any industry code of practice adhered to by all ISPs are all factors which are relevant to the statutory task of assessing whether iiNet took reasonable steps to prevent or avoid the primary infringements, given its indirect power to do so.

72 Conventionally, the efficacy of warnings to infringers from owners (or licensees) of copyright derives from, and is reinforced by, the potential for successful injunctive proceedings, including interim relief, coupled with an award of damages or an account of profits, and an order for costs against a proven infringer. Whether a non-responsive infringer is continuing to infringe

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77 *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274 at 286-288.

78 (1990) 26 FCR 53.

79 (1993) 176 CLR 480.

80 (2005) 220 ALR 1.

81 (2006) 156 FCR 380.

82 (1928) 40 CLR 481 at 498-499 per Higgins J, 503, 505 per Gavan Duffy and Starke JJ.

83 (1975) 133 CLR 1 at 12 per Gibbs J.



after receipt of a warning notice from a copyright owner may often be checked with relative ease if infringing material is in the public market place.

73 Termination of an iiNet account with a customer who has infringed will assuredly prevent the continuation of a specific act of communicating a film online using a particular .torrent file on a particular computer. Regrettably, however, on receiving a threat of such termination, it is possible for a customer to engage another ISP for access to the internet on that computer or access the internet on another computer using a different ISP. Whilst any new infringement would be just as serious as the specific primary infringements about which the appellants complain, this circumstance shows the limitations on iiNet's power to command a response from its customers, or to prevent continuing infringements by them.

74 Whatever responses iiNet received to warnings, iiNet would be obliged to update the investigative exercise underlying the AFACT notices either itself or by reference to subsequent AFACT notices (allowing an appropriate interval for compliance with a request to cease infringement) before proceeding further.

75 Updating the investigative exercise in the AFACT notices would require iiNet to understand and apply DtecNet's methodology – which, among other things, involved a permission to DtecNet from AFACT to use the BitTorrent system to download the appellants' films. Before the filing of experts' reports in the proceedings, the information in the AFACT notices did not approximate the evidence which would be expected to be filed in civil proceedings in which interlocutory relief was sought by a copyright owner in respect of an allegation of copyright infringement. Also, any wrongful termination of a customer's account could expose iiNet to risk of liability. These considerations highlight the danger to an ISP, which is neither a copyright owner nor a licensee, which terminates (or threatens to terminate) a customer's internet service in the absence of any industry protocol binding on all ISPs, or any, even interim, curial assessment of relevant matters.

76 iiNet's inactivity after receipt of the AFACT notices was described by the appellants as demonstrating a sufficient degree of indifference to their rights to give rise to authorisation. However, the evidence showed that the inactivity was not the indifference of a company unconcerned with infringements of the appellants' rights. Rather, the true inference to be drawn is that iiNet was unwilling to act because of its assessment of the risks of taking steps based only on the information in the AFACT notices. Moreover, iiNet's customers could not possibly infer from iiNet's inactivity (if they knew about it), and the subsequent media releases (if they saw them), that iiNet was in a position to grant those customers rights to make the appellants' films available online.

## Conclusions

77 The appellants' submission, that iiNet should be taken to have authorised the infringements unless it took measures with respect to its customers, assumes obligations on the part of an ISP which the Copyright Act does not impose. A consideration of the factors listed in s 101(1A) does not permit a conclusion that iiNet is to be held liable as having authorised the infringements.

78 The extent of iiNet's power was limited to an indirect power to prevent a customer's primary infringement of the appellants' films by terminating the contractual relationship between them. The information contained in the AFACT notices, as and when they were served, did not provide iiNet with a reasonable basis for sending warning notices to individual customers containing threats to suspend or terminate those customers' accounts. For these reasons, iiNet's inactivity after receipt of the AFACT notices did not give rise to an inference of authorisation (by "countenancing" or otherwise) of any act of primary infringement by its customers.

79 This final conclusion shows that the concept and the principles of the statutory tort of authorisation of copyright infringement are not readily suited to enforcing the rights of copyright owners in respect of widespread infringements occasioned by peer-to-peer file sharing, as occurs with the BitTorrent system. The difficulties of enforcement which such infringements pose for copyright owners have been addressed elsewhere, in constitutional settings different from our own, by specially targeted legislative schemes, some of which incorporate co-operative industry protocols<sup>84</sup>, some of which require judicial involvement in the termination of internet accounts, and some of which provide for the sharing of enforcement costs between ISPs and copyright owners.

80 The appeal should be dismissed with costs. This result renders it unnecessary to consider the issues raised in iiNet's notice of contention.

#### **GUMMOW AND HAYNE JJ:**

81 This appeal from the Full Court of the Federal Court (Emmett and Nicholas JJ; Jagot J dissenting)<sup>85</sup> turns upon the question whether the respondent ("iiNet") has "authorised" the infringement of, and therefore itself infringed, certain film copyrights of the appellants. The Full Court dismissed an appeal from the

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84 Recent examples include the *Digital Economy Act 2010* (UK) (as to which see Garnett, Davies and Harbottle, *Copinger and Skone James on Copyright*, 16th ed (2011), vol 1 at 1223-1247) and the *Copyright (Infringing File Sharing) Amendment Act 2011* (NZ). Also, see generally Suzor and Fitzgerald, "The Legitimacy of Graduated Response Schemes in Copyright Law", (2011) 34 *University of New South Wales Law Journal* 1.

85 *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285.

decision of the primary judge (Cowdroy J)<sup>86</sup> in litigation which had been instituted on 20 November 2008.

82 In this Court, leave to be heard as amicus curiae was granted to Australasian Performing Right Association Limited ("APRA"), which supported the interests of the appellants, and to Communications Alliance Limited ("Alliance"), which supported the interests of the respondent<sup>87</sup>.

83 For the reasons which follow the appeal should be dismissed.

84 It is convenient to begin with reference to some of the principal provisions of the legislation which bear upon the issues on the appeal.

