

Digital Technology and the Copyright Act 1994

Internal Working Paper

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Part One: Introduction

A. The Review Process

1. In July 2001, the Ministry of Economic Development (“the Ministry”) released a discussion paper entitled *Digital Technology and the Copyright Act 1994* (“the discussion paper”). This discussion paper was the first step in public consultation regarding the digital technology review (“the review”) of the Copyright Act 1994 (“the Act”) currently being undertaken.

2. The Ministry received 74 submissions on the discussion paper and these submissions have been analysed and reported on to Ministers. This working paper will form the basis for the next stage in the review process, namely a series of targeted consultation workshops to be held with various key stakeholders. These include users of copyright material, copyright creators and owners, academics and legal practitioners.

3. A position paper will then be released for further public consultation later this year. The Ministry intends to provide policy advice to Ministers early next year. This would also mean that any amending legislation could be introduced in 2003.

B. The Issues

4. The first question to be asked as part of the review is whether the Act needs to be amended at all. Enacted in 1994, the Act is a comparatively new piece of legislation in comparison with our other intellectual property statutes and it provides a relatively modern base for the review. In addition to meeting New Zealand’s TRIPS obligations,¹ it was intended that the Act should address issues already arising at that time out of new technologies, for example computer programs and cable television. Therefore, it cannot necessarily be assumed that the Act will require substantial alteration.

5. A second important question is the extent to which “digital is different”. Copyright law first developed before widespread use of the printing press when cost and difficulties involved in copying were virtually prohibitive. Since then, copyright has responded to challenges of various new technologies, including the photocopier, film, broadcast and cable television and music recordings. It is important to consider whether the digital challenge is simply another in a series of technological advances that copyright has had to address or whether it is so inherently different from print and analogue technologies that a different approach to copyright is required.

¹ New Zealand is a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”) - Annex 1C to the Agreement Establishing the World Trade Organisation

6. The Ministry's discussion paper also identified some of the opportunities and threats of digital technology, particularly the Internet, for copyright creators, owners, and users. An underlying consideration in assessing options will be the impact any proposed change to copyright law has on New Zealand's capacity to unleash the potential economic benefits of the Internet and e-commerce generally.

7. Following on from these broad issues, there are a series of specific copyright issues that arise out of digital technology developments. The purpose of this paper is to provide a focus for discussion at the consultation workshops. The main issues to be addressed by the review are:

- The adequacy of the existing reproduction right;
- The adequacy of the existing communication right;
- The proper extent of Internet Service Provider ("ISP") liability for copyright infringement;
- The need for legal protection for technological protection measures and electronic rights management information;
- The need for additional legal protection for non-original databases; and
- Exceptions and limitations to the rights provided in the Act.

8. This paper sets out what the Ministry sees as the main questions arising under each of these issues. It then seeks to provide some options for addressing these questions, drawing on both local and international experiences. This paper simply provides a resource to guide further analysis of the issues. The research process is ongoing, and the paper is neither complete nor definitive.

9. It is important to note that the Ministry has not reached any conclusions on these matters and the views expressed are not official government policy. The purpose of these consultation workshops is to draw on the knowledge and experiences of those involved in the copyright field in order to better inform the policy making process.

Part Two: Analytical Framework

A. Copyright: Enhancing the Public Interest

10. The issues involved in the review are multi-faceted and have potentially far-reaching implications. It is, therefore, crucial that the review takes place within a robust analytical framework. The guiding principle of copyright policy is the enhancement of the public interest. While the term “balance” is frequently used when discussing copyright policy, this balance is about the wider public interest, rather than simply achieving a middle ground between the competing aims of creators, owners and users of copyright works.

11. Under this principle of public interest, there are four broad and overlapping objectives: economic, legal, social and cultural. The government’s growth and innovation strategy stresses the need to enhance New Zealand’s innovation system. An important element of this is improving New Zealand’s intellectual property framework. Other relevant goals relate to creative industry development and innovation policy goals, as well as wider education and information technology policy objectives.

12. Therefore, when considering the question of whether the Copyright Act 1994 should be amended the following broad context will need to be taken into account:

- The government’s goals of growing an innovative New Zealand for the benefit of all, and the need to support research and development, while minimising regulatory barriers to innovation;
- New Zealand’s international obligations under the various treaties to which New Zealand is a signatory.

B. Economic Objectives

13. Effectively copyright is a “limited” monopoly right. It seeks to provide creators and investors, both local and international, with the opportunity to derive an adequate commercial return. It also allows them to maintain the value and integrity of their work by controlling or restricting access.

14. In other spheres, monopolies may not be in the public interest because of the reduced choice and higher prices that may result. These factors impose economic costs on society. Copyright, however, is considered to be justified, because, in return for granting a temporary monopoly, society benefits from something that it did not have before: the creation of a work that is new and innovative.

15. This does not mean that the costs associated with monopolistic behaviour are not present. Providing copyright protection has costs, as property rights

over works can create an artificial scarcity. If the cost of accessing copyright material is too high, this may act as a disincentive for future cumulative creative activity and other socially beneficial uses of copyright works. The extent to which the costs of copyright protection are justified depends on the incentives for future creativity. New Zealand's likely aggregate position as a net importer of copyright works adds an extra element to this calculation.

16. The Act uses various methods to ensure copyright law does not unreasonably restrict use of copyright works: firstly by limiting the scope of the rights themselves; and secondly, by providing for exceptions to copyright infringement for specific purposes. Such exceptions include the use of copyright material by educational institutions, libraries and archives. The question of access to copyright works by these institutions is a crucial part of the public interest balance that copyright policy seeks to achieve, and the implications of digital technology in this area will have to be closely considered against the need to provide incentives for the production of copyright works.

C. Legal Objectives

17. New Zealand is a signatory to a number of international treaties. These include:

- The Berne Convention for the Protection of Literary and Artistic Works;
- The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") - Annex 1C to the Agreement Establishing the World Trade Organisation;² and
- The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations ("the Rome Convention").³

18. Without effective copyright protection, at least commensurate with international standards, foreign exporters and investors may not have the confidence to export copyright products to New Zealand. This has implications both economically, by reducing the amount of material that creators and consumers may have access to, and more generally by limiting access to information and copyright goods.

² New Zealand is a signatory to the 1928 Rome revision of the Berne Convention. The TRIPS agreement, however, incorporates the later Paris revision of the Berne Convention, and so New Zealand is required to comply with the substantive provisions through TRIPS.

³ New Zealand is not a signatory to the Rome Convention but is required to comply with the substantive provisions through TRIPS.

19. These treaties require parties to provide the same level of copyright protection to residents of other parties as they provide for their own nationals. This means that New Zealand cannot discriminate against non-residents in applying copyright protection. Conversely, other countries cannot discriminate against New Zealand copyright holders.

20. New Zealand has signed a Memorandum of Understanding with Australia on Business Law Co-ordination. This recognises that co-ordination of business law may help to minimise impediments to trans-Tasman business activity. This does not mean that New Zealand and Australia are required to adopt identical laws. Nevertheless, when considering changes to the Copyright Act, the possibility of harmonising New Zealand's law with that of Australia should be borne in mind.

21. Our policy responses are, therefore, both limited and guided by our international obligations. A major question for the review is whether New Zealand should accede to further international conventions and take on new obligations, namely the WIPO Copyright Treaty ("WCT") and the WIPO Performances and Phonograms Treaty ("WPPT"), known collectively as the "WIPO Internet Treaties".

22. In copyright policy, as in any area of regulation, the objective of clear and transparent legislative reform is important, so that the law is more easily accessible and provides greater certainty for stakeholders. A factor to consider is technological neutrality. There are, however, risks in pursuing neutrality for its own sake where there are differences that justify separate or distinct approaches.

D. Social Objectives

23. Copyright policy has an important role to play in ensuring that New Zealanders have access to the widest possible range of material subject to copyright protection and information contained in copyright works. Similarly, copyright policy has a role to play in facilitating technology transfer from other countries. As previously noted in the discussion on legal objectives, services may not be provided to the New Zealand market if sufficient protection is not provided to safeguard the providers interests.

24. Copyright policy, therefore, has a role in the achievement of New Zealand's wider education and innovation policy goals by ensuring that New Zealanders have access to foreign copyright works, the information contained in those works and associated technology.

E. Cultural Objectives

25. Copyright is an important part of creative industry development in New Zealand. Although there are economic benefits to promoting the creative industries, there are also less tangible cultural benefits for all New Zealanders.

26. Copyright policy, and intellectual property policy generally, also have important implications for Māori and for the government's obligations under the Treaty of Waitangi. In particular, there are concerns amongst indigenous populations internationally about the ability of intellectual property regimes to protect traditional knowledge and to provide for collective ownership of rights. These concerns are, however, outside the scope of the current review.

Part Three: Reproduction Rights

27. The Act provides copyright owners with the exclusive right to copy a work in relation to every description of a copyright work.⁴ “Copying” is defined as including reproducing or recording a work “in any material form” and, in relation to a literary, dramatic, musical, or artistic work, “storing the work in any medium by any means”.⁵

28. Two issues arise:

- Storage and conversion into digital form, and
- Transient copying.

A. Storage and Conversion into Digital Form

(i) The Issues

29. The first issue that arises in relation to the reproduction right concerns the existing definition of “copying” (which determines the scope of the reproduction right granted to copyright owners) and its application to the conversion to, or storage of, works in digital form. The reference to “material” reproduction in the definition of copying could raise a question about whether the definition is broad enough to allow copyright owners to prohibit unauthorised copying of material in digital form and the conversion of print or analogue works into digital form (“digitisation”).

(ii) The New Zealand Situation

Storage

30. Most submissions agreed that the term “storage in any medium by any means” is wide enough to cover storage in a digital form. This includes digital recording or storage on a computer disc, which is a tangible medium. Some of these submissions suggested that this part of the definition of copying should also apply to sound recordings, films, broadcasts, cable programmes and typographical arrangements of published editions (not just literary, dramatic, musical, or artistic works). Expanding this part of the definition would, however, be unnecessary if storage of these types of works amounts to “reproducing or recording” in “any material form”.

⁴ Copyright Act 1994, section 16(1)(a).

⁵ Ibid, section 2(1) – definition of “copying”.

31. Legal experts considered that the statement that copying includes “storing [a]... work in any medium by any means” is sufficiently broad to cover copying those types of works in a digital form where the digital copy is stored on a computer disk or in any other means of storage.

Conversion (first digitisation)

32. There was general agreement across submissions that copyright owners should be able to control digital copying and the “first digitisation” of works that exist in print form or analogue formats. There was, however, divergence as to the extent of control allowed under the existing definition of copying.

33. Most legal experts submitted that digital copying and digitisation constitutes copying under the existing technology-neutral definition and that there is no need to make specific amendments that refer to digital technology. A number of submissions also expressed concerns about any amendment, noting that a specific reference to digital copying might raise doubts about whether other forms of storage constitute copying under the Act and jeopardise continued technological neutrality of a key definition.

(iii) The International Situation

WIPO Internet Treaties

34. Whilst the WIPO Internet treaties do not include any specific references to the reproduction right, the agreed statements on the WIPO Copyright Treaty concerning Article 1(4) contain the following statement:

The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.

Australia

35. Section 31(1) of the Australian Copyright Act 1968 (“the Australian Act”) provides owners of copyright in literary, artistic, musical and dramatic works with the exclusive right to “reproduce the work in a material form”. “Reproduction” is defined in section 21 of the Act. Section 21 does not, however, provide a general or exhaustive definition, but the use of the word “reproduction” rather than “copy” suggests that an infringement in relation to “works”⁶ will also occur where reproduction is in a different form or media from

⁶ Under the Copyright Act 1968 (Australia), the term “works” refers to literary, artistic, musical and dramatic works. Sound recordings, films, broadcasts and typographical arrangements

the original. The relevant sections concerning the exclusive rights of copyright owners in other subject matter (including sound recordings, films and broadcasts) refer to “making a copy of” the relevant subject matter.⁷

36. What constitutes reproduction under Australian law is, as in New Zealand, found in the Commonwealth and American case law, which requires objective similarity and some form of causal connection between the work and the reproduction. The reference to “material form” in subsection (1) is, however, widely defined in the Australian Act:⁸

[M]aterial form, in relation to a work or an adaptation of a work, includes any form (whether visible or not) of storage from which the work or adaptation.

37. The Australian Act has been amended⁹ to state that copying includes conversion into a digital format (including “first digitisation”). Provisions were also introduced that provide the potential for the award of higher damages for copyright infringement involving unauthorised digitisation by stating that “additional damages” can be awarded in relation to civil infringements that involve copies made by first digitisation.¹⁰ Criminal penalties that specifically apply to offences involving the first digitisation of copyright material were also increased.¹¹

Ireland

38. Ireland’s Copyright and Related Rights Act 2000 (“the Irish Act”), provides an inclusive definition of “copying”¹² which includes, in relation to any work: “storing the work in any medium” (section 39(1)(a)(i)). This section is based on the United Kingdom approach, but removes the reference to “material

are not “works”, but rather “subject matter other than works”. In New Zealand, all descriptions of copyright subject matter are referred to as “works”: see Copyright Act 1994, section 14.

⁷ Copyright Act 1968 (Australia), sections 85, 86 and 87.

⁸ Ibid, section 10(1).

⁹ Ibid, section 21(1A)

¹⁰ Ibid, section 115(4).

¹¹ See *ibid*, section 132(6AA), which states that a maximum applicable fine of 850 penalty units (and/or 5 years imprisonment) applies to offences that involve an infringing copy “made by converting a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form”. A maximum fine of 550 penalty units applies to offences that involve other classifications of infringing copies. A penalty unit currently equates to AU\$110.

¹² Copyright and Related Rights Act 2000, Section 39 (1)(a)(i).

form". The accepted view in Ireland appears to be that this definition covers all aspects of copying, including digital copying.

Canada

39. Section 3(1) of the Copyright Act (R.S. 1985, c. C-42) ("the Canadian Act") provides the owner of copyright in a work with: "the sole right to produce or reproduce the work or any substantial part thereof in *any material form whatever*" (emphasis added). Section 18 provides "the maker of a sound recording" with a similarly worded right and section 21 provides a "broadcaster" with a sole right to fix or "reproduce any fixation" of communication signals¹³ it broadcasts.

40. The consensus in Canada is that the phrase "in any material form whatever" is broad enough to cover digital storage and reproduction. Guidance on the application of the reproduction right to new technologies can be taken from both the United Kingdom and, despite the different "definitions" of what constitutes a "copy", the United States, where case law has clearly established that digital copies made in computers and other devices are reproductions.

