User Generated Content and Copyright

Michael Napthali discusses the treatment of user generated content in copyright law and questions whether a ‘fair use’ exception should be introduced in Australia.

Web 2.01 is an internet topic du jour. Web 2.0 platforms support multi-way interactive media communications between internet users, an increasingly popular exemplar of which is ‘user generated content’ (UGC). The purpose of UGC is to facilitate the ‘using’, ‘generating’, ‘sharing’2 and ‘transforming’3 of extant works. In such environs participants are not mere passive receivers of information.4

A recent KPMG Report, The Impact of Digitalization,5 (KPMG Report) suggests that the drivers of Web 2.0 include: (a) declining costs of media production; (b) the ability to put devices and tools of increasing technological power and sophistication in users’ hands; and (c) the rise of a culture of sharing (or, as Professor Benkler called it, a ‘participatory culture’ of ‘social production,’6 an obvious example of which is the Wikipedia online encyclopaedia).

Marking the social importance that Web 2.0 represents, Time magazine broke with tradition in 2006 when it announced its Person of the Year as, simply, ‘You’.7 Consequently, we find no shortage of learned legal commentary discussing the Web 2.0 phenomenon.8

In adding to the debate, this article takes the view that, in light of recent Australian authority, for those who promote Web 2.0 websites a tougher test for, and thus risk of, liability for copyright infringement exists in Australia when compared with the United States.

A crucial distinguishing factor is the decidedly pro-technology jurisprudence United States courts have applied to the doctrine of ‘fair use’. ‘Fair use’ is a concept presently alien to Australian copyright law. Recent parliamentary reviews notwithstanding, when account is taken of the social impact of Web 2.0 and similar user-empowering technology, the need for clarity in the digital age suggests that a strong case exists for a US-style fair use exception in Australian copyright law.9

Definitions
There is no agreed definition of UGC. A recent OECD Report10 (OECD Report) says it is constituted by:11

1. content that is made publicly available over the internet;
2. which reflects a certain amount of creative effort; and
3. is created outside of professional routines and practices.

Another defines UGC as simply ‘content filmed, edited and submitted by site users.’12 Both are apt, and both implicitly beg questions about copyright ownership and infringement.

The following are some examples of UGC platforms noted by the OECD Report:13

- Blogs (eg BoingBoing and Engadget; Blogs on sites such as LiveJournal; MSN Spaces; CyWorld; Skyblog)
- Wikis and Other Text-Based Collaboration Formats (Wikipedia; Sites providing wikis such as PBWiki, JotSpot, SocialText; writing collaboration sites such as Writely)
- Feedback Sites encouraging commentary on written works (eg FanFiction.Net)
- Podcasting (eg iTunes, FeedBrunner, iPodderX, WinAmp, @Podder)
- Social Network Sites (eg MySpace, Facebook, Friendster, Bebo, Orkut, Cyworld)
Some overarching themes

It was not to be long before the liability of Web 2.0 technology for copyright infringement would be tested in court. Such is the case presently in the United States16 where Viacom is seeking $1 billion in damages for YouTube’s ‘brazen’ copyright infringement.

In response,18 YouTube has asserted numerous affirmative defences19 as to why it is not liable for copyright infringement, including: (a) ‘safe harbour’ protection for Internet intermediaries under the Digital Millennium Copyright Act 1998 (DMCA); (b) express and implied licenses; (c) fair use; (d) Viacom’s failure to mitigate damages; (e) YouTube’s innocent intent; (g) Viacom’s misuse of copyright; (h) estoppel; (i) waiver; (j) Viacom’s unclean hands; (k) laches; and (l) the fact that YouTube has substantial noninfringing uses.

The risk of mass copyright liability from the design and use of digital technology – of which Web 2.0 is merely a current instance - has reignited calls for new exceptions20 in Australian copyright law.

Whereas the right to ‘copy’ has expanded over time from a dedicated printer’s right21 to a broad low-threshold22 test granting copyright to any ‘author’23 of an ‘original’ work,24 then in the digital age the ‘greater protection of authors and rights-holders’25 provided by the Internet Treaties26 focuses attention once more on how the balance ought best be struck between rights owners and content users.27 With regard to Web 2.0 technology, the issue is set in relief because of the paradox that ‘in a networked society, copying is not only easy, it is a sine qua non of transmission (and) storage.’28 Thus, it is said, the social reality of our ‘participatory culture’ should now be properly recognised by way of statutory protection which places content users on a par with rights owners. This argument is often framed in terms of a US-style ‘fair use’ exception (practicalities surrounding the three-step test29 notwithstanding).30 Despite recent parliamentary examination,31 neither Australia32 nor Britain33 has an analogy of America’s First Amendment-informed fair use defence.34 Rather, several more narrow and specific ‘fair dealing’ exceptions exist.35 Identifying a related aspect of this problem, Justice Kirby recently commented that in technology cases ‘in default of legislation, court decisions will often draw the boundaries, effectively writing them on a blank page.’36 In this light, for those who propose to invest in new technology such a scenario can imply substantial, if not insurmountable, commercial uncertainty.

Confronted by copyright’s ‘opaque’37 and unclear historical intendment,38 a ‘fair use’ exception amendable to flexible39 application would, at least in part, help provide for citizens what is presently an arbitrary boundary. Unfortunately, the piecemeal ‘policy on the run’ approach to digital issues in Australian copyright law has come to resemble building an aeroplane in flight. By way of contrast, the UK’s recent Gower’s Review has recommended an exception be adopted along the line of the US doctrine of ‘transformative’ use.40 As the issues raised by UGC show, Australia must also catch up.

Given the noted risks for those who promote UGC websites, protection from copyright and other liability is inevitably sought through compendious warranties and indemnities.41 Concurrently, website terms and conditions also generally purport to grant to the website promoters an irrevocable, royalty-free licence to commercially exploit any UGC users upload.

These two motivations can be a double-edged sword because, for the purposes of copyright infringement, matters of private contract law are questions distinct from claims brought by third parties. More particularly, the enjoyment of a pecuniary gain could well disentitle a UGC website from certain safe harbour protections (although, as we see, the presumptive entitlement of UGC websites to safe harbour protections is doubted by some).

The issues of copyright liability concerning UGC can be narrowed as follows:

(a) Who owns the UGC content?

(b) express and implied licenses; (c) fair use; (d) Viacom’s failure to mitigate damages; (e) YouTube’s innocent intent; (g) Viacom’s misuse of copyright; (h) estoppel; (i) waiver; (j) Viacom’s unclean hands; (k) laches; and
(b) On whom does liability fall for the uploading and communication of UGC?

(c) In the event a UGC site is liable, what defences, if any, may apply?

In examining these questions, this article looks at recent Australian authority which has considered the scope of liability of persons who, through the provision of certain online ‘facilities,’ are said to ‘authorise’ the infringing conduct of others. The cases are Sharman; Cooper, and the Cooper Appeal. Relevant United States decisions are also compared.

UGC and copyright

Substantiality

As a preliminary matter, infringement lies only when a substantial part of a work is taken. Although substantiality is perhaps the most the common and difficult of all questions which arise in copyright cases, it is not without significance to UGC which uses small (often de minimis) portions of extant works. Relevance is given by Professor Ricketson’s observation that ‘there are some uses and applications of copyright works which are truly de minimis or incidental in character, and can lead to no measurable detriment to the interests (economic and non-economic) of authors.’ The observation buttresses the argument in favour of a fair use defence in Australia.