#### Copyright in cinematograph films

85 Section 113 of the *Copyright Act* 1968 (Cth) ("the Act") distinguishes between, and treats as independent, copyright in literary, dramatic, musical and artistic works, for which provision is made in Pt III (ss 31-83), and copyright in other subject matter which subsists under Pt IV (ss 84-113C). The appellants are either the owners or exclusive licensees of "cinematograph films" ("films")<sup>88</sup> in which copyright subsists under Pt IV. Part V (ss 114-135AK) deals with remedies and offences. To an action for final relief for infringement under s 115 of the Act, an exclusive licensee would, in general, be a necessary party (ss 117-125).

86 The statutory monopoly conferred by the existence of copyright in relation to a cinematograph film includes the exclusive right "to communicate the film to the public" (s 86(c)). The term "communicate" means to "make available online or electronically transmit ... a work or other subject-matter" (s 10(1)). A communication other than a broadcast is taken to have been made by the person responsible for determining the content of the communication (s 22(6)). However, a person does not determine that content "merely because" that person takes one or more steps for the purpose of "gaining access to what is made available online by someone else in the communication", or of "receiving the electronic transmission of which the communication consists" (s 22(6A)).

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86 *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215.

87 *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 86 ALJR 205; 284 ALR 222; [2011] HCA 54.

88 "Cinematograph film" is so defined in s 10(1) as to mean the aggregate of visual images embodied in an article or thing (including the associated sound track) which is capable, by use of that article or thing, of being shown as a moving picture. In the evidence, the expressions "motion picture" and "television show" were used as species of cinematograph film.

### The business of iiNet

87 These provisions in s 22 are important for an understanding of the business of iiNet and the complaint made against it by the appellants. The business was founded by Mr Michael Malone in 1993. It was incorporated in 1995 and in 1999 its shares were listed on the Australian Stock Exchange. iiNet is an internet service provider ("ISP"), which, for reward, contracts with its customers or "subscribers" to provide them with access to the internet. The Asia-Pacific Network Information Centre sells "IP addresses" in blocks to each Australian ISP to effect communication between computers. The ISP then allocates those IP addresses between subscribers to enable the subscribers to connect to the internet.

88 As an ISP, iiNet is a "carriage service provider" within the meaning of s 87 of the *Telecommunications Act 1997* (Cth) ("the Telco Act") and that term has the same meaning in the Act (s 10(1)).

89 At the time of the trial before Cowdroy J in 2009, iiNet had 490,000 subscribers, making it the third largest ISP in Australia, after Telstra and Optus<sup>89</sup>. The agreements with iiNet subscribers prohibited the use of the iiNet service to infringe the rights of another and forbade the subscriber to "allow anybody else to do so". The agreements also empowered iiNet to cancel, suspend or restrict the supply of the service if iiNet reasonably suspected illegal conduct by the subscriber, or any other person, in connection with the service<sup>90</sup>.

### The appellants' case

90 The appellants complain that computers in respect of the use of which iiNet provides its services are used (among other inoffensive activities) to make their films available online. The films have been assembled, or "downloaded", by the sharing of electronic files between users communicating directly ("peer-to-peer") and not by the mediation of an ISP such as iiNet. The appellants do not contend that iiNet is liable as having authorised the downloading by subscribers. Rather, they focus upon what was then made available online. The steps involved are fully explained in the reasons of Cowdroy J<sup>91</sup> and there is no dispute as to the treatment there of the relevant technology.

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89 (2010) 263 ALR 215 at 223.

90 (2010) 263 ALR 215 at 239-240.

91 (2010) 263 ALR 215 at 229-235.

91 For many years iiNet has received by email from the United States "robot" notices alleging copyright infringement. Up to 350 have been received daily. Cowdroy J, however, did not regard these as reliable evidence of infringement<sup>92</sup>.

92 The primary judge rejected what he described as a vigorous challenge to the credit of Mr Malone which had been made by the appellants<sup>93</sup>. In cross-examination Mr Malone did accept that it is "common knowledge" that peer-to-peer software (including that protocol which was created by Bram Cohen in 2001 and is identified as BitTorrent) is used for "infringing activities". He agreed that in the middle of 2008 more than half of the traffic over the internet and the iiNet service was represented by peer-to-peer downloads or uploads. It should be added that there is nothing unique about iiNet as an ISP that facilitates access to BitTorrent.

93 The effect of s 22 of the Act is that iiNet itself is not to be considered responsible for determining the availability online of the appellants' films. Accordingly, iiNet is not accountable as a "primary infringer" of the right conferred by s 86(c) of the Act. The "making available online" by the subscriber or other user of the computer is an act of primary infringement. But, rather than themselves pursue those multifarious wrongdoers for their primary infringements, the appellants seek to fix iiNet with the liability of a secondary infringer in relation to those primary infringements.

94 It is accepted that a secondary infringement is completed only when the primary infringement has taken place, but in the present case "making available online" involves a state of affairs the existence of which constitutes the primary infringement. Further, injunctive relief on a *quia timet* basis would be available in any event.

95 The Australian Federation Against Copyright Theft ("AFACT") is a body whose members include corporations engaged in the film production industry and it assisted the appellants in the provision of evidence of copyright infringement by iiNet subscribers. On 2 July 2008, some four months before the institution of proceedings by the appellants against iiNet, iiNet received the first of what were to become weekly "AFACT Notices". The first AFACT Notice stated that it had investigated infringements of copyright by iiNet customers using the BitTorrent "peer-to-peer" protocol, and that the infringements "involve the communication to the public of unauthorised copies of the motion pictures and television shows shared with other internet users via BitTorrent". The attached spreadsheet related to activities between 23 June and 29 June 2008, and was said to include the time and date of infringements, the films in question, the

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92 (2010) 263 ALR 215 at 257.

93 (2010) 263 ALR 215 at 246.

names of the owners or exclusive licensees of the copyrights and the IP address used by customers of iiNet.