41. The scope of the reproduction right is, therefore, not under consideration as part of the digital review of copyright currently being undertaken in Canada, other than in relation to whether exceptions should be provided for transient copying and ISP liability.

European Union

42. Article 2 of the Directive on the harmonisation of certain aspects of copyright and related rights in the information society¹⁴ ("Copyright Directive") provides for an exclusive reproduction right for authors and related rights holders. It includes "direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part" for authors and all neighbouring rights holders, i.e. performers, record companies, film producers and broadcasters. Virtually all relevant acts of reproduction, whether on-line or not and whether in material or immaterial form, are covered. The right has been designed to ensure legal certainty in the EU about the meaning of reproduction.

¹³ "Communication signal" is defined as radio waves transmitted through space without any artificial guide, for reception by the public – Copyright Act (R.S. 1985, c. C-42) (Canada), section 2.

¹⁴ 2001/29/EC, 22 May 2001.

(iv) Options

43. The key issue that arises in this section is whether the scope of the current reproduction right (and the definition of copying) is sufficient to allow copyright owners to control the digital reproduction of their works. Analysis suggests that digital copying (and first digitisation) is already covered by the existing technology-neutral definition of copying ("reproducing or recording a work in any material form"). It has been suggested, however, that greater certainty could be provided through defining material form.

44. The following options were identified from analysis of submissions:

- a. No change to the Act on the basis that it covers digital storage and first digitisation.
- b. Add a specific reference to digitisation or the conversion of print or analogue copies of works to digital form in the definition of copying.
- c. Define "material form" in the Act (section 2 - interpretation) to include digital copying or storage.

Possible Exceptions

- a. Allow users to transfer a copy of a legitimately purchased copy of a copyright work via the Internet or other telecommunications system to a "second hand" purchaser where the original digital copy is subsequently destroyed— as the subsequent sale of a physical copy is permitted.
- b. Consider exceptions to the copyright owner's reproduction right in relation to copying for personal use (format shifting) and/or in relation to libraries and educational institutions, claiming there is an increasing need to provide access to material on-line.

B. Transient Copying

(i) The Issues

45. The second issue that arises in relation to the reproduction right concerns the definition of "copying" and whether it should be amended to explicitly address incidental and temporary copies that are automatically made by computers and communications networks as a result of technical processes.

46. "Transient copying" automatically takes place, for example, in the Random Access Memory (RAM) of a computer every time a computer program is

accessed and displayed on screen. Numerous copies of this nature are automatically made across computer systems to facilitate the communication of content via communications systems such as the Internet (these copies are for the most part made without the knowledge of the sender).

(ii) The New Zealand Situation

47. The Act does not expressly address the question of whether the making of temporary or incidental copies, which are often a result of the operation of digital technologies such as computer and communications systems, infringes the exclusive right of a copyright owner to authorise copying of copyright material.

48. Some respondents (including legal experts) considered that “transient copying” is covered by the existing definition of copying and would constitute “storage in a medium” or “recording in a material form”. Others suggest that all transient copying should be excluded from the definition of copying. Whilst respondents were divided on whether transient copying is already covered (or should be covered) by the reproduction right, the vast majority considered that the Act should state whether or not transient copies are included.

49. Rightholders have expressed concerns in relation to the possibility of providing a blanket exception for all transient or incidental copying. It is argued that such an exception may limit their ability to enforce copyright, particularly in relation to “on-line” and software piracy.

50. Some respondents expressed the view that, in placing a copyright work on a website, a copyright owner grants an implied licence to the public to make the necessary transient copies that would enable the work to be accessed. Whilst this may apply at a point in time, the future applicability of any implied licence is uncertain in that it can be revoked at any time by a rightholder. Further, the limits of such a licence are unclear.

51. With the exception of some rightholders, most submissions considered that some allowances should be made for transient copying. Submissions were, however, split over what types of transient copying should be permitted acts. Some of the discussion revolved around the definition of a technical process and whether it should cover automatic copying undertaken by computer systems to improve network efficiencies (“proxy caching”).

52. Users argued that they should not be held liable for transient copying that is automatically undertaken as part of the technical processes involved in making authorised use of works. An extension of this view was a suggestion that some form of exception or defence be available for “innocent” infringers of copyright. There was some support for this by rightholders in situations where the infringer did not obtain an “economic benefit” from the infringement.

(iii) The International Situation

WIPO Internet Treaties

53. As noted in the section on storage above, the agreed statements on the WIPO Copyright Treaty concerning Article 1(4), establish that the reproduction right as set out in Article 9 of the Berne Convention applies in the digital environment.

Australia

54. The Copyright Amendment (Digital Agenda) Act 2000 (“CADA”) introduced a new exception to the Australian Act¹⁵ in relation to the exclusive right of reproduction for temporary reproductions made as part of the technical process of making a communication. The exception is intended to include temporary reproductions made in the course of browsing or viewing copyright material on-line, and in certain limited types of caching. The exception is limited to temporary reproductions made in the course of non-infringing communications.

United Kingdom

55. Section 17(2) of the Copyright, Designs and Patents Act 1988 contains the following definition:

Copying in relation to a literary, dramatic, musical or artistic work means reproducing the work in any material form. This includes storing the work in any medium by electronic means.

European Union

56. Article 5 provides for a mandatory exception to the exclusive reproduction right in relation to “temporary acts of reproduction”. Article 5.1 provides that temporary acts are exempted from the reproduction right where:

- They are transient or incidental;
- They form an integral and essential part of a technological process whose sole purpose is to enable a transmission in a network between third parties by an intermediary or a lawful use of a work or other subject matter to be made; and
- They have no independent economic significance.

¹⁵ Copyright Act 1968 (Australian), section 43A.

Ireland

57. Under the Irish Act the scope of the reproduction right expressly includes “the making of copies which are transient or incidental to some other use of the work”.¹⁶ The Irish Act also provides a wide exception to the reproduction right in relation to “a transient and incidental copy of that work which is *technically required for the viewing of or listening to* the work by a member of the public to whom a copy of the work is lawfully made available (emphasis added).¹⁷

58. These exceptions probably cover proxy caching and will, therefore, need to be amended to comply with the Copyright Directive, which limits the availability of an exception for transient copying to an “intermediary” (cutting out Intranets and other local server or PC caching).

(iv) Options

59. The key issue concerning transient copying is whether there is a need to amend the definition of copying to take account of temporary or incidental copies (that are automatically made by computers and communications networks as a result of technological processes)?

60. It seems that transient copying is probably already covered by the existing definition of copying. Liability for unauthorised copying could therefore arise in relation to temporary and incidental copies. As a result, the majority of submissions responding to this issue considered that the Act should clearly state whether or not transient copying is included.

61. There seemed to be strong support from respondents for making some allowances for transient copying, but disagreement as to exactly what types of transient copying should not give rise to liability for infringement. The option that transient copying gives rise to copyright infringement, but with exceptions provided in relation to copying automatically undertaken as part of a technical process involved in making an authorised use of a work attracted general support. Consideration of this option would require further work concerning the definition of “technical process”, and the issue of proxy caching.

62. The following options were identified from analysis of submissions:

- a. No change to the Act.
- b. Amend the definition of copying to state that transient copying is “copying”

¹⁶ Ibid, section 39(1)(a) (ii). This was copied from the Copyright, Designs and Patents Act 1988 (UK).

¹⁷ Copyright and Related Rights Act 2000 (Ireland), section 87(1)

for the purposes of the Act.

- c. Amend the definition of copying to state that transient copying is not copying for the purposes of the Act.

63. If transient copying is copying for the purposes of the Act:

- a. Provide no exceptions for transient copying.
- b. Restrict an exception to copying automatically undertaken as part of a technical process involved in making an authorised communication of a work (would exclude execution of a computer program).
- c. Provide an exception in relation to copying automatically undertaken as part of a technical process involved in making an authorised use of a work (including viewing and communication) and/or improving network efficiencies ("proxy caching").
- d. Require knowledge of transient copying for liability to arise.
- e. Excuse all liability for transient copying.
- f. Provide a presumption that in the absence of notice to the contrary, copyright owners have consented to transient copying where they have consented to the primary activity

Part Four: Communication to the Public

A. Introduction

(i) The Issues

64. The discussion paper raised a number of issues concerning the existing right provided to copyright owners under the Act to control the communication of their works to the public by wired or wireless means. The paper also discussed the broad right of communication created by the WIPO Internet Treaties.

65. The scope of the communication right was considered in the digital context from two perspectives. First, “push” technologies such as communication to the public via the Internet, for example, through webcasting. Secondly, “pull” technologies such as on-demand Internet services.

66. In relation to the first category - push technologies - the discussion paper asked if the existing cable service right (and definition of cable programme service in section 4) covered Internet services. It then asked if there is a need to amend the Act explicitly to include a right to control communication to the public of works over the Internet. Submissions were also sought on how such a right could be provided for in the Act (if it is not already provided for). A number of specific questions were directed at the current cable transmission right and the definition of cable transmission service and whether it includes webcasting. A side issue that arose is whether webcasts should be protected as copyright works.

67. In the context of pull technologies, the discussion paper asked whether the Act should be amended to provide copyright owners with an exclusive right that expressly controls the making available of works in interactive, on demand systems, such as the Internet. Once again, respondents were first asked if such a right is already provided by way of section 4. Submissions were also sought on how an express making available right should be provided (if it is not already provided for in the Act).

68. The issue of re-transmission of free to air broadcasts by cable programme services was also considered in the context of the communication right.

(ii) The New Zealand Situation

69. The Act currently provides copyright owners with the exclusive right to broadcast a work or to include a work in a cable programme service.¹⁸ “Broadcast” is defined to mean a wireless transmission either capable of being

¹⁸ Copyright Act 1994, section 16(1)(f).

lawfully received by the public (in New Zealand or elsewhere) or for presentation to members of the public (in New Zealand or elsewhere).¹⁹ “Cable programme service” is extensively defined in the Act,²⁰ subject to a list of exceptions, as a transmission service by wired telecommunication means to the public or for reception at two or more places, either simultaneously or at different times, in response to requests.

(iii) The International Situation

WIPO Internet Treaties

70. The discussion paper also considered the communication right from the perspective of the broad “right of communication to the public” provided in the WIPO Internet Treaties. This new right is broader than the existing right of communication to the public provided in the Berne Convention, which is confined to performances, broadcasts, and recitations of works.

71. Article 8 of the WCT provides (without prejudice to specified provisions) that:

[A]uthors of literary and artistic works shall enjoy the exclusive right of authorising any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.²¹

72. Articles 10 and 14 of the WPPT applies the communication right to performers and producers of phonograms. The WPPT defines these rights as ones of “making available to the public”. Article 10 [and 14] of the WPPT provides:

Performers [producers of phonograms] shall enjoy the exclusive right of authorising the making available to the public of their performances [phonograms], by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them.

¹⁹ Copyright Act 1994, section 2(1) - definition of “broadcast”.

²⁰ Copyright Act 1994, section 4.

²¹ The Agreed Statement for Article 8 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

73. The inclusion of the broad right of communication to the public contained in the WIPO Internet Treaties is seen by many commentators as indicative of the growing importance of rights of communication, compared to reproduction, in the digital age.

Australia

74. The CADA introduced a broad-based, technology-neutral right of communication to the public into Australian copyright law. It is an exclusive right in literary, musical, artistic and dramatic works, sound recordings, films and broadcasts.²² It does not, however, apply to typographical arrangements of published editions.

75. The new communication right replaces and extends the existing technology-specific broadcasting right (anchored, as in New Zealand, to wireless transmission) and the limited cable diffusion right that was previously provided in Australia (limited to control of transmission to subscribers to a "diffusion service").

76. The retention of a number of provisions specifically relating to broadcasts and the activities of broadcasting organisations required the retention of a "broadcast" definition.²³ The provision relating to "diffusion service"²⁴ has been repealed, as the new definition of broadcast includes cable transmissions.

77. The term "communicate" is defined as meaning to make available online or electronically transmit (whether over a path, or combination of paths, provided by a material substance or otherwise) a work or other subject-matter.

78. This definition means that the use of wireless, wired (cable) and more recent technologies such as fibre optics, and combinations of any number of different transmission media, are included within the ambit of the communication right.

79. The reference to "making available online" also means that Australia now provides an explicit making available right that, consistent with Article 9 of the

²² Copyright Act 1968 (Australia), sections 31 and 85 to 88.

²³ The term "broadcast" has been redefined to mean "a communication to the public delivered by a broadcasting service within the meaning of the Broadcast Services Act 1992" – Copyright Act 1968 (Australia), section 10(1). It was previously defined as "transmit by wireless telegraphy to the public". The Broadcasting Services Act 1992 defines "broadcast service" as a service that delivers programmes "whether the delivery uses the radio frequency spectrum, cable optical fibre, satellite or any other means or a combination of those means", but excludes teletext and on-demand point-to-point services.

²⁴ Which was restricted to "distributing broadcast or other matters ... over wires or over other paths provided by a material substance" - Copyright Act 1963 (Australia), section 26(1) (Repealed).

WCT and Article 14 of the WPPT, provides copyright owners with a right to restrict the uploading of material onto an Internet server. The incorporation of the making available right as part of the broad communication right follows the articulation of the right in the WIPO Internet treaties.

80. The meaning of “to the public” is defined to explicitly extend the scope of the communication right to include activities that communicate or make copyright material available from Australia to overseas audiences.²⁵

United States

81. The Digital Millennium Copyright Act 1998 (“DMCA”), which amended the Copyright Act 1976 (“the US Act”), did not include a broad-based communication right. The United States (“US”) considered that a right of communication was not necessary, as the norms contained in Articles 6 and 8 of the WCT were already recognised by US law, therefore there was no need to expressly implement them to enable ratification.²⁶ Support for this approach may be found in US case law.²⁷

European Union

82. The Copyright Directive provides a broad-based communication right, in language that essentially parallels that of the WIPO Internet Treaties.²⁸

83. Article 3 protects the transmission and distribution of copyright works other than in a physical form to members of the public not present at the place where the communication originates. Article 3(1) states:

Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.

²⁵ Copyright Act 1968 (Australia), section 10(1) - “to the public means to the public within or outside Australia”.

²⁶ Fitzpatrick, “Copyright Imbalance: U.S. and Australian Responses to the WIPO Digital Copyright Treaty”, *European Intellectual Property Review*, Vol. 22, Issue 5, May 2000, p223.

²⁷ In the case of *Marobie-FI, Inc v National Association of Fire Equipment Distributors* 45 U.S.P.Q.2d 1236 (N.D. 111.1997) the Court concluded that the mere making available of files for downloading was sufficient for liability, because once the files were uploaded onto a webserver they were available for downloading by Internet users, and the server transmitted the files to users when requested.