Although questions of substantiality are assessed by reference to the quality and importance of that taken from the original work, some query whether, as a matter or practical reality concerning how people access and use information in the networked world, tests of substantiality - which thus inform infringement - require reconsideration.

With this issue merely noted, let’s proceed on the basis that, as it concerns UGC, the test of substantiality has been satisfied.

An illustrative example

On February 17, 2008 the Sydney Morning Herald carried a story about Hugh Atkin, a political parodist who created and uploaded to YouTube a series of short films. Unexpected celebrity greeted Atkin following the posting of two particular films involving the expected celebrity greeted Atkin following the political parodist who created and uploaded (a so-called ‘mash-up’) of footage from a recent Tom Cruise interview of him talking about Scientology, with that of Senator Hilary Clinton responding to questions asking ‘how do you it?’ (in reference to the rigours of the campaign trail). In a second film Atkin edited together footage of Presidential candidates repeating the word ‘change’ in synchronisation with the David Bowie song Changes.

Clever, innovative and original? Yes. An infringement of copyright? Most probably, also yes.

Direct infringement

Sections 36(1) and 101(1) of the Copyright Act 1968 (Cth) (Copyright Act) deem the purported exercise of a copyright owner’s exclusive rights an infringement when effected without licence or consent. The sections further deem it an infringement when a person ‘authorises’ the doing in Australia of any act comprised in copyright. Thus, the sections create two separate ‘kinds’ of infringement.

(A) Users’ direct infringement

Let’s look first at direct infringement from the content creator’s perspective. Absent consent or licence and with no fair dealing defences applying, in our example Mr Atkin risks liability for the direct infringement of the following exclusive rights:

• reproduction and communication of a cinematograph film or television broadcast (eg the footage of Cruise and Clinton);
• reproduction and communication of a sound recording (eg Bowie’s ‘Changes’);
• reproduction and communication of underlying literary works (eg the words and music in ‘Changes’).

This analysis represents a relatively orthodox assessment of direct infringement, and would likely apply to most UGC containing unauthorised content. For pragmatic commercial reasons noted below, however, it is unlikely that rights owners will pursue direct infringers.

Unlike Australia, UGC creators in the United States would be entitled to raise the defence of fair use. Although the success of the defence is often difficult to forecast, it is broad and amenable to novel contexts such that a fair use is more likely to prevail if the use is productive than if it is merely reproductive. This analysis represents an economic substitute for the original works (in the sense of being a free rider).

This assessment has practical significance when it’s estimated that anywhere between 30 and 70 percent of the content on YouTube is made up of unauthorised copyright material. In Australia, the ‘transformative’ qualities of UGC are presently an irrelevant consideration.

The internet, however, is a pan-global network of which Australia is unavoidably as much a part as any nation. Could it thus be said that to deny users (and courts) the ability to conduct a fair use assessment of the forgoing kind is inconsistent with the reality of the ‘global village?’ More particularly, is it not also inconsistent with the ‘harmonisation’ process so often promoted as a uniting thread of modern copyright policy? In the event a more nuanced policy-based argument in favour of a fair use exception is desired, one lies in the measured analysis of Dr Melissa de Zwart who posits that in the digital age a fair use exception in Australia would help protect ‘the public interest in freedom of communication.’ This theme is revisited below.

(B) UGC website direct liability

The Digital Agenda Act 2000 (Cth) (DAA) inserted Section 221(6) into the Copyright Act. In Sharman, Wilcox J endorsed Tamblin J’s reasoning in Cooper and held that the ‘communication’ of an audio-visual item is made by ‘a user who determines the content of the material that he will download from another user’s computer.’ Thus, direct infringement of an owner’s exclusive right to ‘communicate’ a work online will not likely attach to an intermediary website per se even if it provides hyperlinks to infringing works hosted elsewhere.

Where, however, a UGC website actually hosts the content, it is more likely to be characterised as having ‘communicated’ the works. Liability for direct infringement might similarly follow where the hosting involved the UGC website making a ‘copy’ of the subject work.

Two further factors increasing risk of liability should also be considered. First, although section 43A of the Copyright Act affords protection for ‘temporary reproductions made in the course of communication,’ it expressly excludes reproductions made from infringing works — of which, it was noted above, those on UGC websites constitute a considerable proportion. Second, the wider meaning given in 2004 to ‘material form’ now encompasses storage ‘whether or not the work...or a substantial part of the work... can be reproduced.’ By contrast, it is noted that a recent US decision held that it may be possible to establish an implied licence for a search engine to engage in data caching.

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The reasoning of Cooper and Sharman concerning who is the ‘communicator’ finds support in US authorities. In Perfect 10 v Google81 the mere provision by the ‘Google Image Search’ of ‘in-line’ hyperlinks to the plaintiff’s original images was not a ‘display’ (ie ‘communication’) of those images.82 Indeed, it was further held that although Google’s reproduction of low-resolution ‘thumbnails’ was a direct infringement, it was a ‘fair use’ of the plaintiff’s work because ‘Google’s use … is highly transformative’83 and had a substantial ‘public benefit’.84

Preceding the issue of who is the ‘communicator’, however, is the threshold question of whether UGC websites are ‘mere conduits’ of data presumptively immune from copyright liability by virtue the safe harbour defences for Internet intermediaries? This is the public position of Australia’s largest ISP, Telstra Bigpond.85

The safe harbour concept has its genesis in s 512 of the DMCA. Australia harmonised with the DMCA86 in 2004 via Division 2AA of the Copyright Act87 and Part 3A of the Copyright Regulations 1996 (Cth). A similar scheme exists in the UK88 to protect ‘information society services’89 which host information ‘provided by a recipient of the service’90 and had a substantial ‘public benefit’.91

A key difference between Australia and US, however, is that the Australian scheme limits the protection narrowly to just ‘carriage service providers’91 (CSP); whereas s 512(k) (1) of the DMCA uses broad language referring to a ‘service provider’ the definition of which expressly includes ‘online services.’ Thus, it is likely that a UGC website hosted in the US would come within this definition and presumptively be immune from liability92 (subject to the existence of other disentitling conduct).