96 Cowdroy J noted that iiNet did not challenge that in the 59 weeks from 23 June 2008 to 9 August 2009, the spreadsheets attached to the weekly AFACT Notices recorded allegations of infringement by iiNet users<sup>94</sup>. The AFACT Notices "required" iiNet to prevent continuing infringement by iiNet customers of motion pictures and television shows controlled in Australia by the members of AFACT and to take "appropriate" action available under its agreements with its customers. However, in its first response on 25 July 2008, iiNet emphasised that the AFACT Notices did not identify any iiNet customers; IP addresses were supplied, but some of them iiNet did not recognise, and, in any event, IP addresses were not synonymous with persons or legal entities. Thereafter, on 12 August 2008, iiNet told AFACT that any service associated with an IP address might not be a computer in the sole use of an individual. Rather, the service could be a shared terminal at a school, library, internet café or "wi-fi hotspot". Whilst iiNet was ready to co-operate with law enforcement agencies in their prosecution of offenders, it had no obligation to employ staff in the pursuit of information for AFACT and would not take the responsibility of imposing penalties on its customers "purely on the allegations of AFACT"<sup>95</sup>.

97 The appellants focus upon 20 particular (but not named) subscriber accounts ("the RC-20 Accounts") in respect of which during the process of discovery in the course of the litigation a list was compiled. This provided what Cowdroy J described as "the most specific evidence of copyright infringement by iiNet users in these proceedings"<sup>96</sup>. Forty-five IP addresses were utilised to derive the RC-20 Accounts, reflecting the circumstance that the one subscriber account may, over time, have multiple IP addresses.

98 If the appellants were to succeed in this Court, the declaratory and injunctive relief which they then would seek on remitter to the Federal Court would be limited to 11 of the RC-20 Accounts. The Schedule to the draft minute of that proposed order identifies 18 films in respect of which a declaration is sought that iiNet has infringed copyright from a specified date in the second half of 2008 by authorising communications to the public by making the films available online by users of the 11 specified accounts. These primary infringements are identified in these reasons as "the Scheduled Infringements". One film is said to have been so made available in respect of two accounts. Five of the specified accounts have more than one film listed against them. The

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94 (2010) 263 ALR 215 at 241.

95 (2011) 194 FCR 285 at 357-358.

96 (2010) 263 ALR 215 at 245.

appellants contend that the evidence shows that the films were made available online for at least seven days after receipt of a relevant AFACT Notice.

99 The appellants also would seek an injunction which from a specified date restrained iiNet from continuing to provide internet services to each of the 11 specified customer accounts without obtaining confirmation from each respective account holder that each of the relevant films has been removed from the BitTorrent system on that account.

The basis for the appellants' case

100 The appellants do not claim that iiNet has the liability of a joint tortfeasor with the relevant account holders in respect of the Scheduled Infringements. Such a joint liability for the one act of copyright infringement, treating this as a wrong which is tortious in nature, has been based upon agency<sup>97</sup>, vicarious liability<sup>98</sup> and "common design"<sup>99</sup>. (With respect to vicarious liability, it should be noted that this Court has emphasised that from the case law there emerges no clear or stable principle which underpins this doctrine<sup>100</sup>.)

101 Nor do the appellants rely upon United States authority, other than by way of comparison with the Australian law. In *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd*<sup>101</sup>, decided in 2005, the United States Supreme Court treats as having "emerged from common law principles" an independent and distinct secondary liability for copyright infringement. This liability would appear to be part of "federal common law" or to arise as a matter of statutory implication<sup>102</sup>. Liability is founded upon "contributory infringement" constituted by "*intentionally inducing or encouraging* direct infringement" (emphasis added).

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97 *Australian Performing Right Association v Canterbury-Bankstown League Club Ltd* (1964) 5 FLR 415 at 430.

98 *Australasian Performing Right Association v Miles* (1961) 3 FLR 146 at 147-148.

99 *Thompson v Australian Capital Television Pty Ltd* (1996) 186 CLR 574 at 580-581, 600-602; [1996] HCA 38; *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 164 ALR 239 at 256-257; *Keller v LED Technologies Pty Ltd* (2010) 185 FCR 449 at 507-508.

100 *Sweeney v Boylan Nominees Pty Ltd* (2006) 226 CLR 161 at 166-167 [11]; [2006] HCA 19.

101 545 US 913 at 930 (2005).

102 See *Northwest Airlines Inc v Transport Workers Union of America* 451 US 77 at 90-99 (1981).

Liability also is founded upon "vicarious infringement" constituted by "profiting from direct infringement while declining to exercise a right to stop or limit it"<sup>103</sup>.

102 In *Sony Corporation of America v Universal City Studios Inc*<sup>104</sup>, decided in 1984, it was said in the opinion of the Supreme Court that the Copyright Act of 1976 "does not expressly render anyone liable for [another's] infringement", but, as a leading treatise points out<sup>105</sup>, such an express provision is made in the grant by §106 of the exclusive right "to authorize" any of the exclusive rights conferred upon copyright holders and §501(a) classifies as an infringer anyone who violates the exclusive rights of the copyright owner. In *Sony*, the Supreme Court did refer to these provisions<sup>106</sup>, but went on to consider general law principles of vicarious liability and contributory infringement<sup>107</sup>, and *Grokster* proceeds on the same basis.

103 In Australia, the effect of s 13(2) of the Act is that the exclusive right to communicate the appellants' films to the public, which is conferred by s 86(c), includes the exclusive right "to authorize" a person to do that act. Part IV Div 6 (ss 100A-112E) deals with infringement in copyrights such as those of the appellants, which subsist under Pt IV. Sub-section (1) of s 101 is the central provision<sup>108</sup>. It states:

"Subject to this Act, a copyright subsisting by virtue of this Part is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or *authorizes the doing in Australia* of, any act comprised in the copyright."  
(emphasis added)

It is upon the statutory criterion of authorisation that the appellants base their case.