²⁸The Copyright Directive is to be implemented into national legislation by Member States by December 2002.

84. Article 3(2) provides the right of “making available” to performers (for fixations of their performances), phonogram producers (for their phonograms), producers of the first fixations of films (for the original and copies of their films) and broadcasting organisations (for fixations of their broadcasts).

B. Communication of works to the public over the Internet

(i) The Issues

85. The discussion paper considered whether there is a need to control the communication to the public of works over the Internet, for example, via webcasting.

(ii) The New Zealand Situation

86. As noted above, the Act currently provides copyright owners with the exclusive right to broadcast a work and to include a work in a cable programme service. The application of the cable programme service right contained in the Act to Internet activities, such as webcasting, is, however, not clear. While section 4 of the Act does not appear to exclude webcasting from the meaning of “cable programme service” (which might reasonably imply that it is included), the application of the section to webcasts is dependent on the interpretation of a detailed and technical section of the Act. The application of the section to webcasting has not been judicially considered, and the section was drafted before the provision of webcasting services could have been anticipated.

(iii) The International Situation

87. As noted above, Australia and the European Union (through its Copyright Directive) have created a broad-based right of communication to the public that includes the right to control the communication to the public of works over the Internet. Part A(ii) above outlines the express provisions. The US Act (as amended by the DMCA) does not contain an express right of communication to the public. Existing rights of distribution and public display are considered, by the US, sufficient to meet the requirements of the WIPO Internet Treaties.

(iv) Options

88. The key issue that arises in this section is whether the existing communication right (to broadcast a work or include it in a cable programme service) provides a right to control the communication to the public of works over the Internet, and is such a right desirable?

89. On the face of it, the existing cable programme service right is probably sufficient to cover webcasting (as webcasting is not excluded from the

definition of cable programme service in section 4 of the Act), and therefore indirectly provides a right of communication to the public over the Internet. As noted above, however, the application of section 4 to webcasting is dependent on the interpretation of a detailed and technical section of the Act, and the question has not been judicially considered.

90. Respondents to the discussion paper (both copyright owners and user groups) unanimously agreed that the Act requires amendment to provide copyright owners with an explicit right to control the communication to the public of works over the Internet. It was suggested that such an amendment is required to remove ambiguity and provide certainty, assist copyright owners to take action against the unauthorised webcasting of their works, and encourage the use of new technologies by copyright owners to transmit copyright material to consumers.

91. Submissions also stressed that consideration of a broad technology-neutral communication right inevitably raises the issue of what permitted acts should apply.²⁹

92. Submissions were sought on three options for the provision of an explicit right to control communication to the public of works over the Internet:

- a. Providing a separate webcasting right;
- b. Amending the definition of “cable programme service” to expressly include webcasting; or
- c. Replacing the broadcasting and cable programme service rights with a broad technology-neutral communication right that would cover broadcasting, inclusion in a cable programme service, webcasting or any future method, including any combination of technologies.

93. The vast majority of submissions favoured the third suggestion - the creation of a broad technology-neutral right of communication to the public. Only two respondents favoured the creation of a separate webcasting right, and one supported amending the definition of cable programme service. Other submitters cautioned against the creation of a separate webcasting right as it was technology-specific and therefore only a “temporary fix”.

²⁹ Permitted acts are discussed generally below in Part Eight.

C. Making Available

(i) The Issues

94. Submissions were sought on the question of whether the Act should be amended to provide copyright owners with an exclusive right that expressly controls the making available of works in interactive, on-demand systems, such as the Internet.

(ii) The New Zealand Situation

95. On the face of it, the right to restrict unauthorised inclusion of a work in a cable programme service appears applicable to on-demand services. The exclusion, however, of transmission services that are interactive in nature, means that it is unclear if the cable programme service right would allow copyright owners to take action against the unauthorised making available of copyright works (for example, music recordings or films) on a server for users to access, select and download at their own convenience.

96. The Act does not, therefore, currently provide copyright owners with an explicit right to restrict the “making available” of their works in electronic form through interactive “on-demand” systems, for example by uploading copies of a work to an Internet page for users to download at their convenience. While unauthorised copying by downloading amounts to copyright infringement, the posting of a legitimately purchased electronic copy of a work may not (for example by connecting a computer to a publicly accessible network such as the Internet).³⁰ In this situation copyright owners might not be able to take action against the person who makes a work available without permission. The Act is, therefore, unclear as to whether copyright owners can prevent the unauthorised making available of their works.

(iii) The International Situation

97. A making available right is provided for as part of a broad-based right of communication to the public in the WIPO Internet Treaties, the Australian Copyright Act, and the Copyright Directive (see analysis above in introduction section).

(iv) Options

98. The key issue in this section is whether the Act provides a right to control the making available of works in interactive, on-demand systems.

³⁰ It seems likely, however, that it would breach the software licence.

99. It seems that the Act does not currently provide copyright owners with an explicit right to restrict the "making available" of their works in electronic form through interactive on-demand systems. The right to restrict unauthorised inclusion of a work in a cable programme service appears however, on the face of it, applicable to on-demand services. The exclusion, however, of transmission services that are interactive in nature, means that it is unclear if the cable programme service right would allow copyright owners to take action against the unauthorised making available of works on a server for users to access, select and download at their own convenience.

100. A large number of respondents addressed the "making available" question, almost all of whom (including a number of user groups) were of the opinion that the Act should provide copyright owners with the ability to control how their works are made available (if it does not already). These respondents considered that the existing provisions in the Act do not provide copyright owners with this ability, or (alternatively) that the Act is ambiguous and should be clarified to provide such a right explicitly.

101. Some submissions (generally from copyright users) argued that any explicit making available right must be subject to the existing permitted acts applicable to broadcasts and cable programmes. Some of these respondents also suggested that the right be subject to new exceptions to provide for reasonable public access to information. Only three respondents expressly opposed the introduction of an explicit making available right.

102. Respondents were asked to comment on how an express making available right could be provided. There was no support for its provision as part of the distribution right (the right to issue copies to the public), particularly as this right is subject to exhaustion. Two submissions were in support of creating a separately stated exclusive right. The vast majority of respondents (including both copyright owners and user groups) expressed support for the suggestion that any express making available right be included as part of a new technology-neutral right of communication to the public, should such a right be created.

103. The following options have been identified following the analysis of submissions:

- a. No change to the Act.
- b. Amend the definition of "cable programme service" (section 4) to provide or clarify that the making available of a work for on-demand access is inclusion in a cable programme service.
- c. Introduce a new (separate) exclusive making available right (and amend section 4 to clarify that it does not cover making available).
- d. Include the ability to control the making available of works within the scope

of a new technology-neutral communication to the public right.

e. Include an on-demand making available right within the ambit of the distribution right (section 16).

D. Webcasts as copyright works

(i) The Issues

104. Submissions were sought on whether webcasts, as transmissions to the public via the Internet, should be protected as copyright works in the same way that broadcasts and cable programmes are protected. The question was asked on the assumption that webcasts are not already protected as cable programmes via the existing definition of cable programme service in section 4 of the Act (which they may well be).

(ii) The New Zealand Situation

105. The Act provides protection for the signals that carry programme content in both broadcasts and cable programmes. Broadcasters and cable programme service providers, therefore, own separate copyright in their transmissions that is independent of copyright that might exist in the content carried by transmission signals.

(iii) The International Situation

WIPO Internet Treaties

106. The WIPO Internet Treaties do not address this issue.

Australia

107. Prior to the CADA amendments, copyright could subsist in broadcasts but not cable transmissions. The 1997 Australian discussion paper suggested there was a case for extending copyright protection to cable transmissions to the public. It did not outline a supporting argument for webcasts. Despite this, the CADA amendments do appear to have provided signal copyright protection to webcasts through the definition of “broadcast” in the Broadcasting Services Act 1992.

(iv) Options

108. The question to be addressed in this section is whether there is a need to extend protection to webcasts (as transmissions to the public via the Internet) as copyright works under the Act (if they are not already protected as a cable programme transmission).

109. Most of the respondents who commented on this issue considered that webcasts should be protected as separate copyright works. Many suggested that sufficient reasons do not exist to differentiate between traditional transmission technologies, such as broadcasting and cable programme services, and new technologies such as the Internet. One respondent suggested that webcasts are already protected under the Act as either broadcasts or cable programmes.

110. Respondents who opposed the extension of copyright protection to webcasts noted that protection for webcasts is not required as an incentive to engage in webcasting activities, which are low cost and comparatively easily undertaken. They compared webcasting to broadcasting and cable programme service activities, which require high levels of capital investment.

111. Respondents unanimously agreed that, if webcasts were to be subject to copyright protection, they should be protected under a new technology neutral category of “communication works” rather than through the creation of a new category of works to protect webcasts.

112. The issue of what exceptions (including those that apply to copyright in broadcasts and cable programmes) should apply to webcasts or new transmission technologies if they were to be expressly protected as copyright works is a key consideration. Another question that arises is whether webcasts that are merely retransmissions of broadcasts should be exempted from protection, the same way as cable programmes that are retransmissions of broadcasts.

113. The following options were identified following analysis of submissions:

- a. No change to the Act (whether or not webcasts are protected under current definition of cable programme service).
- b. Amend the definition of “cable programme service” (section 4) to provide or clarify that webcasts are protected as cable programmes (if it does not apply to webcasts already).
- c. Introduction of a new category of copyright works to expressly protect webcasts.
- d. Replace the broadcast and cable programme categories with a technology neutral “communication works” category, that would include webcasts.

E. Cable Retransmission of Free-to-Air broadcasts

(i) The Issues

114. The discussion paper considered whether the cable retransmission right (of free to air broadcasts) should be retained, or perhaps extended to give the same opportunity to satellite subscription broadcasters and webcasters.

(ii) The New Zealand Situation

115. Section 88 of the Act provides that a broadcast made from a place in New Zealand can, by reception and immediate retransmission, be included in a cable programme service, except where a licensing scheme or arrangement is in place. Section 88(2)(b) provides that copyright in any work included in a broadcast is not infringed "if and to the extent that the broadcast is made for reception in the area in which the cable programme service is provided".

116. When section 88 was enacted in 1994, there were two main objectives. First, to encourage greater competition and investment in the cable network and service industry by allowing cable service providers to bundle free-to-air television with telephone and other communications services. Second, to improve the quality of television reception in areas where signal quality was inadequate.

(iii) The International Situation

TRIPS

117. Under TRIPS, New Zealand is required to provide broadcasting organisations with the right to control retransmission of their broadcasts.³¹ Exceptions can, however, be made to this right in certain circumstances. New Zealand is not therefore under any international obligation that requires any particular approach to retransmission of broadcasts by wired means.

WIPO Internet Treaties

118. The WCT and WPPT do not include provisions concerning this issue. Issues concerning copyright and the rights of broadcasting organisations are, however, currently on the work programme of the WIPO Standing Committee on Copyright and Related Rights in anticipation of the development of new international standards concerning copyright in relation to broadcasting and related transmission issues.

³¹ TRIPS Agreement, Article 14(3).

Australia

119. The CADA introduced a new statutory licensing scheme for retransmission of free-to-air broadcasts. The scheme provides “equitable remuneration” to the copyright owners in the content carried by the signal. Previously, section 199(4) of the Australian Act provided an exception to the exclusive transmission right of copyright owners in works or films in relation to a diffusion service. A retransmitter is still, however, required to obtain a licence from the owner of copyright in the broadcast itself, which is a prerequisite to the application of the scheme.³²

120. Due to concerns about the effects of Internet retransmission on geographical licensing arrangements, the retransmission licensing scheme does not apply to Internet retransmissions of free-to-air broadcasts.³³ Internet retransmission services have to obtain the permission of and negotiate voluntary licensing arrangements with both free-to-air broadcasters and owners of copyright in the content.

121. The CADA also introduced an exception to copyright infringement for broadcasters in relation to the underlying works in broadcast simulcasts for digital television.³⁴

United States

122. The US Cable Television Consumer Protection and Competition Act 1992 applies a “must carry” approach to retransmission. Under this arrangement, where “public service channels” are granted “must carry” status, a cable company or other retransmitter is obliged to carry the channel, without a fee, if so requested. Other channels, not designated as public service channels, are free to enter into normal commercial arrangements with retransmitters.

Canada

123. Canada has recently completed a review the application of the compulsory retransmission licence to the transmission of broadcasts and programmes over the Internet.

124. Under Canadian copyright law, a compulsory licence scheme requires cable and satellite companies to pay royalties to rightholders where they

³² Copyright Act 1968 (Australia), section 135ZZK(5).

³³ *Ibid*, section 135ZZJA.

³⁴ Under the Broadcasting Services Act 1992, free-to-air broadcasters switching to digital transmission technology are required to simulcast their digital broadcasts in both analogue and digital form for a period yet to be determined by the Australian Broadcasting Authority.

transmit programmes contained in broadcast signals to subscribers.³⁵ They do not, however, require the consent of rights holders to retransmit. Royalties (most of which are distributed to film and television producers and broadcasters) are set by the Copyright Board under the “retransmission tariff”.

125. A discussion document on these issues sought views on a range of options including:

- An Internet exclusion from the compulsory licensing scheme;
- A technology-neutral licence subject to territorial and other possible restrictions for Internet retransmissions; and
- Amending the scheme so that the requirement for a signal to be retransmitted “simultaneously and in its entirety” does not exclude Internet retransmissions that involve a reasonable delay or loss of information (which is not evident to a viewer) arising solely from steps necessary to convert a signal into a format suitable for retransmission).

126. As a result of the consultation process a Bill to amend the retransmission rules has recently been passed by the Canadian House of Commons,³⁶ which:

- Clarifies that existing distribution systems, such as cable and satellite, may continue to rebroadcast over-the-air radio and television signals by paying royalties set by the Copyright Board and respecting other conditions set out in the Copyright Act; and
- Establishes a new regulation making power that will allow new types of distribution systems, including the Internet, to be used to retransmit broadcast signals if they meet appropriate conditions set out in the regulations.

European Union

127. The directive on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission³⁷ (“the Satellite/Cable Directive”) addresses the issue of cross border satellite broadcasting and cable retransmission of programmes. According to the recitals, retransmission had been obstructed by differences

³⁵ Copyright Act (R.S. 1985, c. C-42) (Canada), section 31.

³⁶ 18 June 2002.

³⁷ 1993/83/EEC, 27 September 1993.

in national copyright laws in particular by differences in rules relating to negotiations on cable distribution.³⁸

128. The Satellite/Cable Directive applies to both the relationships between the retransmitter and the initial broadcaster, and with owners of copyright content in programmes broadcast. Article 8 of the Satellite/Cable Directive provides that cable retransmission should take place “on the basis of individual or collective contractual agreements between copyright owners, holders of related rights and cable operators”. Member States were able to retain any existing statutory licensing schemes until December 1997.