In Australia, however, a CSP is defined as an entity which ‘supplies a carriage service to the public.’ O’Brien and Fitzgerald conclude that it is unlikely that a UGC website in Australia would fall within this definition ‘as they do not supply a carriage service to the public, unlike internet service providers.’93 Matthew Rimmer agrees with this view.94 The unsatisfactory state of definitional clarity in the Australian internet space is further highlighted with there being no apparent consensus about what qualifies as an ‘online service’95 – indeed the Broadcasting Services Act 1992 (Cth) does not actually define what is a ‘service.’ Nonetheless, laws regulating online content do purport to limit the liability of ‘carriage services.’96

As for the OECD’s view, it simply hedges: ‘whether UGC platforms can be treated as a “mere conduit” under exceptions for online intermediaries is an ongoing question.’97 A further notable explanation for the jurisdictional difference is the enduring affect of the First Amendment’s protection of freedom of speech. As the internet has developed, early US safe harbour jurisprudence shows a clear preference to exempt those communication ‘conduits’ which ‘merely’ facilitate others to exercise their right to free speech.98 On this basis, Web 2.0 technologies are also mere facilitators of the others’ speech. For example, US cases like Netcom99 (now reflected in legislation)100 have cast the safe harbour defence widely to ‘immunise Internet Service Providers (ISP) from the liability of users’ defamatory speech via online ‘bulletin boards’ which they host. Following passage of the DMCA, the ratio of Netcom has been endorsed in Loopnet.101

Comparatively, a recent British case102 involving the liability of an ISP for a user’s defamatory statements invoked copyright authorisation principles103 to hold that the defendant ISP had not, through mere hosting, ‘knowingly authorised, sanctioned or participated in any of the relevant publications.’104 Conversely, a NSW Supreme Court decision recently found an ISP liable for a user’s defamatory publication.105 Recent reform of Australian defamation legislation now provides a statutory defence of ‘innocent dissemination’.106 For those online services which do come within the safe harbour defence, a crucial benefit is the express removal of the obligation to actively monitor and remove allegedly infringing content. Rather, the services are protected from liability so long as they delete infringing material after notification by rights owners.107 This is precisely YouTube’s position in reply in Viacom v YouTube.108

What will take one outside being a ‘mere conduit’ is when, in the language of Loopnet, ‘something more’ is being done: that is, when there is ‘a nexus sufficiently close and causal’ between the provider of services and the acts of infringing copying.109 Evidence sustaining such a finding might include circumstances where an online service permanently archives110 or hosts content for access at the user’s convenience. It need not be added that this is what YouTube does.

In preference, then, to seeking relief against direct infringers, an alternative is to sheet home to those who provide the facilities, the responsibility for the infringing use made thereof by users. Whether ‘something more’ existed to suggest ‘a nexus sufficiently close and causal’ for such liability to follow was a key issue considered in Sharman.111

Authorisation liability

By conferring on owners the exclusive right to ‘authorise’ others to do an act comprised in copyright,112 the Copyright Act grants a separate right distinct from direct infringement.113 Being an exclusive right, section 101 of the Copyright Act will afford an owner relief where a defendant, by act or omission and without the consent or licence of the owner, purports to authorise another to infringe an owner’s copyright.114

Of all the propositions in the authorisation authorities, principle among them is the statement that authorisation requires a positive grant to ‘sanction, approve, or countenance’115 the conduct of the direct infringer.

Over time, this phrase has enjoyed substantial judicial gloss. For example, it has been held that it ‘may also be possible to imply … permission from the surrounding circumstances’.116 Thus, declining to interfere in infringing conduct may constitute acquiescence.117 Although the alleged authoriser must possess the ability to control or prevent the infringing conduct,118 this presumes that the defendant has the requisite degree of knowledge about the acts of infringement (although for rights owners the significance of this factor in the UK has, it seems, been somewhat neutralised insofar as ISPs are concerned).119 A sufficiency of control might be demonstrated by showing that a person has made a ‘deliberate choice’120 to do, or refrain from doing, something within their power that would prevent the infringing act. Crucially, knowledge of specific acts of infringement need not necessarily be proved, provided the circumstances invite a reasonable person to infer that infringement may occur.121

These principles have been held in Sharman to offer a continuing ‘flexibility and relevance’122 in the digital era, and have since been codified123 in section 101 (1A) of the Copyright Act which sets out factors far as ISPs are concerned).120 A sufficiency of control might be demonstrated by showing that a person has made a ‘deliberate choice’121 to do, or refrain from doing, something within their power that would prevent the infringing act. Crucially, knowledge of specific acts of infringement need not necessarily be proved, provided the circumstances invite a reasonable person to infer that infringement may occur.122

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Cooper concerned the provision of website facilities (mp3s4free.net) via which users could obtain infringing recordings, while Sharman involved the provision by the respondent of the Kazaa software which enabled users to share material whether or not that material was subject to copyright. The United States Supreme traversed issues similar to those in Sharman in MGM Studios v Grokster Ltd27 (Grokster).

In both Cooper and Sharman, the respondents sought the protection of sections 39B and 112E for those who provide communication facilities. Their effect is to ‘qualify’128 the scope of authorisation liability, in the sense that, like the safe harbour provisions, they are intended to ‘protect the messenger’.129 They do so by deeming a person who provides ‘facilities’ as not having authorised infringement ‘merely because’ another person uses those facilities to infringe copyright.130
Although the respondents in both Coo-
per and Sharman did provide statutory 
‘facilities’ in both cases reliance on the 
defence was denied132 because they did 
more than ‘merely’133 provide those facili-
ties. In so holding, section 112E was said by 
Wilcox J to ‘not preclude the possibility that 
a person who falls within the section may 
be held, for other reasons, to be an autho-
riser’.134 Similarly, Tamberlin J held that the 
respondent ‘has been far more involved 
than just providing the facility that has been 
used to make the communication’.135

Here we encounter Wilcox J’s consider-
atation of conduct which takes a defendant 
beyond being a ‘mere’ provider of facilities. 
It is when ‘something more’ is done.136 By 
any measure this is an imprecise term, the 
precise meaning of which reasonable minds 
would doubtless differ. Some clarity can be 
found, however, in his Honour’s further 
comment that ‘something more’ was, in 
Sharman, constituted by a finding that the 
‘predominant use’137 of the Kazaa software 
was copyright infringement.

Given that (a) Australia does not enjoy a 
Sony-style bright-line rule which presum-
tively favours new technology possessing 
‘substantial non infringing uses,138 and (b) 
nothing approaching a fair use defence 
exists, some argue a new ‘design duty’ 
gloss can be identified requiring technol-
gy to possess about it a ‘predominant 
use’ which is non-infringing.139 The obvious 
problem for those who may wish to develop 
and market new technology is the appar-
ent need to now divine just what, among a 
panoply of possible uses, fits that which is 
‘predominantly’ non-infringing?

We can compare this test – if indeed that is 
what the phrase ‘predominant use’ repre-
sents – with the new ‘inducement’ test for 
contributory liability enunciated in Grokster. 
Focusing on the ‘actual intent’140 of the pro-
vider of technology (rather than the uses to 
which the technology may be put), liability 
attaches when each element of the test is sat-
isfied, namely when: a person ‘distributes a 
device’ with the object of promoting its use to 
 infringe copyright as shown by ‘clear expres-
sion or affirmative steps,’ and such conduct 
does in fact ‘foster infringement’.141

On comparing the reasoning in Sharman 
with Grokster, Ginsburg and Ricketson have 
concluded that ‘it is possible that facilita-
tors of online infringements may now be 
more vulnerable in Australia than in the 
US142 because under the Sharman standard ‘liability may arise where there is knowl-
edge of infringing activities, coupled with 
a failure to take steps to prevent this occur-
ing’.143 Although in this respect Grokster 
conforms with the gloss added to the Sony 
rule by Napster144 (to the effect that ‘where 
there is specific knowledge and control, the 
Sony standard will not apply.’)145 Grokster is 
nonetheless a tougher test of liability than 
Sharman would appear to set in Australia.