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103 *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* 545 US 913 at 930 (2005).

104 464 US 417 at 434 (1984).

105 Patry, *Patry on Copyright*, (2011), vol 6, §21:43.

106 464 US 417 at 433 (1984).

107 464 US 417 at 434-442 (1984).

108 Corresponding provision with respect to infringement of copyright in works subsisting by virtue of Pt III is made by s 36.



## Authorisation

104 The right of translation of the works of authors which appeared in Art V of the original Berne Convention of 1886 was identified as the "exclusive right of making or authorising"<sup>109</sup>. Professor Ricketson has shown that this was the most important right for an author seeking protection in jurisdictions where another language was in use and Art V responded to the long established practice of local publishers profiting from unauthorised translations of foreign works<sup>110</sup>. Thus, in its first appearance in modern copyright parlance, "authorisation" bore a fairly plain and simple meaning. This was not to remain the case.

105 In Australia, the reference to authorisation in s 13(2) of the Act may be traced to the provisions specifying the exclusive rights pertaining to books (including the right to translate), and pertaining to dramatic and musical works and artistic works, which were found respectively in s 13, s 14 and s 34 of the *Copyright Act* 1905 (Cth); these provisions included the term "authorize". That statute was repealed by s 4 of the *Copyright Act* 1912 (Cth), which saw the carriage into Australia of the *Copyright Act* 1911 (Imp) ("the Imperial Act"). Section 1(2) of the Imperial Act conferred the exclusive right "to authorise" the activities (including publication of a translation) which comprised the monopoly in respect of works. The corresponding provision with respect to works in the current Australian legislation, which is found in s 13(2), applies both to literary, dramatic, musical and artistic works subsisting under Pt III and to subject matter such as films protected under Pt IV.

106 The Imperial Act also introduced, by s 2(3), a species of infringement by "permitting" a public place of entertainment to be used for performance of a work. This provision now is represented by s 39 of the Act<sup>111</sup>. In *Performing Right Society v Cyril Theatrical Syndicate*<sup>112</sup>, Bankes LJ, in a passage cited in later cases<sup>113</sup>, used "permission" and "authorization" as if they were synonymous<sup>114</sup>. The corporate defendant in that decision was the lessee of The

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109 Ginsburg and Ricketson, "Inducers and authorisers: A comparison of the US Supreme Court's *Grokster* decision and the Australian Federal Court's *Kazaa* ruling", (2006) 11 *Media and Arts Law Review* 1 at 20.

110 Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986*, (1987) at §1.36, §§8.24-8.28.

111 See also s 85(1)(b), (c) with respect to sound recordings.

112 [1924] 1 KB 1.

113 See *Adelaide Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481 at 490-491, 500, 504; [1928] HCA 10.

114 [1924] 1 KB 1 at 9.

Duke of York's Theatre in the West End of London and the second defendant was its managing director, who held the licence from the Lord Chamberlain to stage performances there. The orchestra engaged by the company performed two musical works without a licence from the copyright owners. Rowlatt J gave judgment against both defendants in an action based both upon authorisation within the meaning of s 1(2) of the Imperial Act and upon permission of performance at a public place of entertainment under s 2(3). Only the managing director appealed<sup>115</sup>. He did so on the basis that there was no evidence on either ground to support the decision against him, and his appeal succeeded. Today the primary significance of *Ciryl* in Australia rests in its treatment of the liability of a director for the torts of the company<sup>116</sup>.

107 It often is said that infringement of copyright, including that constituted by "authorisation", may be seen as tortious<sup>117</sup>. That linkage between the statute and the common law serves to highlight a basic issue for the present litigation. This concerns the scope of "authorisation".

108 Shortly after the enactment of the Imperial Act, Harrison Moore, in a passage referred to in *Brodie v Singleton Shire Council*<sup>118</sup> by Gaudron, McHugh and Gummow JJ, wrote<sup>119</sup>:

"The cases in which men are liable in tort for pure omissions are in truth rare, as has been recently emphasized by Mr Jenks<sup>120</sup>. The common law of tort deals with causes which look backwards to some act of a defendant more or less proximate to the actual damage, and looks askance at the suggestion of a liability based not upon such a causing of injury but merely upon the omission to do something which would have prevented the mischief. Where tortious liability arises from some cause other than the commission of an unlawful act it is in general because the defendant has done something or *put himself in a position which though lawful in*

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115 [1924] 1 KB 1 at 8.

116 See *Keller v LED Technologies Pty Ltd* (2010) 185 FCR 449 at 508-509, 527-528.

117 See, for example, Ricketson and Creswell, *The Law of Intellectual Property: Copyright, Designs & Confidential Information*, (2002), §9.10, §13.160.

118 (2001) 206 CLR 512 at 551 [84]; [2001] HCA 29.

119 "Misfeasance and Non-feasance in the Liability of Public Authorities", (1914) 30 *Law Quarterly Review* 276 at 278.

120 "On Negligence and Deceit in the Law of Torts", (1910) 26 *Law Quarterly Review* 159. See also Wigmore, "A General Analysis of Tort-Relations", (1895) 8 *Harvard Law Review* 377 at 386-387.

*itself does expose the rights of others to risk and danger, unless he shows such care as the circumstances require". (emphasis added)*

109 Further, the several reasons of Gleeson CJ, Gaudron J, Hayne J and Callinan J in *Modbury Triangle Shopping Centre Pty Ltd v Anzil*<sup>121</sup> are recent reaffirmations of the general rule of the common law that in the absence of a special relationship one person has no duty to control another person to prevent the doing of damage to a third.