129. Article 9 of the Satellite/Cable Directive provides that the right of copyright owners and holders of related rights to grant or refuse authorisation to a cable operator for a cable retransmission “may only be exercised through a collecting society”.³⁹ Right do, however, have the right to choose a collecting society and take a direct share in remuneration.⁴⁰ Article 9 does not apply to a broadcasting organisation in respect of its own transmissions.⁴¹

(iv) Options

130. The key issue that arises in this section is whether the cable retransmission right (in section 88 of the Act) should be retained or repealed. If it is retained should it be extended to give the same opportunity to satellite subscription broadcasters and webcasters?

131. Respondents were split in their views concerning section 88. Only one submission explicitly stated that the section should be retained in its current form. The remaining respondents were equally divided between abolishing the section altogether and expanding it. A small number commented that further investigation would be warranted before a decision is made on the issue of retransmission.

132. Five respondents argued that the section should be expanded to treat all technologies equally. A further five respondents suggested that section 88 should only be expanded to encompass satellite broadcasting, but not webcasting. This approach was predominantly based on the concern that television content rights are usually licenced on a county-by-country basis and retransmission over the Internet to other countries could affect the value of

³⁸ *Ibid*, Recital 5.

³⁹ Recital 28 notes that this is necessary to ensure that the “smooth operation of contractual arrangements is not called into question by the intervention of outsiders holding rights in individual parts of [a] programme”.

⁴⁰ *Ibid*, Article 9(2).

⁴¹ *Ibid*, Article 10.

those rights to overseas markets. One respondent noted that webcasting does not necessarily involve the same level of investment that is required for cable and satellite networks.

133. The main objectors to section 88 were free-to-air broadcasters and copyright owners. They considered that the reasons for providing such an exception for cable programmes were no longer valid, and that its continued operation could jeopardise free-to-air broadcasting in New Zealand. It was suggested that television service providers should rely on commercial arrangements to carry each others' signals. The "must carry" approach of the US Cable Television Consumer Protection and Competition Act 1992 was referred to.

134. Seven respondents considered that, if section 88 were to be expanded to include satellite pay-TV service providers, any retransmissions of free-to-air broadcasts should be free of charge and without encryption.

135. The following options were identified from analysis of submissions:

- a. No change to section 88 (if definition of cable programme service includes webcasting, section 88 might already apply to webcasting).
- b. Abolish section 88 (leaving television service providers to rely on commercial arrangements to carry other signals).
- c. Extend section 88 to cover satellite retransmission.
- d. Extend section 88 to cover all technologies (including webcasting).
- e. Designate certain free-to-air broadcasts as "must carry" requiring pay-television channels to carry them without a fee.
- f. Require that retransmissions are made free of charge and unencrypted.

Part Five: Internet Service Provider Liability

A. The Issues

136. A web page can potentially include copyright material in the form of a literary work or compilation, an artistic work, a film and/or possibly a cable programme. ISPs can potentially face both primary and secondary infringement for unauthorised use of such copyright material.

137. Copying is a crucial aspect of Internet services. In terms of primary infringement, it seems clear that ISPs should be liable where they are themselves responsible for breaching copyright by their own actions. There are, however, two main issues that arise in relation to the service they provide to third parties as a result of communications by third parties:

- Should ISPs be liable in relation to transient copying on their systems?
- Should ISPs be allowed to engage in caching, beyond mere transient caching, in the interests of providing faster and more efficient Internet services?

138. In terms of secondary infringement, the central question is whether ISPs should be liable for the activities of third party subscribers using the ISPs' services to infringe or facilitate infringement, and if so, in what circumstances?

139. If it were decided that some limitation of liability for ISPs should be provided, consideration would have to be given to a definition of "service provider". ISPs undertake a range of activities, including transmitting material, hosting subscriber web pages, hosting bulletin boards and posting their own material. Not all of these activities would necessarily qualify for any limitation on liability.

B. The New Zealand Situation

140. Under the Act, ISPs face two types of liability:

- Primary liability, where they engage in infringing activity themselves. As infringement of the reproduction right gives rise to strict liability, the infringer is liable regardless of whether he or she knows that copyright has been breached. For ISPs, liability can arise out of the transient copying that takes place automatically during the operation of its services. ISPs also faces liability for their caching activities, that is the duplication of web pages on its servers in order to provide quicker and more efficient access when the page is requested again by a subscriber ("proxy caching").

- Secondary liability, where ISPs could be said to be dealing with infringing copies in the course of business or providing the means to engage in infringing activities. Secondary liability requires actual or constructive knowledge on the part of the infringer. This type of liability would not arise where an ISP is a mere conduit for the material, unless, perhaps, that material had been brought to its attention.

141. A large number of submissions on the discussion paper, including those from some copyright holders, suggested that ISPs should not be liable for transient copying and some forms of caching. They also generally agreed that ISPs should face liability in some circumstances where they had knowledge of the infringing material. Some submissions pointed to the “notice and take down” provisions of the US Act as one possible model. For the most part, submissions recognised that it would be impractical and costly for ISPs to monitor all material that they transmit or hold on their servers.

C. The International Situation

WIPO Internet Treaties

142. In the development of the WIPO Internet Treaties, liability of ISPs was considered in the context of the making available right. It was a controversial topic, and no standard was included in either treaty. The Agreed Statement on Article 8 of the WCT, however, records the agreement of the parties to the diplomatic conference:

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....

Australia

143. The CADA inserted section 43A into the Australian Act, which creates an exemption for transient or temporary copying that takes place as part of a “technical process of making or receiving a communication”. It is unlikely that this covers “proxy” caching. The CADA also limits direct liability for copyright infringement to the person who determines the content of the communication.

144. ISPs could still be secondarily liable for authorisation but section 36 of the Australian Act, as amended by the CADA, in effect codifies the case law on authorisation. It refers to three non-exhaustive factors for the Court to consider:⁴²

⁴² Copyright Act 1968 (Australia), sections 39B and 112E provide that the provision of facilities for the making or facilitating of a communication does not amount to authorisation.

- The power (if any) of the person (e.g. the ISP) to prevent the doing of the act concerned;
- The nature of the relationship between the person and the person who did the act concerned (e.g. the subscriber); and
- Whether the person took any reasonable steps to prevent or avoid the doing of the act, including compliance with any relevant industry codes of practice.

Canada

145. At present the Canadian Act does not clearly identify the conditions for imposing liability for copyright infringement on ISP, nor does it explicitly limit their liability. Questions concerning the scope of ISP liability have not yet arisen in Canada, although infringement of the reproduction right gives rise to strict liability in Canada, as it does in New Zealand. Liability for the mere provision of communication services is, however, exempt from liability for breach of the communication right in relation to unauthorised communications that are initiated by third parties.

146. As noted above at paragraph 41, Canada is also undertaking a digital technology review of its Act. The digital issues discussion paper put forward a proposal for a notice and take down process, which would include:

- Exemption from liability for communication and copying (including caching where the original communication was authorised by the rightholder);
- “Notice and take down” provisions for intermediary functions based on receipt by the ISP of a “proper notice” from the copyright holder; and
- Limitation of ISP liability for economic harm resulting from compliance with the notice.

United States

147. Section 512 of the US Act, as amended by the DMCA, provides limitations on liability for service providers. The definition of “service provider”⁴³ is quite complex, but would seem to apply to ISPs and web hosting companies. If the activity qualifies for the “safe harbor”, there will be no liability for monetary damages and only limited availability of injunctive relief. Limitation on liability arises, subject to certain factors, where the service provider:

⁴³ Copyright Act 1976 (US, section 512(k)(1)).

- Is acting merely as a data conduit for communications and where transient copies are made automatically in the operation of the network;
- Makes intermediate and temporary copies of material through an automatic technical process, which is made available online by a third party and then transmitted to a subscriber on demand;
- Provides storage on its system for material at the request of a third party subscriber. The service provider must not have actual knowledge or reason to know that the material is infringing and must promptly remove the material on receipt of “proper notice” of potential infringement; and
- Links or refers a user, through an information location tool, to a site that contains infringing material. Again, the service provider must not have actual knowledge or reason to know that the site to which the link is provided contains infringing material and must promptly remove the material on receipt of “proper notice” of potential infringement.

148. “Proper notice” relates to the so-called “notice and take down” provisions, whereby the rightholder can provide notice to the service provider of the infringing material. The notice must comply with the requirements of the legislation in order to be effective. The service provider must take reasonable steps to notify the subscriber that it has removed or disabled access to the material. The subscriber may issue a counter notice, which the service provider must forward to the person who issued the original notice. The service provider must then restore access to the material in not less than 10 working days.⁴⁴ Any dispute is then between the purported copyright owner and infringer, and the ISP is free from liability.

149. The US Act explicitly states that the service provider is not required to monitor its service or access material in violation of law (e.g. Electronic Communications Privacy Act) in order to qualify for the liability limitations.⁴⁵

European Union

150. The Directive on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market⁴⁶ (“E-commerce Directive”) and the Copyright Directive set out certain limitations on the liability of ISPs.

⁴⁴ Ibid, section 512(g).

⁴⁵ Ibid, section 512(m).

⁴⁶ 2000/31/EC, 8 May 2001.

151. The E-commerce Directive provides a definition for “service provider”.⁴⁷ Subject to various conditions, liability of “intermediary service providers” is limited for:

- Mere conduit activities and consequent “automatic, intermediate and transient storage”;⁴⁸
- “Automatic, intermediate and temporary” caching of information performed for the sole purpose of making the transmission more efficient;⁴⁹ and
- Hosting information posted by a third party, unless the service provider has actual knowledge of illegal content or fails to act expeditiously to remove or disable access upon gaining knowledge or awareness of illegal content.⁵⁰

152. The E-commerce Directive also provides that Member States cannot impose on service providers an obligation to monitor information which they transmit or store or to actively seek facts or circumstances indicating illegal activity.⁵¹

153. The Copyright Directive supplements these provisions in the E-commerce Directive by providing a compulsory exemption from the reproduction right for temporary acts of reproduction.⁵² The Copyright Directive provides that rightholders should still be able to obtain injunctive relief against intermediaries.⁵³

United Kingdom

154. The New Zealand Act is substantially based on the CDPA, and so the situation is, at present, similar under their statutory provisions as under ours. The UK is, however, obliged to implement all provisions of the E-commerce Directive relating to ISP liability.

⁴⁷ Ibid, Article 2.

⁴⁸ Ibid, Article 12.

⁴⁹ Ibid, Article 13.

⁵⁰ Ibid, Article 14.

⁵¹ Ibid, Article 15.

⁵² Copyright Directive, Article 5.

⁵³ Ibid, Recital 59.

155. It would seem that most Member States have yet to implement the E-commerce Directive. The UK Department of Trade and Industry launched its consultation on draft regulations implementing the E-commerce Directive in March 2002, with consultation closing in May. The UK government is currently considering those regulations.

D. Options

156. In determining the extent to which ISPs should be liable for copyright infringement there are several factors that need to be considered. First, any provisions dealing with ISP liability should ideally provide users, owners and ISPs with some degree of certainty about their position.

157. Secondly, as New Zealand is a geographically isolated country, the Internet offers significant opportunities for accessing information in a timely and cost efficient manner. Imposing unduly heavy liability on ISPs may affect investment in Internet service provision, and lead to limited services and choice for consumers.

158. Thirdly, while it is important for New Zealanders to have access to these services, it is also important that both domestic and international copyright owners have confidence in the protection afforded them by our copyright regime. They must have some avenues to enforce their rights. To this end, ISPs are often easier to identify than the individual who posts or sends infringing material and they provide a convenient point at which to block that material.

159. In terms of options, the treatment of transient copying, addressed in Part Three, will have an impact on ISP liability issues. Further options for addressing ISP liability include:

- a. No change to the Act, and rely on the doctrine of implied licence in relation to copies made or stored by ISPs in providing services to subscribers.
- b. Impose strict liability on ISPs for all copyright infringement regardless of knowledge.
- c. Exclude ISPs from liability in all circumstances for both their own activity and that of their subscribers.
- d. In terms of primary liability, exclude ISPs from liability in some circumstances, for example: (i) where they act only as a data conduit; (ii) where transient copies are made or temporarily stored through automatic processes of the network; or (iii) where their information location tools provide links to infringing material.
- e. In terms of primary liability, exclude ISPs from liability for proxy caching where this activity improves the efficiency of the network and the service to

subscribers. This could be tied to compliance with an industry code of practice.

- f. In terms of secondary liability, formalise the authorisation and knowledge requirements in the manner of the Australian Act.
- g. In terms of secondary liability, provide a detailed “notice and take down” regime in the manner of the US Act.

E. Secondary Infringement Provisions and File Sharing Services

160. A number of submissions referred to the Napster litigation in the US, and to the implications of file sharing services for copyright. In New Zealand, as in other countries, the copyright regime is unlikely to impose liability on file sharing services where they cannot be held to have “authorised” infringing activity, or at least the nature of that liability is uncertain.

161. Section 37(2) of the Act provides:

Copyright in a work is infringed by a person who, other than pursuant to a copyright licence, transmits the work by means of a telecommunications system (otherwise than by broadcasting or inclusion in a cable programme service), knowing or having reason to believe that infringing copies of the work will be made by means of the reception of the transmission in New Zealand or elsewhere.

162. It is unlikely to capture a service such as Napster, or indeed the less centralised services that are now developing. The service is not itself involved in copying infringing material directly and it is unlikely that they would be caught by the authorisation factors, like those set out in the Australian Act (see paragraph 144).

163. The first question to consider is whether this is, in fact, a copyright issue such that it can be appropriately dealt with within the copyright regime. If it is considered to be an issue within the field of copyright law, the second question is whether it is appropriate to amend the Act to apply to these services. It may be difficult to do so in a way that is not quickly outstripped by technology. Equally, in an attempt to maintain technological neutrality within the provision, there is a risk that it could be drawn so broadly as to have unintended consequences for legitimate services.

164. Further consideration will be given to whether this is a matter to be addressed as part of this review.

Part Six: Technological Protection Measures and Electronic Rights Management Information

A. TPMs – Adequacy of Existing Provisions

(i) The Issues

165. Submissions were sought on whether sufficient protection exists to protect the interests of copyright creators and owners concerning the use of technological protection measures (“TPMs”).⁵⁴ In particular, is the existing section 226 of the Act sufficient to prevent interference with TPMs? If not, what changes or additions should be made? Should section 226 be extended to cover access-protection measures?