Can it be said, then, that those who pro-
mote UGC websites are ‘merely’ doing so? 
If not, do the normal authorisation princi-
plies mean liability should then follow?

Let’s consider some findings of fact which 
proved determinative of authorisation lia-
ibility in Cooper and Sharman. First, positive 
exhortations to infringe and the provision 
of active hyperlinks to infringing works, 
(hosted elsewhere) constituted a coun-
ternancing of infringing 146. Second, there 
was knowledge of infringing acts being 
committed via the ‘mp3s4free’ website and 
Kazaa software, but a disinclination to do 
anything about it.147 Third, unlike in the 
sale of video recorders or blank tapes, the 
respondents were sufficiently able to con-
 control users’ infringing conduct.148 Fourth, 
the respondents generated a profit from 
the distribution of the facilities.149 Fifth, 
no reasonable steps were taken to prevent 
infringement.150

Let’s recall the massive sums involved in 
commercial transactions in the UGC space. 
Cooper and Sharman indicate that when 
courts assess the proscribed factors under 
section 101(1A), it will weigh strongly 
against a finding that the respondent had 
not authorised infringement when evidence 
shows they have enjoyed a commercial return. It will also be the case where no 
‘effective’ notice-and-take down procedure 
is in force.151 Reinforcing this view, whether 
a party is entitled to enjoy the safe harbour 
provisions, Div 2AA makes pointed refer-
ence to receipt of any pecuniary gain.152

Similarly, in Grokster, it was held that the 
defendants had structured their business 
model to profit directly from users’ infring-
 ing conduct. Thus, ‘affirmative intent’ was 
demonstrated by Grokster advertising its 
software’s infringing uses and the way it 
compared itself to Napster. Also relevant 
was that the company’s business model 
depended solely on advertisement revenue 
driven by the number of users, and that 
the company made no effort to filter out 
copyrighted works.153 Relevantly, the OECD 
Report notes that ‘advertising is often seen 
as a more likely source of revenue surround-
ing UGC and [is] a significant driver.’154

As a defensive position UGC websites tend 
now have strict ‘notice and take down’ pro-
cedures. This is sensible. For while debate 
might continue in Australia as to whether 
a UGC website is presumptively entitled to 
safe harbour immunity, it is notable that in 
the US sites like YouTube expressly assert 
their reliance on the defence on the basis of 
being a ‘service provider’155 (recall, by com-
parison, that Div 2AA refers to a ‘CSP’ and 
an ‘information society service’ in the UK).
In circumstances where YouTube has an ‘ability to control’ the UGC content, its ability to sustain the defence will thus be determined by reference to how much of its commercial activity constitutes a ‘direct financial benefit’ and what reasonable technical measures it had taken to prevent infringement. In short, ‘inducement’ liability under the Grokster test will more likely follow when evidence shows that a UGC website has ‘intentionally structured its business around infringing material.’ That intention is an element of proof of liability thus sets a high threshold for plaintiffs in the US; a result which may be distinguished from Australia’s substantially tougher test requiring a technology’s ‘predominant use’ to be non-infringing.

Conclusions

No one knows how or if the Viacom v YouTube litigation will be decided. In the absence of further clarity, prudent practice would require that promoters of UGC websites:

1. cast widely the net of warranty and indemnity protection received from users;

2. reserve the right to remove offending content for the purposes of demonstrating:

   (a) compliance with notice and take down provisions under the various safe harbour schemes; and

   (b) discharge of the evidential burden under s 101(1a)(c) concerning the taking of ‘reasonable steps to prevent or avoid the doing of the act.’

3. be conscious that a UGC website’s business structure (eg how advertisements are caused to appear on the website) can provide powerful evidence from which an inference of ‘authorisation’ or ‘inducement’ might be drawn.

In overview, the forgoing has discussed a theme identified earlier by Justice Kirby, namely, how often in ‘the field of computer law, we have come to realise that there is often a tension between the regulation of technology… and competing interests in society.’

Web 2.0 technology places this tension in clear relief as we wait to see the leeway Australian courts will grant nascent technology and, more particularly, the degree to which they will ‘take into account the need for, and ubiquity and value of, user driven distributed information sharing technologies.’ The matter is of significance when we note the comment in Cooper that ‘the question remains open as to what degree of connection or control is necessary between the alleged authoriser and the primary infringer.’ Some flesh was added to the bones of this proposition by Justice Branson in the Cooper Appeal who made the curious obiter observation that the ‘assumption that Google’s activities in Australia do not result in infringements of the [Copyright] Act is untested.’ Naturally, Google has publicly rebutted such an argument.

In aggregate, the absence of a fair use defence, narrow safe harbour immunity, definitional uncertainty, and a possible ‘design duty’ requiring advance consideration of a technology’s ‘predominant uses’ all combine, it is submitted, to suggest that, ex hypothesi, copyright law in Australia is less accommodating of technology like Web 2.0 than is the case in the US. If true, this is unfortunate and regressive.

The fact is, though, that the popularity of Benkler’s ‘participatory culture’ shows little sign of abatement. And, frankly, why would it? The desire to share information, communicate and interact is one of humanity’s deepest urges. The means by which this is facilitated should not be burdened by arbitrary rules unaccommodating of technological development. As much has been acknowledged by the BBC which recently declared that: “audiences of all ages not only want the choice of what to watch and listen to when they want, they also expect to take part, debate, create and control. Interactivity and user generated content are increasingly important stimuli for the creative process.”

At the same time, few would question the obvious public interest in ensuring that creators receive a fair reward for their endeavors. The argument in favour of a fair use exception for Australia, however, does not deny this proposition but rather invites recognition of the reality of a modern networked world.

For example, the ongoing challenge for users and technology developers was illustrated clearly in the legislative amendments following the decision in Sony v Stevens which rendered it, effectively, moot. A progressive approach to copyright law in the form of a fair use exception would be a practical circuit-breaker which can offer much needed clarity for all who increasingly interact – almost inevitably so - with copyrighted works in the digital environment, while also effecting protection of society’s interest in ‘freedom of communication.’

In 1999 Professor Ricketson made the prescient observation that ‘authors should henceforth concentrate on the value that they can extract from the new relationships which the Internet brings them.’ It is submitted that a fair use exception would conform to the spirit of this proposition. Setting to one side the dubious strategic value of ‘mega litigation’ like Viacom v YouTube, practical market solutions (just as Ricketson encouraged) are indeed being settled.

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The New Game in Town – An Update on the Players and Deal Structures in the Video Game Industry

Nick Abrahams and Kate Hynes survey the video game industry and typical deal structures in video game production.

Overview
The interactive entertainment industry is booming, with all the key indicators for the market pointing upwards.

New hardware, such as wireless mobile phones capable of downloading games and next generation consoles, are supporting the demand for interactive entertainment. The development and availability of online software (along with the accessibility of broadband internet) is also facilitating growth.

Computer and video game software sales in the US grew six percent in 2007 to $9.5 billion – more than tripling industry software sales since 1996.

In Australia, PricewaterhouseCoopers forecasts that consumer spending on all entertainment and media content will grow by 5.3 per cent from $11.8 billion in 2006 to $15.2 billion in 2011 – with spending on the internet (up 8.1%) and interactive games (up 6.9%) spearheading the growth.