110 Liability as a secondary infringer of copyright has been said to have an economic rationale similar to that of the tort of inducing breach of contract, namely a lower cost of prevention of breach of the primary obligation<sup>122</sup>. But with respect to that tort, Jordan CJ emphasised in *Independent Oil Industries Ltd v Shell Co of Australia Ltd*<sup>123</sup>:

"It is necessary to establish that the third party knew of the contract, knew that the doing of a particular act by one of the parties to it would be a breach of it, and with that knowledge procured the party to do the act. ... It may be that no tort is committed unless it is established that the doing of the act was procured either with intention to procure by its means the breach of the particular contract, or at least with knowledge that the doing of the act would necessarily and inevitably involve a breach of contract".

Likewise, the equitable wrong of "knowing assistance" in a dishonest and fraudulent design for breach of fiduciary duty, a distinct species of liability<sup>124</sup>, requires actual knowledge thereof, or wilful shutting of eyes, or wilful and reckless failure to make such inquiries as an honest and reasonable person would make, or, at least, knowledge of circumstances which would indicate the facts to such a person<sup>125</sup>.

111 The appellants' case, in essence, is that iiNet "authorised" the Scheduled Infringements, and it did so by "standing by" and "allowing [this] to happen

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121 (2000) 205 CLR 254 at 264 [20], 270 [43], 292 [110]-[111], 299-300 [140]-[141]; [2000] HCA 61.

122 Landes and Posner, *The Economic Structure of Intellectual Property Law*, (2003) at 118-119.

123 (1937) 37 SR (NSW) 394 at 415.

124 *Michael Wilson & Partners Ltd v Nicholls* (2011) 86 ALJR 14 at 33 [106]; 282 ALR 685 at 709; [2011] HCA 48.

125 *Farah Constructions Pty Ltd v Say-Dee Pty Ltd* (2007) 230 CLR 89 at 163-164 [174]-[178]; [2007] HCA 22.

without doing anything about it". As noted above<sup>126</sup>, these primary infringements are the making available online of the appellants' films. So long as the films are retained online they are "[made] available online" within the meaning of the definition of "communicate" in s 10(1) of the Act.

112 The appellants submit that these primary infringements are authorised by iiNet, notwithstanding that as the ISP: (i) iiNet had no power to modify the BitTorrent software; (ii) iiNet itself could not take down the infringing material because it was not acting as host<sup>127</sup>; and (iii) there was no "common design" as was found with respect to the Kazaa file sharing system<sup>128</sup>, and it followed from the findings of Cowdroy J that iiNet had no intention or desire to see any primary infringement of the appellants' copyrights<sup>129</sup>. Further, s 112E of the Act<sup>130</sup> states:

"A person (including a carrier or carriage service provider) who provides facilities for making, or facilitating the making of, a communication is not taken to have authorised any infringement of copyright in an audio-visual item *merely because* another person uses the facilities so provided to do something the right to do which is included in the copyright." (emphasis added)

(The term "audio-visual item" is defined in s 100A in terms including a cinematograph film.)

113 The appellants submitted that while s 112E proceeds upon the assumption that the provision of facilities is relevant to the issue of authorisation, the result s 112E produces is that, without more, the provision of facilities by an ISP will not amount to authorisation merely because of the use to which another person puts the facilities. This may be accepted. The section seems to have been enacted from an abundance of caution. As Nicholas J observed, it is difficult to see how the activity it describes, without more, could amount to authorisation<sup>131</sup>.

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126 At [93].

127 cf *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380 at 390, 411-412.

128 *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1 at 112.

129 A point made by Nicholas J: (2011) 194 FCR 285 at 459-460.

130 Section 39B makes provision in similar terms with respect to copyright in works.

131 (2011) 194 FCR 285 at 461.

114           However, counsel for the appellants appeared to accept that their case  
posited a duty upon iiNet to take steps so as not to facilitate the primary  
infringements and that this duty was broken because, in particular, iiNet did  
nothing in that regard.

115           So expressed, the appellants' case resembles one cast as a duty of care  
owed to them by iiNet, which has been broken by inactivity, causing damage to  
the appellants. In *CBS Songs Ltd v Amstrad Consumer Electronics Plc*<sup>132</sup>, the  
House of Lords rejected the proposition that the makers of recording equipment  
owed "to all owners of copyright a duty to take care not to cause or permit  
purchasers to infringe copyright" and held that the makers did not owe "a duty to  
prevent or discourage or warn against infringement". What, in the present case,  
the appellants in essence seek is so to interpret the "authorisation" species of  
infringement provided by the Act as to achieve the imposition of a duty of care  
upon iiNet which is owed to the appellants and would be discharged by the  
taking of steps in respect of its subscribers but is broken by the inactivity of  
iiNet.

116           It may be accepted that the application of the tort of negligence can render  
liable parties whose failure to take economically responsible precautions has  
resulted in harm to the plaintiff<sup>133</sup>. However, the width of the terms in which the  
proposed duty is cast would present iiNet and other ISPs with an uncertain legal  
standard for the conduct of their operations. Further, as counsel for Alliance  
submitted, this would achieve for copyright owners, but at the expense of the  
ISP, the suspension or disconnection by their ISP of subscribers from the  
internet, a remedy which would not be available to the copyright owners were  
they themselves to sue the subscribers.

#### Technological change and copyright law

117           As was emphasised in *Stevens v Kabushiki Kaisha Sony Computer  
Entertainment*<sup>134</sup>, given the complexity of the characteristics of modern copyright  
law it perhaps is inevitable that the legislation will give rise to difficult questions  
of construction. After a century, the selection of the term "authorise" to identify  
the activity constituting secondary infringement continues to give rise to  
difficulty. But the difficulties, which reflect both technological developments  
and changes in business methods, are unlikely to be resolved merely by recourse  
to a dictionary.

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132 [1988] AC 1013 at 1059-1060.

133 Lichtman and Landes, "Indirect Liability for Copyright Infringement: An  
Economic Perspective", (2003) 16 *Harvard Journal of Law and Technology* 395  
at 405.

134 (2005) 224 CLR 193 at 213 [54]; [2005] HCA 58.