166. The discussion paper referred to the balance between protection and access. While TPMs provide a means to combat the ease of copying that digital technology provides, there are concerns about “digital lockup” as such measures, by preventing access, cannot distinguish between infringing activities and permitted acts.

(ii) The New Zealand Situation

167. Section 226 of the Act currently includes specific provisions directed against certain types of devices or means designed to circumvent electronic “copy-protection” measures. The section provides copyright owners and other persons who issue electronic “copy-protected” works to the public with rights against persons who make, sell, advertise or publish information concerning “devices” or “means” intended to circumvent copy-protection mechanisms and to make infringing copies of copyright works. The section contains a knowledge qualification - persons who make or distribute the devices or means must do so “knowing or having reason to believe that the devices, means, or information will be used to make infringing copies” for the section to apply.⁵⁵

168. Copy-protection is defined for the purposes of section 226 as including “any devices or means intended to prevent or restrict copying of a work or to

⁵⁴ Technological protection measures are defined as devices, mechanisms or systems designed to guard against or restrict the unauthorised use of recordings or information and other material stored in digital formats. These include encryption technologies, and other software and hardware measures. Types of technological protection measures include copy-protection, access-protection codes and measures designed to restrict the use that can be made of material or information in other ways.

⁵⁵ Copyright Act 1994, section 226(1)(b).

impair the quality of copies made”.⁵⁶ The term “technological protection measure” is not used or defined in the Act. Section 226 does not specifically refer to devices, means or information designed to circumvent access-protection (such as DVD zone formats). The United Kingdom equivalent of section 226 has, however, been interpreted to apply to DVD regional zone protection technology.⁵⁷ It seems, therefore, that section 226 could already apply to access control (which is effected through copy-protection) on the basis that the DVD zone system prevents access by protecting against copying in Playstation consoles.

(iii) The International Situation

169. The WIPO Internet Treaties require that Member States provide adequate legal protection and effective legal remedies against the circumvention of effective technological protection measures that are used by copyright authors and owners in connection with the exercise of their rights under those Treaties or under the Berne Convention.⁵⁸ The terms “technological protection measure” and “effective” are not defined in the Treaties.

Australia

170. Section 116A of the Australian Act, as amended by the CADA, protects against the manufacture, commercial dealing, importation, making available online, advertising, marketing and supply of a circumvention device or service used to circumvent technological protection measures such as program locks. The actual use of a circumvention device or service is not specifically prohibited.

171. A “circumvention device” is defined as a device (including a computer program) having no, or only a limited, commercially significant purpose or use other than the circumvention, or facilitating the circumvention of, a technological protection measure.⁵⁹ The definition is intended to include non-physical devices such as software tools, and is designed to ensure that items of general-purpose equipment, such as video recorders and computers, do not fall within the definition. A corresponding definition is provided for “circumvention service”.

⁵⁶ Copyright Act 1994, section 226(3).

⁵⁷ *Sony Computer Entertainment v Paul Owen and others* [2002] EWHC 45 (CH).

⁵⁸ WCT, Article 11 and WPPT, Article 18.

⁵⁹ Copyright Act 1968 (Australia), section 10.

172. The Australian Act defines a “technological protection measure” as a device, product or component incorporated into a process that is designed to prevent or inhibit the infringement of copyright:

- By ensuring that access is available solely by use of an access code or process (e.g. decryption, unscrambling or other transformation) with the authority of the copyright owner or exclusive licensee; or
- Through a copy-control (access) mechanism.⁶⁰

173. The Australian Act also provides limited exceptions to the circumvention provisions, known as “permitted purposes”. The manufacture or supply of a circumvention device or service is allowed if a declaration is received that it is required for a permitted purpose. Permitted purposes include the reproduction of computer programs to make interoperable products, to correct errors and for security testing, activities covered by libraries and archives exceptions, the use of copyright material for the Crown, and activities covered by the statutory licences for educational institutions and institutions assisting persons with a disability. No fair dealing exception exists in relation to the circumvention provisions.

174. Also relevant to the discussion of TPMs is the new exception for temporary or incidental reproductions, which was introduced to take account of transient copying automatically undertaken in technical communication processes. Section 43A of the Australian Act provides a specific exception to infringement that would otherwise arise from “making a temporary reproduction of the work or adaptation as part of the technical process of making or receiving a communication”.

175. The new exception does not apply if the communication itself constitutes infringement, nor does it apply to temporary reproductions made in contexts that do not include communication to the public. This means, for example, that temporary reproductions made to enable play-back on devices (such as CD and DVD players) and in association with ‘buffer’ systems are not covered. It is, however, arguable that such reproductions would be covered by an implied licence.

United States

176. The DMCA amended the US Act to include a range of provisions directed towards the “circumvention of protection systems”. Section 1201 of the US Act provides for three categories of “violations” regarding circumvention of technological measures. These concern the act of circumvention, and

⁶⁰ Ibid, section 10.

measures that prevent access (anti-access) and those that prevent copying (anti-copying).⁶¹

- *Act of circumvention*: no person shall circumvent a “technological measure” that effectively controls access to a protected work.⁶² Section 1201 prevents the circumvention of technological measures that prevent access, but not those that prevent copying. This distinction was employed to ensure that the public could continue to make “fair use” of copyrighted works. Given that the doctrine of fair use is not a defence to the act of gaining “unauthorised access to a work”, the act of circumventing a technological measure to gain access is prohibited.⁶³
- *Anti-access*: no person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, or component that:
 - Is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a protected work;
 - Has limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a protected work; or
 - Is marketed for the purpose of circumvention.⁶⁴
- *Anti-copying*: as for anti-access, but where a technological measure “effectively protects a right of a copyright owner”, and thereby prevents the copying of a work.⁶⁵

177. A number of exceptions to the circumvention provisions exist under US law. An exception for law enforcement, intelligence and other government activities applies to the operation of the entire scheme of protection. Other exceptions apply to the provision dealing with the category of technological measures that control access to works, including for: non-profit libraries, archives and educational institutions, reverse engineering, encryption research, devices preventing access of minors to the Internet, personally

⁶¹ Fitzpatrick, “Copyright Imbalance: U.S. and Australian Responses to the WIPO Digital Copyright Treaty”, supra at note 26, p214.

⁶² Copyright Act 1976 (US), section 1201(a)(1)(A).

⁶³ *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary*, December 1998.

⁶⁴ Copyright Act 1976 (US), section 1201(a)(2).

⁶⁵ Ibid, section 1201(b).

identifying information, security testing, and certain technological measures and analogue devices (such as video cassette recorders).⁶⁶ No exception is made for temporary copies made in the course of transmitting or making material available to the public.

European Union

178. The Copyright Directive includes provisions for the legal protection of “anti-copying” devices. Article 6(1) of the Copyright Directive provides that Member States shall provide “adequate legal protection against the circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know, that he or she is pursuing that objective”.

179. Article 6(2) provides that protection shall also be provided against the manufacture, import, distribution, sale or rental, or possession for commercial purposes of devices, products or components or the provision of services which:

- Are promoted, advertised or marketed for the purpose of circumvention;
- Have only a limited commercially significant purpose or use other than to circumvent; or
- Are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of, any effective technological measures.

180. For the purposes of the Copyright Directive, the term “technological measure” is defined as:

[A]ny technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject matter, which are not authorised by the rightholder of any copyright [or related right] ...⁶⁷

181. Technological measures are deemed to be “effective” where:

[T]he use of a protected work or other subject-matter is controlled ... through the application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject-

⁶⁶ Ibid, section 1201(d) – (k).

⁶⁷ Copyright Directive, Article 6(3).

matter or copy control mechanism, which achieves the protection objective.⁶⁸

182. The above definitions of effective technological measures arguably cover more than measures that are designed to prevent the unauthorised performance of acts restricted by copyright and related rights. The Copyright Directive clearly requires legal protection against technologies that are designed to circumvent access-control measures, and conceivably also covers geographic zoning devices.

183. Article 6(4) of the Copyright Directive is intended to respond to concerns about “digital lockup” and the prevention of copying that is legally permitted. It obliges Member States, in the absence of voluntary measures taken by rightholders, to ensure that rightholders take steps that enable users of copyright material to make use of the exceptions or limitations provided in national law. This only applies, however, to Article 6(1) concerning actual circumvention, not to Article 6(2). So while circumvention for the specified lawfully excepted uses must be protected, the practical means by which an excepted use may be facilitated (through the use of a circumvention service or device) is outlawed, as copyright users cannot be provided a circumvention device or service.⁶⁹

184. Article 6(4) contains further qualifications. It does not apply to works made available through interactive on demand services (which are not defined). Member States may decide whether to take measures in respect of the private copying exception provided in Article 5(2)(b) of the Copyright Directive.

(iv) Options

185. The key issue in this section is whether sufficient protection exists to protect the interests of copyright owners and creators, concerning the use of TPMs. Comment was also sought on the impact of TPMs on permitted uses.

186. Submissions from respondents representing copyright owners interests, argued that the copy-protection provisions of the Act should be extended to include mechanisms such as access control technology (which makes works available in encrypted form, through a password or by the use of a specific device).

187. Submissions from users did not support expanding the existing copy-protection provisions, which many considered were already too restrictive.

⁶⁸ Ibid, Article 6(3).

⁶⁹ Hart, “The Copyright in the Information Society Directive: An Overview”, *European Intellectual Property Review*, Vol. 24, Issue 2, February 2002, p63.

Users were concerned about restricting access to public domain material and enabling copyright owners to exert control over subsequent use of works (contrary to the “first sale” doctrine). Copyright users were particularly concerned about the use of access-control technology to price discriminate and control the geographical distribution of works, to the detriment of New Zealand users.

188. The following options have been identified from analysis of submissions received:

- a. No change to section 226 of the Act.
- b. Expand section 226 to explicitly cover access protection measures.
- c. Expand section 226 (as in option two above) but restrict its application so that it does not prevent the supply of devices to allow the circumvention of regional zone access protection (on legitimate parallel imports).
- d. Amend section 226 to expressly allow circumvention of TPMs for specific purposes (such as error correction, interoperability, and encryption research) and to enable the exercise of permitted acts.

B. TPMs – Liability for Circumvention

(i) The Issues

189. The following issues arise concerning liability for circumvention of TPMs:

- Should copyright owners have a right of action against the actual use of a circumvention device or means, or should liability be restricted to provision of the means of circumvention (as section 226 currently provides)?
- If restricted to the provision of the means to circumvent, should the standard of knowledge required for liability be subjective or objective? Should actual knowledge, or a reason to believe, that a device or means would be used to circumvent a TPM be required? Or is it enough that a device or means be produced or provided (without the knowledge requirement)?

(ii) The New Zealand Situation

190. Under section 226 of the Act, the right of action provided to copyright owners is in relation to provision of the means of circumvention, not the act of circumvention itself. Liability is restricted, under section 226, to situations where persons knew or had reason to believe that the device, means or

information would be used to make unauthorised copies of copyright works protected by copy-protection technologies.

(iii) The International Situation

Australia

191. Under the Australian Act, as in New Zealand, liability attaches to provision of circumvention devices and services, not to the act of circumvention itself.

192. To be liable for infringement, it is a requirement that a person “knew, or ought reasonably to have known, that the device or service would be used to circumvent, or facilitate the circumvention of, the technological protection measure”.⁷⁰ The recent Australian *Sony Playstation* case⁷¹ suggests that, under Australian copyright law, it will be enough to show that a person knew that a device would be used to circumvent a TPM. It is not a necessary requirement, according to that case, that a person knew the device would be used to commit copyright infringements.

United States

193. The US Act contains provisions which prohibit, in certain circumstances, both the actual use (with exceptions for fair dealing) of circumvention devices and measures and the provision of those devices and measures. Section 1201 contains minimal knowledge requirements.

194. In relation to the act of circumvention, section 1201(a)(1) of the US Act does not expressly require either knowledge or intent. It appears that knowledge is only a requirement in relation to the marketing of a “technology, product, service or device”, where a “person or another acting in concert with that person with that person’s knowledge”, markets a technology, product, service, device or component for use in circumventing a technological measure.⁷²

European Union

195. The Copyright Directive has a similar approach to that adopted in the U.S. in that it contains provisions aimed at the prohibition of both the act of circumvention and the manufacture and distribution of devices that could be

⁷⁰ Copyright Act 1968 (Australia), section 116A(1)(c).

⁷¹ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2001] FCA 1379.

⁷² Copyright Act 1976 (US), section 1201(a)(2)(C) and (b)(1)(C).

used to defeat TPMs. The Copyright Directive is different, however, in that it contains a knowledge requirement.

196. Article 6 of the Copyright Directive provides that Member States “shall provide adequate legal protection against any activities, including manufacture or distribution of devices or the performance of services, which are carried out knowingly or with reasonable grounds to know that they will enable or facilitate the circumvention without authority”

(iv) Options

197. The discussion paper asked whether section 226 of the Act should be extended to suppliers of circumvention devices *who ought reasonably to have known* that a device would be used for circumvention.

198. A large number of respondents (user groups, suppliers and manufacturers) considered that liability should focus on the actual use of circumvention devices, not the supply or potential use of such devices. These respondents considered that there are a number of legitimate uses for circumvention devices, and that manufacturers of general-purpose equipment that can be used for non-infringing purposes should not be held liable for infringing uses.

199. Copyright owners (producers and publishers) generally considered that the current requirement that a person “knew or had reason to believe” that a device would be used to make unauthorised copies is too narrow, because in practice it is difficult to prove that a person had the requisite knowledge. These respondents advocated a more objective test, or the inclusion of a presumption that suppliers “ought to have known” that a device would be used for an infringing activity.

200. The following options were identified from analysis of submissions received:

- a. No change to section 226.
- b. Amend section 226 to provide copyright owners with a right of action against the actual circumvention of TPMs in addition to action against the manufacture or provision of devices and measures.
- c. Amend section 226 as in option (b) but provide exceptions in relation to permitted acts or for specific purposes (such as error correction, interoperability and encryption research).
- d. Amend section 226 to provide an objective knowledge requirement, such as “ought reasonably to have known” instead of the current requirement of “knew or had reason to believe”.

C. TPMs – Offence Provisions

(i) The Issues

201. The discussion paper also asked if criminal offence provisions are required in addition to civil remedies in relation to prohibited activities concerning TPMs.

(ii) The New Zealand Situation

202. In proceedings for infringement copyright owners may seek civil remedies (such as damages, injunctions, account of profits) under section 120 of the Act (and rights of delivery up in sections 122 and 132). The offence provisions of the Act only apply where there has been commercial dealing with “infringing objects” including infringing copies of copyright works and objects used to make infringing copies.