Australia is part of the Asia/Pacific video games market – the largest in the world which spent US$11.7 billion in 2006. PricewaterhouseCoopers projects the Asia/Pacific market will maintain its leadership through to 2011 reaching US$18.8 billion, growing at 10% annually.

In Australia, spending on video and interactive games actually stalled in 2006 as consumers waited for the arrival of next generation consoles, are supporting the demand for interactive entertainment. The development and availability of online software (along with the accessibility of broadband internet) is also facilitating growth.

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MARKET PROFILE

Contrary to popular belief, most gamers are not teenage school boys. For example, the average age of players in Australia is 28 years old.

Reports in the US state:

- the average game player is 33 years old and has been playing games for 12 years;
- in 2007, 92% of computer game buyers and 80% of console game buyers were over the age of 18;
- 38% of all game players are women (women over the age of 18 represent a significantly greater portion of the game-playing population (31%) than boys age 17 or younger (20%));
- in 2007, 24% of Americans over the age of 50 played video games, an increase from nine percent in 1999.

KEY MARKET PLAYERS

Electronic Arts Inc.

EA is the number one video game publisher in the US, and develops games under the brand names EA Games, EA Sports and EA Mythic. Distribution of titles for third-party labels is also a part of its business and in addition EA publishes games based on Hollywood movies such as Lord of the Rings, James Bond and Harry Potter.

EA develops games for Sony’s PlayStation 3, PlayStation 2 and PSP (PlayStation Portable) platforms, Microsoft’s Xbox 360 and Xbox, Nintendo’s Wii and DS (and GameCube), as well as games for PC and mobiles.

Microsoft says Australians spent more money on Xbox 360 products (consoles, software and accessories) than on any other next-generation platform in 2007, and third-party publishers sold more 360 software than on Wii and PS3 combined. There are more than 300,000 Xbox 360s in Australian homes. Xbox 360 also hosted the best selling console game of 2007 - Halo 3 - which sold more than 120,000 copies.

The figures from independent market research group GfK showed that Australians bought 15.4 million games in 2007, including 6 million in the three months leading up to Christmas.

Sony Corp

Sony is one of the biggest media conglomerates in the world with revenue of $70.303 billion in 2007.

A part of its business includes developing, producing, manufacturing and marketing home-use game consoles and software.

In 1994 Sony launched the PlayStation (later PS One). This successful console was succeeded by the PlayStation 2 in 2000, itself succeeded by the PlayStation 3 in 2006. The PlayStation brand was extended to the portable games market in 2005 by the PlayStation Portable.

Due to its dominance and popularity over the years, games for the PS2 are the most available.

Games based on popular movie licenses are popular, along with long-running franchises like Grand Turismo and SingStar.

Nintendo Co Ltd

Nintendo is based in Japan and is a world leader in interactive entertainment market. Nintendo is Japan’s third most valuable listed company with a market value of more than US$85 billion.

The console development of Nintendo has been the most extensive. The first Nintendo Entertainment System (NES) (titles included Super Mario Brothers and Donkey Kong) was the most successful gaming console of its time in the mid-80s and into the 90s. Super Nintendo (1990) followed, and was preceded by Nintendo 64 (1996), Nintendo GameCube (2001) (which competed with PS2 and Xbox) and Wii (2006). Its portable consoles started with the Game Boy line and have moved to the Nintendo DS (2004) and DS Lite (2006). Nintendo’s main line-up of video game systems currently includes the Nintendo DS Lite.
and Wii. The Game Boy Advance, and GameCube are still somewhat prevalent but no longer produced.

As of 2007, the Nintendo DS and Nintendo DS Lite combined have sold 64.79 million units in Japan alone.

**Activision, Inc.**

Activision, Inc. is an American publisher for interactive entertainment software products. It is involved in two operating segments—publishing and distributing. Its first products were cartridges for the Atari console and it is now one of the largest third party video game publishers in the world.

Like EA, it also develops games for various consoles. The company has a focused on the action sports category and movie spin-offs. Other games include *Donkey Kong*, *Spider-Man 2*, *Call of Duty*, and *Tony Hawk* franchise.

In December 2007, it was announced that Activision would merge with Vivendi Games—the new company will be called Activision Blizzard.

Vivendi Games (or Sierra or Blizzard) has been a major developer of games for PCs (initially), including the *Half-Life*, *Crash Bandicoot* and *Wartcraft* titles.

**LucasArts Entertainment Company LLC**

This company is a developer and publisher of interactive entertainment for video game consoles and personal computers. Its top selling titles are based on the *Star Wars* and *Indiana Jones* films.

**Sega Corporation**

Sega initially rivalled Nintendo in the hardware games market (MegaDrive and Dreamcast) but is now solely concentrated in creating games for its rivals’ systems.

**Key market players (Australia)**

Some Australian companies work with the international publishers to produce games, while others are carving out their own independent niches. Australia’s games production companies produce $100 million worth of games a year according to the Games Developers Association of Australia. Analysts say this figure is growing bigger every year.

**Transmission Games (IR Gurus)**

IR Gurus specialises in making games for the PC, Xbox and Playstation 2 and is developing games for PS3 and Xbox 360. It is in its tenth year of running and is located in Melbourne, Australia. Its popular titles include *AFL Premierships* and *Heroes of the Pacific*.

**Atari Melbourne House**

Formed in 1977, this company has undergone a few name and ownership changes. Most recently known as Infogrames Melbourne House, Atari is now its present name. The firm is part of one of the world’s biggest computer games companies: Infogrames Entertainment. Titles include *Grand Prix Challenge* and *Transformers*.

**Blue Tongue Entertainment Ltd**

Founded in 1995 and located in Melbourne, Blue Tongue Entertainment Ltd makes games for PC and the popular consoles. Titles include *Starship Troopers: Terran Ascendancy*, *Jurassic Park: Operation Genesis*, and the *Nicktoons* series.

**Krome**

Brisbane based Krome Studios is Australia’s largest independent games development studio. Titles include *TY the Tasmanian Tiger* (which is wholly owned by Krome Studios), *The Adventures of Jimmy Neutron Boy Genius; Barbie Beach Vacation; Barbie Sparkling Ice Show*.

**Deal structures**

The deal structures in the games industry are generally speaking, comparable with deal structures in the film industry.

Games studios develop the games and the publishers (eg EA, Nintendo) distribute them. The critical question is who pays the cost of the development of the game, thereby taking the lion’s share of the financial risk, and consequently, the lions share of the returns.

Whilst many publishers have their own studios (such as EA Melbourne), the publishers often acquire fully-developed titles from independent studios or source the development of games by independent studios (eg Krome Studios).

Generally speaking, there are two basic deal structures for game development:

1. **Development Deal:**
   - (a) the studio is engaged by the publisher to develop a game;
   - (b) the publisher has complete control over the development (including creative control);
   - (c) the studio receives a services fee for developing the game;
   - (d) the intellectual property is assigned to the publisher;
   - (e) the studio, generally speaking, is not entitled to a royalty return;
   - (f) in terms of intellectual property, development deals tend to fall into two categories:
     - (i) existing entertainment brand (eg *Enter the Matrix*, *Starship Troopers*, *Jurassic Park*) usually based on a blockbuster movie;
     - (ii) new entertainment brand (eg *Lara Croft: Tomb Raider*, *Wartcraft*, *The Sims*) being a new brand first launched via the games market; and
   - (g) With existing entertainment brands, negotiations occur with the original intellectual property owner to acquire/licence the copyright to develop the game.