118 When enacted in 1968, the Act comprised about 100 pages. Reprint No 12, with amendments up to 2007, shows that the Act has grown to more than five times its original length. The Act has been amended and expanded on some fifty occasions, the most recent substantial changes being made by the *US Free Trade Agreement Implementation Act 2004* (Cth), which introduced the "safe harbour" provisions to which further reference will be made later in these reasons<sup>135</sup>.

119 An important feature of the introduction of Pt IV in the Act was the distinct treatment given copyright in some recordings, cinematograph films, and television and sound broadcasts. This responded to advances in technology since the framing of the Imperial Act. The terms of that statute had not been chosen so as to keep pace with those advances. Decisions such as *Gramophone Co Ltd v Stephen Cawardine & Co*<sup>136</sup> (concerning infringement of copyright in sound recordings by public performance) had given somewhat strained interpretations of the Imperial Act which attempted to meet a judicially perceived need to keep the statute law abreast of the times.

120 The history of the Act since 1968 shows that the Parliament is more responsive to pressures for change to accommodate new circumstances than in the past. Those pressures are best resolved by legislative processes rather than by any extreme exercise in statutory interpretation by judicial decisions.

#### The authorities dealing with "authorisation"

121 In 1924, in *Evans v E Hulton & Co Ltd*<sup>137</sup>, Tomlin J held that "a man having a manuscript the copyright in which does not belong to him and in respect of which he has no authority to deal", but who "sells to another some right in relation to it with a view to that other producing it", has authorised the ensuing production. The object of such a sale, namely publication, was, as Lord Templeman later said in *Amstrad*<sup>138</sup>, "bound to infringe". This would be so even though the seller did not "control" the steps in that ensuing production<sup>139</sup>. It was in this context that Tomlin J said he was content with the statement in the Oxford

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135 At [148].

136 [1934] Ch 450.

137 [1923-28] MacG Cop Cas 51 at 60.

138 [1988] AC 1013 at 1053.

139 See Yee Fen Lim, "'Bound to Infringe': The Forgotten Child of the Doctrine of Authorisation of Copyright Infringement", (2011) 33 *European Intellectual Property Review* 91 at 97-99.

Dictionary that "to authorise a thing" is "To give formal approval to; to sanction; to approve; to countenance"<sup>140</sup>.

122 Read without the subsequent accumulation of case law upon both the Imperial Act and the present Australian legislation, the term "to authorise" in a specification of copyright infringement would appear apt to apply to a person who, without authority from the copyright owner, purports to authorise the act constituting infringement. As a matter of ordinary usage "to authorise" is to clothe with authority, particularly legal authority, thereby giving a right to act; that act then may be said to have been authorised. This sense is conveyed by such expressions as "The Authorised Version" (the King James Bible), and the authorised capital of a corporation.

123 There would be some analogy here with the development of the action for breach of warranty of authority. This action involves: (a) representation by words or conduct that the defendant has the actual authority to act on behalf of another; and (b) the inducement of the plaintiff by such representation to act in a manner in which the plaintiff would not have acted (eg by infringing copyright) had the representation not been made<sup>141</sup>. The liability of the plaintiff to the copyright owner for that primary infringement would be the loss or damage then recoverable by the plaintiff from the defendant for the breach of warranty of authority.

124 However, in *University of New South Wales v Moorhouse*<sup>142</sup> Jacobs J (with whom McTiernan ACJ agreed) said of the case law which had its source in the construction of s 1(2) of the Imperial Act that:

"It is established that the word is not limited to the authorizing of an agent by a principal. Where there is such an authority the act of the agent is the act of the principal and thus the principal himself may be said to do the act comprised in the copyright. But authorization is wider than authority."

125 Like Gibbs J<sup>143</sup>, Jacobs J accepted as applicable to the current Australian legislation the meaning "sanction, approve, countenance" given to "authorise" as it appeared in s 1(2) of the Imperial Act in *Evans v E Hulton & Co Ltd* by Tomlin J and then in *Falcon v Famous Players Film Co* by Bankes LJ<sup>144</sup>. Two

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140 [1923-28] MacG Cop Cas 51 at 59-60.

141 Watts and Reynolds, *Bowstead and Reynolds on Agency*, 19th ed (2010), ¶9-060.

142 (1975) 133 CLR 1 at 20; [1975] HCA 26.

143 (1975) 133 CLR 1 at 12.

144 [1926] 2 KB 474 at 491.

points should be made respecting that expression. The first is that it would be wrong to take from it one element, such as "countenance", and by fixing upon the broadest dictionary meaning of that word to seek to expand the core notion of "authorise". The second point is that, given the generality of that expression, there is force in the following statement by Herring CJ in *Winstone v Wurlitzer Automatic Phonograph Co of Australia Pty Ltd*<sup>145</sup>:

"As the acts that may be complained of as infringements of copyright are multifarious, so, too, the conduct that may justify an inference of authorisation may take on an infinite variety of differing forms. In these circumstances any attempt to prescribe beforehand ready-made tests for determining on which side of the line a particular case will fall, would seem doomed to failure."

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The first three defendants in *Falcon* had made a film of the plaintiff's play in the United States, then imported it into the United Kingdom and agreed with the fourth defendant, Mr Chetham, a cinema proprietor in Bedford, that he would show the film over three days, on terms that they would receive from him a share of the box-office receipts. The issue now relevant for the present appeal was whether the first three defendants as well as Mr Chetham, the primary infringer, had infringed the plaintiff's sole right under s 1(2) of the Imperial Act to "authorise" the performance at the cinema. Bankes LJ held that evidence before McCardie J<sup>146</sup> had "amply justified" the finding that they had done so<sup>147</sup>. Scrutton LJ held that the first three defendants were liable as primary infringers although "[i]t may be" that they had authorised the performance by the fourth defendant<sup>148</sup>. Atkin LJ was the only member of the Court of Appeal fully to consider the issue of authorisation, and did so without joining Bankes LJ in the use of the expression "sanction, approve, countenance". Atkin LJ said<sup>149</sup>:

"To my mind the hiring out of the film for three days on the terms of the contract of hiring, which is before us, amounts to an authorization by the defendants to Chetham to perform the play, and is an infringement of the right of the plaintiff, who alone has the right to give such an authorization. For the purposes of this case it appears to me that to 'authorize' means to grant *or purport to grant* to a third person the right to do the act

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145 [1946] VLR 338 at 345.