(iii) The International Situation

Australia

203. In addition to civil remedies, the Australian Act now includes some criminal penalties relating to TPMs.⁷³ No offences apply to the mere act of circumvention. Criminal penalties, however, may apply to individuals and businesses that provide or promote circumvention services, or make, sell, import, make available on-line or distribute circumvention devices, “by way of trade” (or by engaging in other activities that will affect prejudicially a copyright owner).

204. For the offence provisions to apply a person must “know or be reckless” as to whether a device or service will be used to circumvent a TPM. Penalties that can be incurred are fines of up to 550 penalty units (valued at A\$60,500) and/or a period of imprisonment up to five years for an indictable offence, with significantly lesser penalties if a matter is heard and determined summarily.

United States

205. The DMCA created both civil and criminal remedies for infringement of its TPM provisions. In civil proceedings, injunctions, damages and cost recovery are available as remedies.⁷⁴ Criminal proceedings may be taken against any person who wilfully violates section 1201 for the purposes of “commercial advantage or private financial gain”.⁷⁵ Fines of up to US\$500,000 and up to 5

⁷³ Copyright Act 1968 (Australia), section 132(5A and B).

⁷⁴ Copyright Act 1976, section 1203(a) and (b).

⁷⁵ *Ibid*, section 1204(a).

years imprisonment may be incurred for first offences (with up to double this for second offences).

European Union

206. Article 8 of the Copyright Directive provides that Member States will provide appropriate sanctions and remedies which are “effective, proportionate and dissuasive”. Member States must ensure that rightholders whose interests are affected by an infringing activity can bring an action for damages, apply for an injunction and where appropriate “for the seizure of infringing material as well as devices, products or components referred to in Article 6(2). No reference is made to criminal sanctions in this context.

(iv) Options

207. The key question that arises in this section is whether criminal offence provisions are required in addition to civil remedies in relation to prohibited activities concerning technological measures, and what might be gained from such an approach.

208. Submissions on the discussion document from a number of copyright owners suggested that both civil and criminal sanctions should apply to the means of circumvention and the act of circumvention itself. Submissions from user groups suggested that if criminal sanctions were introduced protections should be built into the Act for “innocent circumventors”. One respondent suggested that the applicability and severity of criminal sanctions should be determined by reference to the breadth of any restrictions concerning the use of circumvention measures. For example, if broad protection is provided against circumvention, there may be a high incidence of “innocent infringement” in which case criminal sanctions may not be appropriate. Some respondents suggested that criminal sanctions may, however, be appropriate where actual knowledge or intent is required.

209. The following options have been identified from analysis of submissions:

- a. No change to the Act – civil remedies to apply to TPMs only.
- b. Extend existing offence provisions that relate to commercial dealing in infringing copies to section 226 - the supply of the means to circumvent.
- c. As for option (b) with the addition of offence provisions in relation to the actual circumvention of TPMs.
- d. As for options (b) and (c) with exceptions.

D. ERMI – Need for Protection Against Interference

(i) The Issues

210. Electronic Rights Management Information (“ERMI”) identifies content protected by copyright and the terms and conditions of use, and assists copyright owners in tracking copyright infringement and legitimate use of their works. The discussion document sought responses from submitters on the following issues:

- Should copyright owners have a right of action against the removal of or tampering with ERMI?
- If so, what limitations or exceptions should apply (if any)?

(ii) The New Zealand Situation

211. There are currently no provisions in the Act that apply to the removal of ERMI.

(iii) The International Situation

WIPO Internet Treaties

212. Article 12 of the WCT and Article 19 of the WPPT require Member States to provide “adequate and effective” remedies against any person performing any of the following acts knowing (or with respect to civil remedies, having reasonable grounds to know) “that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention”:

- To remove or alter any ERMI without authority; and
- To distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that ERMI has been removed or altered without authority.

213. “Rights management information” is defined in the WCT as:⁷⁶

[I]nformation which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public.

⁷⁶ WCT, Article 12(2). The definition in the WPPT is in similar terms.

Australia

214. The CADA introduced both civil and criminal provisions to the Australian Act designed to prevent the intentional removal and alteration of “rights management information” (“RMI”), or the commercial dealing in copyright material where the dealer knows that RMI has been removed.

215. The elements to be established concerning the intentional removal or alteration of RMI are:

- Removal or alteration of any RMI attached to a work or other subject matter in which copyright subsists;
- Without permission of the copyright owner or exclusive licensee; and
- Where the person knew, or ought reasonably to have known, that the removal or alteration would “induce, enable, facilitate or conceal an infringement of the copyright in the work or other subject matter”.⁷⁷

216. In respect of the commercial dealing with works, the following elements must be established:

- Distribution or importation for the purpose of trade or communication of a work or other subject matter;
- RMI attached to the copy has been removed or altered;
- Knowledge that the RMI had been removed without the permission of the copyright owner or exclusive licensee; and
- Knowledge that the distribution, importation or communication would induce, enable, facilitate or conceal an infringement of the copyright in the work or subject matter.⁷⁸

United States

217. Section 1202 of the US Act contains provisions to protect the integrity of “copyright management information” (“CMI”). The section addresses dealing with false CMI and the removal or alteration of CMI by:

- Prohibiting the knowing provision or distribution of false CMI, if done with the intent to induce, enable, facilitate or conceal infringement (subsection (a)); and

⁷⁷ Copyright Act 1968 (Australia), section 116B.

⁷⁸ Ibid, section 116C.

- Barring the intentional removal or alteration of CMI without authority, as well as the dissemination of CMI or copies of works, knowing that the CMI has been removed or altered without authority (subsection (b)). Liability under subsection (b) requires that the act be done with knowledge or, with respect to civil remedies, with reasonable grounds to know that it will enable, induce, facilitate or conceal an infringement.

218. CMI is defined as identifying information about the work, the author, the copyright owner, and in certain cases, the performer, writer or director of the work, as well as the terms and conditions for use of the work, and such other information as the Registrar of Copyrights may prescribe by regulation. Information concerning users of works is explicitly excluded.

European Union

219. Article 7 of the Copyright Directive requires Member States to provide adequate legal protection against any person who knowingly (and without authority):

- Removes or alters any ERMI;
- Distributes, imports for distribution, broadcasts, communicates or makes available to the public any protected works or other subject matter from which ERMI has been removed or altered without authority;
- If the person knows, or has reasonable grounds to know, that by doing so he is inducing, enabling or concealing an infringement of any copyright or related rights.

220. ERMI is defined as any information provided by rightholders which identifies the work, its author or owner, or information about the terms and conditions of use of the work and any numbers, or codes that represent such information.

(iv) Options

221. The key issue addressed in this section is whether copyright owners should have a right of action against the removal of or tampering with ERMI, and if so, what limitations or exceptions might apply.

222. Very few of those who made submissions on the discussion paper commented on the issue of ERMI. Of those who made submissions, general support was expressed, by both owners and users of copyright material, for maintaining the integrity of ERMI. Copyright owners sought provisions to prohibit interference with ERMI and the dissemination of works where ERMI was removed. Submissions from copyright users and legal experts considered that if such provisions were introduced, there should be exceptions to allow the alteration or removal of ERMI in cases where it

interferes unreasonably with the authorised use of a work and where the term of copyright protection has expired.

223. The following options have been identified from analysis of submissions:

- a. No change to the Act.
- b. Explicitly prohibit interference with ERMI through prohibiting devices or means of interference.
- c. Introduce new provisions concerning prohibiting the actual and intentional removal and alteration of ERMI and commercial dealing with copyright material where the dealer knows that ERMI has been removed.

E. ERMI – Need for Offence Provisions?

224. The discussion paper sought views on whether criminal offence provisions would be required if activities concerning interference with ERMI were expressly prohibited. If so, what activities should offence provisions apply to?

(i) The International Situation

225. In Australia, the removal or alteration of “RMI” and commercial dealings with works whose RMI has been removed or altered attracts the same civil remedies as for dealings with TPMs. Criminal sanctions will apply where a person knows or is reckless as to whether the removal or alteration of RMI will induce, enable, facilitate or conceal an infringement of copyright, and they interfere with RMI or distribute works or other subject matter whose RMI has been removed or altered. The same criminal sanctions that apply to interference with TPMs will apply in this situation.

226. A similar situation exists in the US, except that criminal sanctions are much higher, with fines of up to US\$500,000 and five years imprisonment for first offences.

227. In the European Union, Article 8 of the Copyright Directive will apply (see above discussion of offence provisions for TPMs).

(ii) Options

228. As noted above, the few submissions on this issue from both copyright owners and users were in general agreement that interfering with ERMI should not be permitted. Users were, however, generally opposed to criminal provisions and argued that if offence provisions were to be implemented,

exceptions should be made for innocent interference and legitimate purposes and exercise of permitted acts.

229. The following options have been identified from analysis of submissions:

- a. No change to the Act.
- b. Extend existing offence provisions relating to commercial dealing in infringing copies to the supply of devices or means of interfering with ERMI.
- c. Extend existing offence provisions to the actual interference with ERMI (with exceptions in relation to permitted acts or new specific purposes).

Part Seven: Non-Original Databases

A. The Issues

230. Digital technology has greatly reduced the effort required to compile, compress and arrange large amounts of information contained in traditional media into databases. At the same time, the digital on-line environment has arguably increased the difficulties database producers face in controlling access to their products and preventing unauthorised copying, utilisation and information extraction. Users of information also have concerns about the control of and access to information compiled in electronic databases and fears that any increased proprietary rights in databases will “lock up” information.

231. The discussion paper asked whether there is a need to provide additional protection for databases above what is already available under the Act, and if so should protection be provided through the Act, or *sui generis* legislation, or both.

B. The New Zealand Situation

232. The Act provides protection for databases that qualify as “compilations” within the definition of a literary work. To attract copyright protection, however, works must be sufficiently original. A compilation could be considered original for the purposes of copyright where a database producer has contributed sufficient time, skill and effort in selecting and arranging the data or information. Copyright would not, however, attach to the information itself; it would only apply to any sufficiently original selection, layout or arrangement of the data and information.

C. The International Situation

WIPO

233. There is no international treaty concerning the provision of additional protection to electronic databases. While a draft databases treaty was prepared for the diplomatic conference that concluded the WIPO Internet Treaties, it was not discussed. The WCT simply re-affirms the protection afforded to compilations of data under TRIPS and as currently provided under the New Zealand Act. The issue of additional protection for databases is, however, on the work plan of the WIPO Standing Committee on Copyright and Related Rights, but substantive proposals have yet to be developed.

European Union

234. A *sui generis* database right was created by the Directive on the legal protection of databases⁷⁹ (“the Database Directive”).⁸⁰ The Database Directive enables database makers to obtain an exclusive right to prevent extraction and reutilisation of the whole or a substantial part, evaluated qualitatively and quantitatively, of the contents of a database. The right lasts for an initial period of at least 15 years, and may be continually renewed by the publisher of the database for additional fifteen-year terms if additional investment has been made in the database.

235. To obtain protection, database makers must prove that “there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents or in any substantial change resulting from the accumulation of successive additions, deletions or alterations”.⁸¹

D. Options

236. The majority of respondents who addressed the database question considered there was no need to provide additional protection for non-original databases. Several respondents cited the low threshold test for “originality” in New Zealand as the reason for this view.

237. Of the small number of respondents who considered additional protection was required, the majority favoured changes to the Act rather than the development of *sui generis* database protection (only two respondents considered that the European model should be considered).

238. Some respondents, while not arguing in favour of additional protection, suggested legislative clarification of the originality requirement to provide certainty.

239. The following options have been identified following analysis of submissions:

- a. No change required (on the basis of the low threshold for originality).
- b. Clarify of the originality requirement to provide certainty (if so how?)

⁷⁹ 1996/9/EC, 11 March 1996.

⁸⁰ Adopted in March 1996 with a requirement for implementation in Member States by January 1998.

⁸¹ Standing Committee on Copyright and Related Rights, Seventh Session, May 2002, *Study on the Protection of Unoriginal Databases* (SCCR/7/3).

- c. Extend copyright protection to “non-original” electronic databases.
- d. Create separate sui generis legislation (similar to the Database Directive) to protect "non-original" elements of databases.

240. Overall, there does not seem to be a need to extend protection for non-original databases beyond protection as compilations, due to the low threshold or originality in New Zealand. There may, however, be a need to reconsider this issue in the future depending on how the work on the WIPO Standing Committee on Copyright and Related Rights progresses.

Part Eight: Permitted Uses and Exceptions

A. Application of Existing Exceptions to the Digital Environment

(i) The Issues

241. There are benefits for society as a whole not just in protecting copyright but also in providing access to copyright material. Thus, all copyright regimes contain exceptions to the exclusive rights of copyright authors and owners, with a view to encouraging socially beneficial uses of copyright works.

242. The first issue that arises in relation to these permitted acts and exceptions is whether they should apply in their entirety in the digital environment. If this is considered inappropriate, the next question is which exceptions should apply to digital works and what changes, if any, are required to the scope of these exceptions. One aim of the CADA amendments in Australia, for example, was to maintain the balance between the interests of copyright owners and users, by providing for an *appropriate* extension of limitations and exceptions into the digital environment.

243. The second issue is whether the Act should be amended to provide that TPMs cannot be used to override or prevent the exercise of permitted acts provided for in the Act.⁸² Related to this are concerns about the implications of contract for copyright law. So-called “shrink wrap” and “click wrap” contracts are increasingly used by copyright owners to extend their rights beyond those for which copyright provides and to limit the use of the material by users. Both TPMs and contract, therefore, have the capacity to interfere with the public interest balance that is sought in copyright law.

(ii) The New Zealand Situation

244. The permitted acts and exceptions appear in sections 40 to 93 of the Act. Some of the most significant are fair dealing for criticism, review and news reporting,⁸³ fair dealing for research and private study,⁸⁴ permitted acts in relation to educational establishments,⁸⁵ libraries and archives⁸⁶ and for public

⁸² The issue of TPMs is also dealt with above in Part Six.

⁸³ Copyright Act 1994, section 42.

⁸⁴ *Ibid*, section 43.

⁸⁵ *Ibid*, sections 44 to 49.

⁸⁶ *Ibid*, sections 50 to 57.

administration.⁸⁷ It is possible that some of these exceptions may already be sufficiently technology neutral and that no changes are required. Others, however, are tied to particular technologies.⁸⁸

245. As noted in Part Six, the Act already contains a provision prohibiting interference with TPMs, and one issue for the review is whether this legal protection should be extended. TPMs can, however, prevent users from carrying out activities that they would otherwise be entitled to do under the exceptions and limitations in the copyright legislation. Currently, there is no explicit exception from the anti-circumvention provision for users who are carrying out permitted acts. Nor is there any statement in the Act about the ability to contract out of the permitted uses.