2. **Distribution Deal:**
   - (a) the games studio develops the concept;
   - (b) the studio (or investor) pay the development cost for the game;
   - (c) the studio/investor enter into a distribution arrangement with the publisher who distributes using a retail-style distribution model;
   - (d) the intellectual property is retained by the studio; and
   - (e) the studio gains recoupment/royalty rights.

**Issues for consideration**

Following is a non-exhaustive list of some considerations for entertainment-branded gaming development (ie: leveraging an existing property onto a game platform):

1. Who is paying for the development and how does the risk/return flow in relation to the investment made?
2. Who will be doing the development (eg will the publisher develop using an internal studio or will an independent studio be engaged)?? Considerations here are the skill sets of the relevant studios, the game engines the studio has and the consoles it is expert in.
3. Is the intellectual property licence for a single game or a series of games (eg consistent with a series of films)? Will there be options to acquire the rights to develop sequels and what are the financial considerations around sequels (eg are sequels more or less risky)? Are there development savings in sequels??
4. What are the arrangements for associated merchandising and in-game advertising revenue?
5. Access to actors (for character voices, personality rights etc) and whether these rights were secured in their cast agreements. Bringing well known actors to the table is a strong bargaining position.
6. Access to sound tracks and music rights, particularly for well known theme songs will also be an issue for consideration, and access to these rights will also assist in the bargaining position.

**Conclusion**

The game business now exceeds the film business globally and is growing at a much faster rate. Much can be learnt from the business and legal models of the film and television industry to develop Australia’s participation in the big budget game development world.

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(Endnotes)

2. Lucas is a good example of how games, music and movies are starting to merge together, often under the umbrella of the big entertainment companies. Another example (not related to Lucas) is the *Enter the Matrix* game which carried on plot lines developed in the *Matrix* films.
Search Engine Marketing – Click or Trick?

Ken Shiu and Matt Vitins review some of the legal issues associated with search marketing.

The Australian Competition and Consumer Commission’s (ACCC) recent action against search engine giant Google Inc. and the Trading Post for alleged breaches of section 52 and section 53 of the Trade Practices Act 1974 (Cth) (TPA) has fixed a spotlight on new media’s answer to print classifieds and directories – the search engine.

Throughout the evolution of the internet over the last decade, brand owners have embraced and at the same time been reticent over the power and marketing reach of markers. To this end, advertising budgets into online media has in recent times spawned an entire search engine optimisation industry dedicated to devising advertising strategies and campaigns utilising search engines. In Australia, the total annual advertising expenditure in 2007 on search and directories advertising was estimated to be around $622m with the year-on-year growth pattern for this form of advertising over the last 5 years consistently exceeding 50%.

Although much loved by internet users, the commercial services provided by search engines have raised a variety of legal issues for brand managers, advertisers (and indeed, regulators) to consider.

Keyword advertising – Trade Practices Act issues?

The majority of popular commercial search engines provide a facility for advertisers to pay for search terms and incorporate links to nominated sites within the search results returned when users search for those specific keywords. Whilst intended to allow advertisers to bid for popular search terms to link search results to their websites, this facility has not prevented online marketers and advertisers from engaging in the practice of paying for keywords attributable to their competitors’ products or services in the hope of displaying links to their sites above or alongside natural search results. Does keyword advertising for paid placement in a search engine lead to misleading and deceptive conduct in breach of Australian trade practices laws?

In July 2007, the ACCC issued proceedings against the Trading Post in relation to paid search. The ACCC alleged that the Trading Post purchased ‘Kloster Ford’ and ‘Charlestown Toyota’ as keyword triggers for the publication of a Trading Post advertisement. The advertisements included the words ‘Kloster Ford’ or ‘Charlestown Toyota’ as a title line, however, when users clicked on the ad it linked to the Trading Post’s website. The ACCC argued this amounted to misleading and deceptive conduct and a representation that the Trading Post had a sponsorship, approval or affiliation that it did not have, in breach of sections 52 and 53(d) of the TPA respectively.

The ACCC further alleged that Google similarly contravened section 52 of the TPA and is seeking injunctions restraining Google from publishing sponsored links where an association, sponsorship or affiliation does not exist and from publishing search results that do not expressly distinguish paid keyword advertisements from organic search results.

Although this is not the ACCC’s first dealing with complaints involving the Trading Post’s use of Google Adwords, it is its most assertive action to date. No competition regulator in any other jurisdiction has taken formal action against a search engine on misleading commercial conduct grounds and adequate consumer disclosure. The US Fair Trade Commission (FTC) in July 2002 considered the merits of the adequate disclosure of paid search results by various popular search engines of the time following a letter of complaint by a US consumer advocacy group. The FTC took no formal action other than to issue a directions letter to various identified search engine providers to provide ‘clear and conspicuous’ labelling of paid placement listings. As a result of the FTC’s letter, many search engines changed the labelling of their paid search results from descriptive headings such as ‘featured listings’ and ‘products and services’ to more meaningful labels such as ‘sponsored links’ or ‘sponsored results’. In addition, most current search engines also adopt a consistent approach to the use of shaded background (light blue or light yellow) for displaying paid search results in both the right hand sidebar and any results displayed above organic search results. Notably, the ACCC’s action contends that the use of the shaded background by Google is only apparent when viewing the screen at certain angles. The FTC in its explanatory statement also recognised the nascent stage and diversity of online business models underpinning search engines and the consequent need to take a light touch approach. Since that time, as the advertising industry will readily acknowledge, the paid keyword search business model has well and truly been established.

The Federal Court’s determination of the larger issue of whether Google’s (or any other search engine’s) display of sponsored links in these situations fails to adequately distinguish organic search results from paid search results in violation of trade practices law will depend to some extent on the behavioural evidence of search engine users.

The TPA provides certain statutory defences to section 52 and section 53 claims involving publication by information providers or publication of an advertisement in the ordinary course of business. These safe harbour defences are dependent on the extent to which the defendant can satisfy certain statutory definitions and overcome the awareness tests applicable to these statutory defence provisions. It will be interesting to see if the Federal Court is required to consider these TPA safe harbour defences and its approach in the context of new media enterprises.

Keyword advertising – trade mark concerns?

Aside from competition law concerns, the majority of legal attention surrounding keyword advertising has been focused on the question of potential trade mark infringement. In particular, whether it amounts to trade mark infringement when a competitor purchases another company’s trade mark as a keyword. On one view, the practice merely gives consumers more relevant and informative search results. Alternatively, a trade mark owner might reasonably maintain that competitors are achieving unfair mileage from their brands and goodwill as their marks are being used to direct traffic to competitive advertisements. To constitute infringement under Australian law, ‘use’ of a trade mark in relation to the same or similar goods or services to those in which the trade mark is registered must be established. It is unclear whether an advertiser purchasing a keyword is ‘using’ that keyword as a trade mark.