146 [1926] 1 KB 393.

147 [1926] 2 KB 474 at 491.

148 [1926] 2 KB 474 at 496-497.

149 [1926] 2 KB 474 at 498-499.



complained of, whether the intention is that the grantee shall do the act on his own account, or only on account of the grantor". (emphasis added)

127 The phrase "or purport to grant" used by Atkin LJ has a significance not always appreciated in those later cases, including *Moorhouse*, which repeat the phrase "sanction, approve, countenance". What is important for the present case is the immediacy in *Falcon* of the relationship between the primary infringement and the secondary infringement.

128 In *Moorhouse*<sup>150</sup>, Jacobs J adopted a passage in the judgment of Bankes LJ in *Ciry*<sup>151</sup>. This was to the effect that indifference, exhibited by acts of commission or omission, "may reach a degree" from which there may be inferred authorisation. It is upon this notion of indifference to the requisite degree on the part of iiNet that the appellants rely for the proposition that iiNet sanctioned, in the sense of countenanced, the Scheduled Infringements. The contrast between the notion of indifference, and the requirement by the United States Supreme Court in *Grokster*<sup>152</sup> of intentional inducement or encouragement of "contributory infringement", will be apparent.

129 The appellants rely upon the notion of "countenancing" to encompass acts or omissions which are less precise or explicit than those involved in "sanctioning" or "approving". But in considering *Moorhouse*, and the adoption by Jacobs J of the statement by Bankes LJ in *Ciry*, it should be emphasised that the University controlled access not only to the coin or token operated photocopying machines in a room close to the library but also to the book copied by Mr Paul Brennan and the premises containing the library and the machines.

130 The relief granted by this Court in *Moorhouse* was limited to a declaration that the University on a particular date had authorised the doing by Mr Brennan of the act of reproducing a particular literary work in a material form and thereby had infringed the copyright in that work of the respondents<sup>153</sup>. In *Australian Tape Manufacturers Association Ltd v The Commonwealth*<sup>154</sup>, Mason CJ, Brennan, Deane and Gaudron JJ described as critical to the decision in *Moorhouse* the power of the University to control what was done by way of copying; the University not only had failed to take steps to prevent infringement but had provided potential infringers with both copyright material and the use of its machines by which copies of the copyright material could be made. Their

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**150** (1975) 133 CLR 1 at 21.

**151** [1924] 1 KB 1 at 9.

**152** 545 US 913 at 930 (2005); see above at [101].

**153** (1975) 133 CLR 1 at 25.

**154** (1993) 176 CLR 480 at 498; [1993] HCA 10.

Honours referred in that regard to a passage in the reasons of Jacobs J, and distinguished the case before them as follows<sup>155</sup>:

"manufacture and sale of articles such as blank tapes or video recorders, which have lawful uses, do not constitute authorization of infringement of copyright, even if the manufacturer or vendor knows that there is a likelihood that the articles will be used for an infringing purpose such as home taping of sound recordings, so long as the manufacturer or vendor has no control over the purchaser's use of the article".

#### The 2000 Act

131 An immediate response to *Moorhouse* and the use of copying machines installed in libraries and archives was the addition to the Act of s 39A. This was done by s 6 of the *Copyright Amendment Act* 1980 (Cth). The new s 39A provided that in certain circumstances neither the body administering the library or archives, nor the officer in charge, were to be taken to have authorised the making of an infringing copy "by reason only" that it was made on a machine installed there.

132 Thereafter, the *Copyright Amendment Act* 1989 (Cth) included Pt VB (ss 135ZB-135ZZH), headed "Copying of Works Etc by Educational and Other Institutions", added to the jurisdiction of the Copyright Tribunal to determine equitable remuneration (ss 153C, 153D), and amended the provision in s 40 respecting fair dealing for the purpose of research or study.

133 A further element of complexity for this appeal has been provided by an addition to s 101 of the Act apparently made as some further and general legislative response to *Moorhouse*. The introduction of the *Copyright Amendment (Digital Agenda) Act* 2000 (Cth) ("the 2000 Act") just preceded the advent of BitTorrent. The 2000 Act added sub-s (1A) both to s 36, dealing with infringement of copyright in works, and to s 101, dealing with infringement of copyright in other subject matter. The 2000 Act also added s 112E and s 86(c), with supporting definitions.

134 Section 101(1A) reads:

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

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

### Conclusions

135 Section 101(1A) is so drawn as to take an act of primary infringement and ask whether or not a person has authorised that act of primary infringement. In answering that question there will be "matters" that must be taken into account. These include, but are not confined to, the matters identified in pars (a), (b) and (c). Was there any relationship that existed between the primary infringer and the (alleged) secondary infringer? If so, what was its nature (par (b))? Did the secondary infringer have power to prevent the primary infringement; if so, what was the extent of that power (par (a))? Other than the exercise of that power, did the secondary infringer take any reasonable steps to prevent the primary infringement, or to avoid the commission of that infringement (par (c))?

136 In answering these questions an ISP is not to be taken to have authorised primary infringement of a cinematograph film "merely because" it has provided facilities for making it available online to a user who is the primary infringer (s 112E).

137 As indicated earlier in these reasons<sup>156</sup>, the power of iiNet as an ISP with respect to the use of facilities provided to subscribers was limited by the nature of their commercial relationship; iiNet could not control the choice of its subscribers and other users to utilise the BitTorrent software, nor could iiNet modify the BitTorrent software or take down the appellants' films which were made available online.