246. The majority of submissions on the discussion paper considered that the current “balance” achieved between the rights granted to copyright owners and the permitted uses provided for in the Act is appropriate, and that any amendments should seek to maintain that balance. The majority also agreed that the current permitted acts and exceptions in the Act should be carried into the digital environment, although some considered that it was not appropriate in respect of all permitted acts. Some users expressed concern about the impact of TPMs on fair dealing rights, although these were not further articulated. Concern was also expressed about the impact of “shrink wrap” and “click wrap” contracts on users’ ability to make use of the permitted act exceptions.

(iii) TRIPS, WIPO and the Berne Convention

247. A number of submissions raised the “Berne Three-Step Test”⁸⁹ as the yardstick by which to measure the appropriateness of exceptions in the digital environment. Several points should be made in regard to the Three-Step Test:

- The Three-Step Test was introduced during the revision of the Berne Convention in Stockholm in 1967. In this context alone, it applies only to limitations or exceptions to the reproduction right. The three requirements are that any exception:⁹⁰
- Is limited to certain special cases;

⁸⁷ Ibid, sections 58 to 66.

⁸⁸ For example, section 82 to 91 in relation to cable programme services and broadcasts.

⁸⁹ Article 10(2) of the Berne Convention (Paris Act) sets out three criteria against which limitations or exceptions to the reproduction right in Article 10(1) must be assessed. This is known as the “Berne Three-Step Test”.

⁹⁰ Berne Convention (Paris Act), Article 9(2).

- Does not conflict with the normal exploitation of the work; and
- Does not unreasonably prejudice the legitimate interests of the rightholder.
- The WIPO Internet Treaties also incorporate the Three-Step Test.⁹¹ The Agreed Statements to both treaties note that exceptions already considered appropriate in the analogue and print world can be carried forward into the digital world. Under the Internet Treaties, only new exceptions or limitations are, therefore, arguably required to be examined through the Three-Step Test.⁹²
- New Zealand is a signatory to the Rome revision of the Berne Convention, which does not contain the Three-Step Test. The test was, however, incorporated into the TRIPS agreement,⁹³ to which New Zealand is a party. Under both TRIPS and the WIPO Internet Treaties, the test does not only apply to the reproduction right but to all rights granted under those instruments.
- TRIPS is the main source of New Zealand's international intellectual property obligations, and our copyright regime, and intellectual property regime more broadly, is TRIPS compliant.

(iv) Options

248. Access to copyright material is perhaps even more significant to a small country like New Zealand, which is geographically isolated and which is an aggregate net importer of intellectual property. In the drive for innovation, it is important to recognise that much innovation in New Zealand is cumulative, built on the foundations laid by earlier intellectual endeavours. Copyright exceptions may play an important role in this cumulative creativity.

249. Equally, it is important for our creative industry development and innovation policy goals that copyright owners are able to exercise effective control over their work and to obtain an appropriate commercial return for their investment. To this end, permitted acts should not be so broad as to undermine those rights or impinge unduly upon commercial exploitation of copyright works.

250. The following options have been identified from analysis of submissions:

- a. No change to the Act, leaving the permitted acts and exceptions as they

⁹¹ WCT, Article 10 and WPPT, Article 16(2).

⁹² Agreed Statement to Article 10, WCT and Article 16, WPPT.

⁹³ TRIPS Agreement, Articles 9(1) and 13.

currently are.

- b. Extend some permitted acts and exceptions to the digital environment “as appropriate”.
- c. Incorporate into any provision preventing circumvention of TPMs an exception for activities covered by the permitted acts and exceptions provided for in the Act.⁹⁴
- d. Incorporate a provision prohibiting the contracting out of permitted acts.⁹⁵

251. As noted in the discussion paper, there would need to be a demonstrable reason for not extending the existing permitted acts to the digital world (if they do not already apply), so that users are not deprived of the legitimate opportunity to use all copyright material, whether print, analogue or digital.

B. Fair Dealing

(i) The Issues

252. There are a number of issues that arise in relation to the fair dealing exceptions in the Act:

- Are any amendments required to the existing fair dealing provisions to ensure reasonable access to copyright works in the digital environment for news reporting, criticism or review and research or private study?
- Are there new fair dealing exceptions that should be added to the Act to deal with aspects of digital technology?

(ii) The New Zealand Situation

253. The Act currently provides fair broad fair dealing exceptions for specific purposes, namely news reporting, criticism and review⁹⁶ and research and private study.⁹⁷ In effect, certain “dealings” with copyright works without the

⁹⁴ See, for example, Copyright and Related Rights Act 2000 (Ireland), section 374.

⁹⁵ *Ibid.*

⁹⁶ Copyright Act 1994, section 42.

⁹⁷ *Ibid.*, section 43. A list of factors to which the Court must have regard in determining what constitutes fair dealing for the purposes of section 43(1) are set out in section 43(3).

copyright owners' permission for these socially useful or beneficial purposes are deemed "fair".

254. Much of the case law on these provisions comes from the UK, which has substantially similar exceptions. There has been considerable litigation in the UK involving these provisions and two general points can be noted:⁹⁸

- Fair dealing only applies in respect of news reporting, criticism, review, research and private study, and the provisions do not provide a general exception for any fair dealing with a work.
- The courts have tended to interpret the fair dealing provisions strictly, with the defendant bearing the onus of showing that his or her actions are covered by the relevant provisions. This onus has sometimes been difficult to discharge.

255. The majority of owners and publishers who made submissions on the discussion paper considered that no extensions to fair dealing were required to accommodate digital technology. Users generally argued that the fair dealing provisions should be clearly made to apply to the digital environment.

(iii) The International Situation

WIPO Internet Treaties

256. As noted above, the starting point for exceptions and limitations under the WIPO Internet Treaties is the Berne Three-Step Test, with which any new exceptions not already applied in the non-digital environment would have to comply. No specific reference is made to fair dealing or fair use exceptions.

Australia

257. Although "fair dealing" is a broader concept under the Australian Act, it does include provisions similar to those in the New Zealand Act.⁹⁹

Canada

258. The nature of the fair dealing provisions in the Canadian Act is similar to those in both New Zealand and the UK. They cover research and private study, news reporting, criticism and review.¹⁰⁰ Elements of the Canadian provisions are technology-specific, but the current Canadian review does not appear to be entertaining plans to introduce substantial changes or additions

⁹⁸ Sterling, *World Copyright Law* (Sweet & Maxwell, 1998) para 10.19.

⁹⁹ Copyright Act 1968 (Australia), sections 40-42 and 103A-103C.

¹⁰⁰ Copyright Act (R.S. 1985, c. C-42) (Canada), sections 29 to 29.2.

to the limitations and exceptions. Again, as in New Zealand, the application of the provisions to digital technologies is not explicit, but given the broad manner in which the reproduction right is defined, it is likely that it covers digital copying.¹⁰¹

United States

259. The US Act contains a broad “fair use” provision.¹⁰² In addition to a non-exhaustive list of examples of what may constitute fair use,¹⁰³ the US Act also sets out four factors to be considered when determining whether a use of a work amounts to a fair use:

- The purpose and character of the use, including whether such use is of a commercial nature or for non-profit education purposes;
- The nature of the copyrighted work;
- The amount and sustainability of the portions used in relation to the work as a whole; and
- The effect of the use upon the potential market for or value of the copyrighted work.

260. This provision has been the subject of significant litigation. Much of its scope is defined through case law and the courts have, for the most part, been willing to give it wide application. The result will, inevitably though, depend on the facts of the individual case, the use to which the work is being put and the application of the above four factors.¹⁰⁴

European Union

261. In addition to a compulsory exception for transient or incidental copies,¹⁰⁵ the Copyright Directive provides an exclusive list of exceptions and limitations to the reproduction right¹⁰⁶ and the communication right¹⁰⁷ that Members

¹⁰¹ See para 40 above.

¹⁰² Copyright Act 1976 (US), section 107.

¹⁰³ Namely, criticism, comment, news reporting, teaching, scholarship or research.

¹⁰⁴ See, for example, *American Geophysical Union v Texaco Inc* 37 F3d 913 (2nd Cir. 1994).

¹⁰⁵ Copyright Directive, Article 5(1).

¹⁰⁶ *Ibid*, Article 5(2) and (3).

¹⁰⁷ *Ibid*, Article 5(3).

States may provide for in their national law.¹⁰⁸ None of these are specifically worded as a “fair dealing” or “fair use” exception. It is left to Member States to implement the exceptions as they deem appropriate, as long as they comply with the requirements of the Copyright Directive.¹⁰⁹ The introduction of such exceptions is made subject to the Berne Three-Step Test.¹¹⁰

United Kingdom

262. The Copyright Directive covers most current permitted acts provided for in the CDPA. The fair dealing provisions in the CDPA¹¹¹ appear to comply with the Copyright Directive. They are substantially similar to those in the New Zealand Act.

263. The Copyright Directorate of the UK Patent Office is currently in the process of analysing the impact of the Copyright Directive on UK law and drafting the implementing regulations. The public consultation process has recently been delayed and the Directorate has advised that it will begin consultation as soon as possible.

(iv) Options

264. The following options in respect of the fair dealing provisions have been identified from analysis of submissions:

- a. No change to the current fair dealing provisions in sections 42 and 43 of the Act.
- b. Revisit sections 42 and 43 with respect to digital technology.

¹⁰⁸ Ibid, Article 6(4). This addresses the relationship between technological protection measures and the limitations and exceptions. This aspect of the Copyright Directive is dealt with above in Part Six.

¹⁰⁹ For example, the requirement that rightholders should receive “fair compensation” for the exercise of some exceptions.

¹¹⁰ Copyright Directive, Article 5(5).

¹¹¹ Copyright, Designs and Patents Act 1988 (UK), sections 29 (research and private study) and 30 (news reporting, criticism and review).

C. Educational Institutions, Libraries and Archives

(i) The Issues

265. In terms of the educational exceptions, there are a number of issues that arise:

- Are amendments to the current educational permitted uses or new permitted uses for educational institutions required in respect of the digital environment? For example, in relation to the use of the Internet and other digital means of communication.
- Do the quantitative restrictions in section 44 need be altered to accommodate digital and Internet based information?
- Are there any particular changes or additions that need to be made to the educational exceptions for distance learning?

266. There are also a number of issues that arise for libraries and archives:

- Are amendments to the current libraries and archives permitted uses or new permitted uses for libraries and archives required in respect of the digital environment?
- Should libraries be freely able to digitise works in their collections and provide access to that material at on-site terminals, by email or by the Internet? Should libraries be able to provide simultaneous access to digital material to more than one user?
- To what extent should libraries and archives be freely able to digitise material for archival purposes? For example, should any exception for digital archiving apply only to the National Library?

(ii) The New Zealand Situation

267. There are, at present, exceptions in the Act for educational institutions¹¹² and libraries and archives.¹¹³ These are exhaustive and cover a fairly limited range of activities.

268. Submissions from owners and publishers on the discussion paper generally argued that no further amendments were required for educational institutions, libraries and archives. Several educational institutions, particularly those involved in distance education, argued for a general right to

¹¹² Copyright Act 1994 , sections 44 to 49.

¹¹³ Ibid, sections 50 to 57.

make, store on computer systems (including “proxy caches” on servers) and transmit digital copies for educational purposes. It was also argued that educational institutions should be able to engage in format shifting and adaptation for educational purposes without the author or owner’s permission.

269. The majority of respondents to the relevant questions in the discussion paper agreed that libraries should be able to make digital copies of their collections for research and private study and archival purposes, although some suggested conditions that could be imposed on such an exception.¹¹⁴ Some suggested that a format shifting exception should be introduced for libraries and archives to allow content to be migrated to more convenient or modern formats.

(iii) The International Situation

WIPO Internet Treaties

270. As noted above, the starting point for exceptions and limitations under the WIPO Internet Treaties is the Berne Three-Step Test, with which any new exceptions not already applied in the non-digital environment would have to comply. No specific reference is made to exceptions for educational institutions, libraries or archives.

Australia

271. The CADA amended the term “reasonable portion”, which is used throughout the Australian Act, including the library and archive sections, to make it more appropriate to the digital environment. The CADA inserted a new definition of “reasonable portion” into the principal Act¹¹⁵ in respect of literary and dramatic works in electronic form, deeming a reasonable portion to be 10 percent of words. The deemed “reasonable portion” test does not apply to the communication right.

272. The CADA also amended section 49 of the Australian Act to allow libraries to make and communicate electronic copies of material to users on request. Each such communication must be accompanied by a copyright notice in the prescribed form and the library’s electronic reproduction must be destroyed upon fulfilling the request. The Australian Act also provides for inter-library supply of electronic material where that material is not “commercially available”. Again, there is an obligation to attach a copyright notice and destroy any electronic reproduction made in fulfilling the request.

¹¹⁴ For example, lack of commercial availability, restriction to one copy only and fair remuneration.

¹¹⁵ Copyright Act 1968 (Australia), section 10(2A).

273. The CADA also introduced provisions allowing libraries and archives to make electronic reproductions for preservation purposes. Preservation reproductions of artistic works may be made available on “dumb” terminals¹¹⁶ on the premises in certain circumstances. As noted at paragraph 173, the CADA also amended the Australian Act to allow for circumvention of TPMs by libraries and archives in order to carry out activities covered by the library and archive exceptions.

274. Unlike our Act, reproduction and communication of works by educational institutions is dealt with in the Australian Act by a compulsory licensing regime.¹¹⁷ Again, these provisions have been amended to take account of material in electronic form.

Canada

275. The existing library and archives provisions in the Canadian legislation are broadly equivalent to those in the New Zealand Copyright Act. The existing archiving provision is quite broad, covering maintenance of the library’s own or another library’s, archive’s or museum’s collection and replacement of obsolete formats, subject to commercial availability.¹¹⁸ All intermediary copies, created for these purposes or in response to research and private study request, must be destroyed. Libraries in Canada have expressed a desire to make parts of their collections available in electronic form and to have further archiving rights, and these matters are being considered as part of the Canadian review process.

276. As with our Act, there are limited exceptions for educational institutions¹¹⁹ and there is no ability to make multiple copies of whole or substantial parts of works under these exceptions. There has been some concern expressed that the exceptions are not as technologically neutral as they could be. Educational institutions have also requested a browsing exception for student use at on-site terminals.

United States

277. The US Act specifically includes use for the purposes of teaching (including multiple copies for classroom use), scholarship or research as fair use.¹²⁰ On the basis of this exception, teachers are able to make copies of

¹¹⁶ Which only allow viewing and not printing or emailing of material.