Due to the jurisdictional nuances of national trade mark law, much of the publicised litigation in this area has to date been largely confined to US and French courts with Google as the predominant defendant. However despite available authorities on point, ambiguity persists as different courts have expressed divergent opinions.

Government Employees Insurance Company v Google, Inc. (GEICO) is a notable early decision from a US District Court in Virginia. In this case the GEICO insurance company

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argued that the use of their trade mark as a search term led to related sponsored links appearing in a manner that was likely to confuse consumers as to the source, affiliation or sponsorship of those links. In a bench trial over Google’s motion to dismiss proceedings, Judge Brinkema from the US District Court for the Eastern District of Virginia commented: ‘as a matter of law it is not trademark infringement to use trademarks as keywords to trigger advertising. However, the case proceeded on the more limited question of whether use of the mark ‘GEICO’ in the heading or text of rival advertisements would infringe. The case was settled before this issue was decided. Judge Brinkema further held the insurance company had not produced sufficient evidence to prove that mere use of their trade marks as keyword or search terms would cause a ‘likelihood of confusion’ – the plaintiff had therefore failed to establish sufficient evidence of infringement under the relevant legislation. Subsequent commentary has noted that, although interesting, GEICO was therefore quite fact specific and of ‘little predictive value’. In Rescuecom v Google, Inc. (Rescuecom) the Plaintiff took the argument a step further by claiming that Google’s ‘Keyword Suggestion Tool’ had recommended to competitors that they purchase ‘Rescuecom’ as a keyword which would drive traffic. Here, the US District Court (Northern District of New York) granted Google’s motion to dismiss on the basis that the: 

Defendant’s internal use of the plaintiff’s trademark to trigger sponsored links is not a use of a trademark within the meaning of [the Act], either, because there is no allegation that defendant places plaintiff’s trademark on any goods, containers, displays, or advertisements where its internal use is visible to the public.

Most recently, a more sizeable plaintiff, American Airlines, has taken action against Google on the same argument that the sale of its trade marks as keywords constitutes trademark infringement. Following Rescuecom, Google moved to dismiss on the basis that the sale of a keyword did not constitute ‘use’ for the purposes of US trade mark legislation. In October last year, however, Judge McBryde declined to dismiss proceedings and offered little by way of explanation. The American Airlines proceedings remain on foot. Turning to Britain, in Reed Executive v Reed Business Information (Reed Executive) the defendant company used ‘Reed’ as a Yahoo keyword that would trigger a result for its website ‘totaljobs.com’. The Court of Appeal’s decision in Reed Executive indicates that British courts may give more credit to internet users than plaintiffs asserting trade mark infringement in keyword cases. Jacob LJ commented:

The web-using member of the public knows that all sorts of banners appear when he or she does a search and they are or may be triggered by something in the search. He or she also knows that searches produce fuzzy results – results with much rubbish thrown in. The idea that a search under the name Reed would make anyone think there was a trade connection between a totaljobs banner making no reference to the word ‘Reed’ and Reed Employment is fanciful.

Reed Executive also offers a perspective on the question of use. In Reed Executive, the defendant company incorporated the plaintiff’s trade mark in their website as a ‘metatag’ – invisible information embedded in a web page that assists search engines when compiling organic search results. The Court of Appeal suggested that ‘It may be that an invisible use of this sort is not use at all for the purposes of this trade mark legislation.’ By analogy, purchasing a keyword to trigger an advertisement could also be considered an ‘invisible’ use.

French courts have taken a position that contrasts sharply with any identifiable trend in the US or UK. In 2003 Louis Vuitton brought an action against Google for trade mark counterfeiting, unfair competition and misleading advertising. The basis of the action was that Google had sold Louis Vuitton trade marks as keywords, and that the sponsored links (in some cases) promoted counterfeit LV products. Louis Vuitton succeeded both at first instance and on appeal. Google has played down the significance of the decision, however, releasing a statement asserting proceedings were commenced prior to the implementation of Google’s trade mark policy and the issues raised in the litigation had been dealt with.

It is premature to draw any kind of conclusions from available international case law. The balance of authority indicates, however, that ‘invisible’ use of a trade mark should not amount to infringement – but that a line is crossed where the trade mark actually appears in the sponsored link. Assuming that trade mark rights have been infringed, a further question arises as to whether the breach is the responsibility of the advertiser paying for the keyword, the search engine selling the keyword or both, and in what circumstances.

Click fraud

The term ‘click fraud’ is an industry reference to deliberate human or machine automated clicks on paid banners and hyperlinks, with no legitimate intention of purchasing or interest in the subject of the hyperlink, resulting in the artificial increase of the advertising cost to the advertiser. Disgruntled advertisers have claimed competitors have deliberately used click fraud tactics to deplete their online marketing campaign budgets or click fraud being used by publishers to inflate their revenue and ad rates. The existence of offshore ‘click farms’ set up with manual operators to click online ads have been reported. Click fraud is not unique to search engines and applies to any form of pay per click advertising, however most of the recent high profile legal claims in this area have been directed at search engines in the US.

Unlike the independent audit bodies which exist in the print industry, there is no accepted independent auditor who is readily able to verify click fraud or the level of click fraud rates. An accepted definition of click fraud is itself subject to a lack of industry consensus. The pay per click advertising model by its nature is difficult to reconcile against a measurable outcome (e.g. an actual purchase) unlike credit card chargeback or print audit circulation verification in the offline world.

The ideal online advertising model is perhaps based on ‘pay per action’ (PPA) where advertisement costs are linked to objective actions or outcomes (e.g. customer enquiry, member registration or purchase). Until PPA models are successfully implemented and adopted, online advertisers using traditional pay per click models, will need to understand that they assume a certain level of risk for click fraud and need to assess their return on their online advertising spend on that basis.

Search ranking

All current search engines have their origins in ‘organic search’ – put simply, the use of either automated software search algorithms or manual/selective human ranking to rank the order of relevant web sites based on a proprietary relevance. There have been several well documented attempts by hackers in the past to artificially trick search engines to elevate website relevancy in search results.

This raises the interesting dilemma of the converse issue – the decreased ranking of websites or exclusion of websites from search results altogether (and the revenue impact to website publishers). In 2002, the US Western District Court of Oklahoma dismissed an action by SearchKing Inc claiming that Google had decreased and removed its pagerank on Google search. In 2006, US District Court dismissed a similar action by KinderStart.com against Google on various grounds including violation of free speech, anti-trust law and defamation.

Conclusion

The progress of the ACCC’s action against Trading Post and Google Inc will be keenly watched by all observers in the new media and advertising industries. Irrespective of the outcome, it will be interesting to see whether search engines implement any visual or user notification changes to the screen layout or formatting of their search result pages. Google’s search result layout and paid advertising link labelling is consistent with an almost universal template used by all commercial search engines. Whether the outcome will influence the design of emerging mobile search services which in some cases are constrained by the reduced screen real estate of mobile consumer devices remains to be seen.

Underlying the legal debate is the common
policy thread which emerges across the large majority of infringement actions in the online industry – to what extent is the online service provider (whether ISP, search engine, social network, peer to peer network) liable for or contributory to the infringement? In the copyright sphere, courts and legislators have recognised the degree that service providers implement technology screening measures or engage in active manual policing as relevant factors for consideration of relief from liability. It will be interesting to see whether self policing factors will come into play or be considered by the Federal Court in the ACCC proceedings.