138 At all material times iiNet had many thousands of account holders. Was it a reasonable step to require of iiNet that it monitor continually the activities of IP addresses to provide precise details of primary infringements that had been committed, and then take further steps to forestall further infringements? Warnings might or might not have that effect. Evidence was lacking of likely behaviour in that respect by users of ISP facilities. Further, with respect to the AFACT Notices, was it reasonable to expect iiNet to issue warnings or to suspend or terminate the contracts of customers when AFACT had not fully disclosed the methods used to obtain the information in the AFACT Notices?

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156 At [110].

Those methods were disclosed only by the provision of expert evidence during the preparation of the case for trial<sup>157</sup>.

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

140 In her dissenting reasons Jagot J concluded that iiNet had "moved beyond mere indifference to at least tacit approval of [the] primary infringements"<sup>158</sup>. Her Honour relied particularly upon a press release by iiNet by which it "ensured [that] its customers knew that their accounts would not be terminated ... unless AFACT could prove in court the alleged copyright infringements"<sup>159</sup>.

141 The press release was issued by iiNet on the day the litigation by the appellants was instituted, 20 November 2008. It was available for download from its website. The release referred to the intention of iiNet to defend the action and expressed the view that the AFACT Notices were not sufficient to require it to disconnect users of the iiNet service. The significance of the press release was overstated by her Honour.

142 The "key facts" as to the "indifference" of iiNet upon which the appellants relied in this Court were four in number. They were: (i) the provision by iiNet of the internet connections, a necessary but insufficient step for the acts of primary infringement; (ii) the technical ability of iiNet to control the use of its service and its contractual ability to issue warnings and suspend or terminate accounts; (iii) the evidence provided by the AFACT Notices given before and after suit; and (iv) the absence of action by iiNet in response to the AFACT Notices.

143 These matters, taken together, do not establish a case of authorisation of those primary infringements which are the Scheduled Infringements in respect of the authorisation of which the appellants seek relief in this Court. The progression urged by the appellants from the evidence, to "indifference", to "countenancing", and so to "authorisation", is too long a march.

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157 (2011) 194 FCR 285 at 457.

158 (2011) 194 FCR 285 at 397.

159 (2011) 194 FCR 285 at 397.

144 The facts of this case are well removed from those which in *Moorhouse* led Jacobs J<sup>160</sup> to adopt what had been said on the subject of indifference by Bankes LJ in *Ciryl*<sup>161</sup>. The rhetorical question with reference to what had been said by Bankes LJ, which Whitford J posed in *CBS Inc v Ames Records & Tapes Ltd*<sup>162</sup>, may be asked here:

"Is this again a case of the indifference of somebody who did not consider it his business to interfere, who had no desire to see another person's copyright infringed, but whose view was that copyright and infringement were matters in this case not for him, but for the owners of the copyright? It must be recalled that the most important matter to bear in mind is the circumstances established in evidence in each case."

145 The position of iiNet also differs significantly from that of the respondent company director in *Australasian Performing Right Association Ltd v Jain*<sup>163</sup>. He was effectively the chief executive officer at the hotel owned by the company where there had been unlicensed performances of musical works. The Full Federal Court said of the respondent that it "was within his power to control what was occurring [but] he did nothing at all"; and that he had "countenanced" the infringements<sup>164</sup>.

146 The present case is not one where the conduct of the respondent's business was such that the primary infringements utilising BitTorrent were "bound" to happen in the sense apparent in *Evans v E Hulton & Co Ltd*<sup>165</sup>, and discussed earlier in these reasons<sup>166</sup>. Further, iiNet only in an attenuated sense had power to "control" the primary infringements utilising BitTorrent. It was not unreasonable for iiNet to take the view that it need not act upon the incomplete allegations of primary infringements in the AFACT Notices without further investigation which it should not be required itself to undertake, at its peril of committing secondary infringement.

147 Accordingly, the appeal should be dismissed.

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160 (1975) 133 CLR 1 at 21.

161 [1924] 1 KB 1 at 9.

162 [1982] Ch 91 at 112.

163 (1990) 26 FCR 53.

164 (1990) 26 FCR 53 at 61. The Full Court expressed no view on the alternative argument that the respondent was a joint tortfeasor with his company.

165 [1923-28] MacG Cop Cas 51 at 60.

166 At [121].

### Further matters

148 This makes it unnecessary to enter upon two further matters. The first is the reliance by iiNet upon requirements of Pt 13 Div 2 (ss 276-278) of the Telco Act as an answer to the authorisation case presented against it. It was contended by iiNet that these provisions would have prohibited it from taking action in reliance on the AFACT Notices, for example, by warning, or by suspending or terminating the accounts of its subscribers. The second matter is the application in iiNet's favour of the "safe harbour" provisions in Pt V Div 2AA (ss 116AA-116AJ) of the Act. The term "safe harbour" was coined to describe the operation of the system established in 1998 by United States legislation<sup>167</sup>. Like the differently constructed Australian system, this does not determine issues of liability, but limits relief against "service providers" who fall within a "safe harbour" specified in the legislation.

149 The case presented by iiNet on these two grounds failed in the Full Court. In this Court iiNet did not rely on the "safe harbour" provisions, and did not press by oral argument its notice of contention respecting the Telco Act.

150 Nor is it appropriate to consider the schemes enacted in the United Kingdom by the *Digital Economy Act 2010* (UK) and in New Zealand by the *Copyright (Infringing File Sharing) Amendment Act 2011* (NZ), to the provisions in which for payments by copyright owners to ISPs reference was made by counsel for the appellants, iiNet, and Alliance.

### Order

151 The appeal should be dismissed with costs.

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<sup>167</sup> 17 USCS §512. See *Perfect 10 Inc v Cybernet Ventures Inc* 213 F Supp 2d 1146 at 1174-1182 (2002).