¹¹⁷ Copyright Act 1968 (Australia), Parts VA and VB.

¹¹⁸ Copyright Act (R.S. 1985, c. C-42) (Canada), section 30.1.

¹¹⁹ *Ibid*, sections 29.4 to 30.

¹²⁰ Copyright Act 1976 (US), section 107.

whole or substantial parts of copyright works in the course of instruction, including the making of multiple copies, which is not allowed in the New Zealand teaching exceptions. It is perhaps questionable, however, whether the current wording of the fair use exception, based on “multiple copies for classroom use”, would cover putting copyright materials online or on a CD or some other format for distance learning or Internet based teaching purposes. There is also an exception for certain performances and displays by students and instructors.¹²¹ This section is, however, explicitly based on “face-to-face teaching activities”, criteria that are clearly not met in the online or distance learning environment. The US Copyright Office, under section 403 of the DMCA, conducted a study of distance learning, with a report issued in May 1999 recommending various changes to accommodate distance learning methods. The Technology, Education, and Copyright Harmonization (TEACH) Bill¹²² was introduced in March 2001 to enact these recommendations. It would appear that the Bill has been passed by the Senate and the Senate Committee on the Judiciary.¹²³

278. There is a further exception provided for reproduction by libraries and archives.¹²⁴ Libraries are authorised to photocopy materials from their own collections for users. For example, they may photocopy a single article from a periodical or a chapter of a book and give the copy to a user.¹²⁵ When obtaining photocopies of copyright works from other libraries through inter-library loan, libraries must comply with the conditions defined in the Act.¹²⁶ The basic requirement is that the library must not receive copies in “such aggregate quantities as to substitute for a subscription to or purchase of such work”. The section was amended by the DMCA to deal with electronic materials. A library or archive can now make a copy of a work if the existing format is obsolete, so long it is not made available to the public outside the library or archives premises.¹²⁷

European Union

279. In addition to the research and private study exceptions, the Copyright Directive provides for exceptions for educational establishments, libraries and

¹²¹ Ibid, section 110.

¹²² 107th Congress, Session 1, s.487.

¹²³ <http://thomas.loc.gov/cgi-bin/bdquery/z?d107:SN00487:@@X>.

¹²⁴ Copyright Act 1976 (US), section 107, section 108.

¹²⁵ Ibid, section 108(d). This is similar in result to the Copyright Act 1994, sections 51 and 52.

¹²⁶ Ibid, section 108(g)(2).

¹²⁷ Ibid, section 108(c).

archives.¹²⁸ These include “use by communication or making available, for the purpose of research or private study, to individual members of the public by dedicated terminals” in public libraries, archives, museums and educational establishments.

United Kingdom

280. The educational, library and archive exceptions in the CDPA are substantially similar to those in the New Zealand legislation.¹²⁹ There are, however, more restrictions on reprographic copying (i.e. by facsimile process like photocopying¹³⁰) and, in fact, in respect of copying literary, dramatic, musical or artistic works for the purposes of instruction, only manual copying is permitted.¹³¹ It is likely that this exclusion of reprographic copying would also cover the copying of electronically stored works by electronic means.¹³² There is, however, no such restriction on copying for the purposes of examination, and this exception applies to all types of works, not just literary, dramatic, musical and artistic.¹³³ The section covers anything done for the purposes of an examination, and is not restricted to copying.

281. The CDPA does contain a broader exception for reprographic copying for educational establishments.¹³⁴ Reprographic copies of passages from published literary, dramatic or musical works may be made on behalf of an educational establishment without infringing copyright in the work or the typographical arrangement, so long as no more than one per cent of the work is copied in any calendar quarter. This provision does not apply if there is a licensing arrangement available.

282. There are also exemptions, which are substantially similar to those in the New Zealand Act, for libraries and archives.¹³⁵

¹²⁸ Copyright Directive, Articles 5(2) and 5(3).

¹²⁹ Copyright, Designs and Patents Act 1988 (UK), sections 32 to 36.

¹³⁰ The same definition of “reprographic process” appears in the Copyright Act 1994, section 2 and Copyright, Designs and Patents Act 1988 (UK), section 178.

¹³¹ Copyright, Designs and Patents Act 1988 (UK), section 32(1).

¹³² Laddie et al, *The Modern Law of Copyright and Designs* (Butterworths, 2nd ed 1995) para 2.166.

¹³³ Copyright, Designs and Patents Act 1988 (UK), section 32(3).

¹³⁴ *Ibid*, section 36.

¹³⁵ *Ibid*, sections 38 to 43

(iv) Options

283. Particularly for New Zealand, which has a small population and is geographically isolated, it is vital that educational institutions, libraries and archives are provided with exceptions to copyright in order to access and use copyright materials. As with all other areas, digital information and Internet technologies provide potentially huge benefits and conveniences to these institutions, and it is important to consider how the limitations and exceptions should apply in respect of digital information.

284. Educational institutions (including schools, polytechnics and universities), however, make extensive use of licensing arrangements, and a significant number of copyright owners obtain income from this source. It is, therefore, necessary to determine at what level of access to material by educational establishments, libraries and archives should be covered by permitted acts. Digital technology adds further factors to this assessment, for example, electronic distribution of material for distance education, electronic “lending” by libraries and access by the public to electronic library collections.

285. The following options in respect of the educational, library and archiving exceptions have been identified following analysis of submissions:

- a. No change to the current exceptions.
- b. Clarify application of the quantitative restrictions in section 44 to material in electronic form.
- c. Consider changes or amendments where appropriate, for example:
 - Provide libraries and archives with an exception for digitisation of their collections and provision of digital material through on-site terminals or the Internet.
 - Provide an exception to any provisions prohibiting circumvention of TPMs or interference with ERMI for educational establishment and/or libraries and archives to facilitate their exercise of the relevant exceptions.
 - Allow educational institutions and/or libraries and archives to keep digital copies of material requested, e.g. for research and private study, solely to service future requests.
 - Explicitly allow libraries to make digital copies for inter-loan purposes.
 - Allow libraries to provide on-site access to digital material and/or digital collections, perhaps only through “dumb” terminals.
 - Allow libraries to provide remote access to digital material and/or digitised collections.

d. Introduce a technology-neutral fair dealing exception for educational institutions, libraries and archives (and possibly museums) rather than specific provisions relating to specific activities.

D. Time Shifting

(i) The Issues

286. Time shifting refers to the practice of recording a broadcast or cable programme for private and domestic use and solely for the purposes of watching or listening to it at a more convenient time. With the expanding use of the Internet and webcasting, the central issue is whether the time shifting exception should be applied to webcasting in a technologically neutral manner.

(ii) The New Zealand Situation

287. The current time shifting exception¹³⁶ applies to broadcasts and cable programmes. As discussed above in Part Four, there is uncertainty over whether the definitions of these terms incorporate webcasting technology. The application of the time shifting exception to webcasting is, therefore, unclear.

(iii) The International Situation

WIPO Internet Treaties

288. As noted above, the starting point for exceptions and limitations under the WIPO Internet Treaties is the Berne Three-Step Test, with which any new exceptions not already applied in the non-digital environment would have to comply. No specific reference is made to time shifting.

Australia

289. Time shifting in the Australian legislation is covered by an exemption for filming or recording broadcasts for private and domestic use.¹³⁷ While this section was not amended by the CADA, the definition of “broadcast” was. It does not include “a service that makes programs available on demand on a point-to-point basis, including a dial-up service”.¹³⁸

¹³⁶ Copyright Act 1994, section 84.

¹³⁷ Copyright Act 1968 (Australia), section 111(1) and (2).

¹³⁸ Ibid, section 10(1).

United States

290. The broad fair use limitation in the US Act, referred to above at paragraph 259, has been held by the courts to include both time and format shifting for non-commercial personal use.¹³⁹

European Union

291. The Copyright Directive states that Member States may introduce a private use exception “in respect of reproductions on any medium made by a natural person”. This exception is restricted to activities that are neither directly or indirectly for commercial benefit.¹⁴⁰ This broad exception would likely encompass time shifting.

United Kingdom

292. The CDPA time shifting exception¹⁴¹ is in the same terms as the New Zealand provision, but it is not subject to the restriction in the New Zealand Act that the recording be kept only for as long as is necessary to enable the recording to be viewed or listened to at a more convenient time. Thus, under the UK provision, a person can build up a library of recorded sound and video recordings for private and domestic use without infringing copyright.

(iv) Options

293. In assessing the various options with respect to time shifting and webcasting, it will be necessary to consider a number of factors, including:

- What are the underlying rationales of the time-shifting exception and do they apply to webcasting? For example, is an exception necessary for webcasting if it is increasingly on-demand?
- What would be the implications of applying the time shifting exception to webcasting? This is particularly relevant given the capacity to manipulate and alter digital material.

294. The following options have been identified following analysis of submissions:

¹³⁹ *Sony Corp. of America v. Universal City Studios* 464 U.S. 417 (1984),

Recording Industry Association of America v. Diamond Multimedia Systems Inc 180 F.3d 1072 (9th Cir. 1999), *Sega Enterprises v. Accolade* 977 F2d 1510 (9th Cir. 1992).

¹⁴⁰ Copyright Directive, Article 5(2)(b).

¹⁴¹ Copyright, Designs and Patents Act 1988 (UK), section 70.

- a. In the absence of an amendment to the definitions of broadcast and/or cable programme service that would cover webcasting, explicitly include webcasting in the time shifting exception (with limitations if appropriate).
- b. Explicitly exclude webcasting from the time shifting exception.
- c. Develop a technologically neutral time shifting exception.

E. Format Shifting

(i) The Issues

295. Despite the absence of such an exception in New Zealand, it seems that format shifting is common practice among many users of sound recordings. Other countries have responded to this by introducing “space shifting” or “format shifting” exceptions.

296. The issues that format shifting raises include:

- Should format shifting of sound recordings for personal use be a permitted act?
- If so, what limitations should apply?
- Is there any economic loss to copyright owners arising out of format shifting for personal use?
- If so, should a levy scheme apply to remunerate copyright owners for any lost revenue?
- Should a format shifting exception extend to works other than sound recordings, e.g. films?

(ii) The New Zealand Situation

297. There is no exception at present for format shifting, for personal use or otherwise.

298. The majority of submissions on this issue supported an exception for legitimately purchased sound recordings. Reasons commonly cited in support of an exception were:

- It is unreasonable to expect users to buy multiple copies of the same content; and
- Such an exception would be advantageous in relation to old and soon to be obsolete formats and technologies.

299. A small number of submissions suggested that the exception should also apply to other works, e.g. films. As noted at paragraph 269, format shifting was recommended by some for other purposes, e.g. for libraries and archives. There was, however, opposition from some copyright owners to a format shifting exception, both for sound recordings and other works. They pointed to losses incurred by copyright owners arising out of the distribution of illegally made home copies and potential hampering of developing business models, for example, on-line subscription services.

(iii) The international situation

WIPO Internet Treaties

300. As noted above, the starting point for exceptions and limitations under the WIPO Internet Treaties is the Berne Three-Step Test, with which any new exceptions not already applied in the non-digital environment would have to comply. No specific reference is made to format shifting.

Australia

301. The Australian Act does not contain a format shifting exception.

Canada

302. The 1997 Amendment Act introduced new Part VIII to the Canadian Act. This provides a comprehensive scheme for private copying of sound recordings and the performances and musical works contained in them. Section 81 provides “eligible” authors, performers and sound recordings “makers” with a right to receive remuneration from manufacturers and importers of blank audio recording media in respect of reproduction for private use. There is no limit on the number of copies that can be made by an individual for their private use. Collected levies are distributed to eligible authors, performers and sound recording makers. The application of the levy by the Board to recordable CDs was unsuccessfully challenged in the Federal Court on the basis that only a small proportion of blank discs would be used to record copyright music.

United States

303. As noted above at paragraph 290, the broad fair use provision in the US Act has been held to include format shifting for personal use. As private copying is exempt, a levy is applied to digital audio recording devices and media as a form of remuneration for copyright owners.¹⁴²

¹⁴² Copyright Act 1976 (US), Chapter 10.

European Union

304. As noted above, the Copyright Directive states that Member States may introduce an exception “in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly or indirectly commercial, on condition that the rightholders receive fair compensation”.¹⁴³ In respect of fair compensation, the Copyright Directive provides that “where the prejudice to the rightholder would be minimal, no obligation for payment may arise”.¹⁴⁴

305. Some EU countries operate private copying schemes with levy-based remuneration systems, e.g. Belgium.

United Kingdom

306. The UK Act does not contain a format shifting exception.

(iv) Options

307. Introduction of a format shifting exception would provide certainty to the law where the practice is already common and thought by many users to be legal. Arguably, a narrow exception would not detrimentally affect the economic interests of copyright owners and performers.

308. The following options on format shifting have been identified following analysis of submissions:

- a. No amendment to the Act to include a format shifting exception.
- b. Introduce a format shifting exception allowing the owner of a legitimately purchased sound recording to make one copy per format for his or her own private and domestic use.
- c. Introduce a similar format shifting exception for all works.
- d. Introduce a remunerated format shifting exception, with a levy on blank media, with royalties paid to copyright owners and performers. This could apply to sound recordings in particular or to all works.
- e. Introduce a broader “private use” type exception to the reproduction right, as in the US and the Copyright Directive, which could provide for remuneration of copyright holders and performers.

¹⁴³ Ibid, Article 5(2)(b).

¹⁴⁴ Copyright Directive, Recital 35.

F. Need for New Exceptions

309. Specific new exceptions have been raised throughout this paper. More generally, any new exceptions would need to be considered in the context of the peculiarities of digital technology and in relation to any extended or new rights that are granted to copyright owners. The discussion paper asked whether any further permitted acts or exceptions are required to address the digital environment. Exceptions were suggested for:

- Decompilation or reverse engineering of computer programs for the purposes of inter-operability;¹⁴⁵
- Broadcasting of music recordings on television and radio without payment of a licence fee or royalty; and
- Braille provisions to explicitly cover all format and technologies.

310. It was suggested by some copyright owners that any and all permitted acts be subject to an overarching rider that copying not be allowed for commercial gain.

311. It is worth noting that New Zealand's TRIPS obligations would require any new exceptions to comply with the Berne Three-Step Test.

¹⁴⁵ See, for example, section 30.6, Copyright Act (R.S. 1985, c. C-42) (Canada), Article 6 of the European Directive on the legal protection of computer programs (1991/250/EEC, 14 May 1991); section 50B of the UK Copyright (Computer Programs) Regulations 1992 and section 81 of the Copyright and Related Rights Act 2000 (Ireland).