Whatever the decision of the Australian courts, search engines will continue to play a vital role in the internet ecosystem and their role as a router for consumer internet traffic will no doubt evolve further. Where consumers go, advertisers will always follow. For advertisers, brand owners, content providers (and their marketing agencies) it would be prudent to avoid purchasing keywords which are trade marks of their competitors as part of any online campaign, and to conduct routine monitoring and registering their own trade marks on leading search engines as part of an integrated intellectual property portfolio management policy alongside similar practices for managing domain name registration.

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(Endnotes)
2 Ibid. For the 12 months ended 30 December 2007, search and directories ad spend was $622m (46%), general online display ad spend was $367m (27%) and online classifieds ad spend was $356m (27%).
3 ACCC v Trading Post and Google Inc. (No 1323/2007) Statement of claim (filed 11 July 2007) paragraph 16(c).
6 Adwords is Google’s paid keyword search advertising service. In 2005, Stickybeek Australia Pty Ltd alleged that the Trading Post had purchased the word ‘stickybeek’ on Google Adwords to ensure that a link to the sponsored links section next to Google’s natural search results for ‘stickybeek’. Following an ACCC warning letter that Trading Post’s actions may be in breach of ss 52 and 53(d) of the TPA, the Trading Post agreed not to use competitors’ names and trademarks in sponsored link advertising. See: ‘Trading Post changes its Internet Marketing After ACCC Investigation; Media Release MR 150/05 (17 June 2005). In 2006, Acer and Toshiba claimed Dell was registering ‘acer notebook’ and ‘toshiba notebook’ for sponsored link placement in searches on Google Australia. See: Simon Hayes ‘Rivals ring the bell on Dell ads’ The Australian IT (18 July 2006).
7 Available at http://www.ftc.gov/os/closings/staff/commercialalertletter.shtm
8 Trade Practices Act 1974 (Cth) s65A. Section 65A excludes statements made by a ‘prescribed information provider’ (with special reference to media broadcasters) but do not apply to advertisements.
9 Trade Practices Act 1974 (Cth) s85(3), Section 85 provides a defence for Part V claims (including ss 52 and 53(d)) where the defendant publishes advertisements in the ordinary course of its business and can demonstrate they were not aware or had reason to suspect that publication of the advertisement would be in breach of Part V of the TPA.
Risk Issues for Web 2.0 – To Block or Not to Block Facebook

Nick Abrahams and Robert Rudolf look at how organisations might respond to Web 2.0 in the workplace.

With the enormous surge in popularity of social networking programs such as Facebook and MySpace, employers are nervously looking at the ramifications of the use of such applications at work. Employers worry that employees will be negatively distracted by online activities. Given the interactive nature of the ever-expanding development and reach of Web 2.0 applications, companies must consider how to best address such concerns, hopefully without upsetting employees in the process.

What is Web 2.0?
Web 2.0 is the general term used to describe a second generation web-based communities and hosted services such as social-networking sites, wikis, and blogs, which aim to facilitate creativity, collaboration, and sharing among users.1 This includes applications that allow the content to be generated by the user, such as MySpace, YouTube, Facebook and virtual worlds like Second Life.

MySpace is reported to be the most popular Web 2.0 application, with 100 million users worldwide, followed by Facebook with 60 million.2 The recent uptake of Web 2.0 applications in Australia has been nothing short of phenomenal. Neilson Online statistics show that one third of all profiles created by Australians are on social networking sites occurred in the past three months with close to two thirds created in the past year.3

Why all the fuss?
Web-based social networking applications allow users to create personal profiles, online identities and interact with friends, colleagues and other users all over the world. The reach of these applications is great, unlike the time taken to reach an audience. The now infamous Leave Britney Alone YouTube clip created by internet ‘personalty’ Chris Crocker was viewed over 4 million times in the first two days after being posted by its creator.4 The video has been viewed nearly 17 million times since being uploaded in September 2007, and has attracted over 240,000 user comments.5 Web 2.0 applications not only have a personal appeal. Many companies, such as Intel and IBM have cottoned on to the power of Web 2.0 applications and have established presences in the virtual world of Second Life to conduct cost effective meetings with employees in different countries and to demonstrate products to customers.6 Telstra’s Bigpond is in fact the largest global brand in Second Life.7

Why the cause for concern?
There are legal risk issues for an organisation allowing the use of Web 2.0 applications in the workplace. Key areas of concern include:

Copyright: under Australian copyright law, an organisation may be liable for copyright infringement by directly infringing a copyright owner’s rights, or by authorising the infringing acts of an internet user’s activities.8 If a Court determines that an organisation had the power to prevent the infringing activities of its employees and failed to take reasonable steps to avoid such infringement, the organisation may be considered liable.

Defamation: an organisation may decide to monitor the activities of its employees’ use of Web 2.0 applications. An employer may be liable for the defamatory content of an employee’s work related Web 2.0 applications if it becomes aware of defamatory content and fails to take measures to take down the content or address the issues. Furthermore, if an organisation is seen as the ‘publisher’ of defamatory material, it will generally be held liable for such defamatory content.

Privacy: a user’s personal pages of their MySpace or Facebook sites should be treated carefully by employers. An organisation should never use Web 2.0 applications such as Facebook or MySpace to ‘screen’ potential employees by reference to their personal sites. Such pre-employment checking may only open the company up to the risk of being sued for breach of privacy or discrimination. It should also be noted that the use of Facebook by an organisation for this purpose is a breach of Facebook’s terms and conditions which allow only personal, non-commercial use. Termination of employment.

2. ‘Web 2.0’ defined by Pundit2.0
3. Neilson Online
5. ‘Chris Crocker’ MySpace
6. Telstra’s Bigpond
7. Second Life
due to an employee’s personal activity on social networking sites must be carefully considered as the activities may not be sufficiently associated with the individual’s work performance.

Vicarious legal liability for an employee’s actions is not the only concern organisations have with Web 2.0 applications. There have been several recent reports of employee productivity being affected by social-networking site use in the workplace during business hours. It has been estimated that if an employee spends an hour each day on Facebook, it could cost a company more than $6200 a year and Australian business as a whole $5 billion annually. Another major factor to consider is the drain on network performance by employees viewing video content.

**What can we do about it?**

To block or not to block? This is likely to be a familiar concern for any organisation when it comes to identifying ways in which to minimise potential liability for employee’s Web 2.0 activities or to address productivity or network performance issues in the workplace. Indeed, the trend of blocking or limiting employee access to Web 2.0 applications in the workplace seems to be increasing, with 36 per cent of Australian and New Zealand social networking users reporting that access to sites at work is limited in some way. Latest figures indicate 15 per cent of Australian organisations have blocked Facebook.

Short of blocking or restricting access to Web 2.0 applications in the workplace, organisations should at the very least implement employee policies and procedures for use of these applications at work.

Suggested employee policy terms include:

- allow employees to use Web 2.0 applications through the organisation’s internet network in a limited reasonable way, but caution that such use should not interfere with the business functions or processes or hinder the fulfilment of an employee’s workplace obligations;
- employees should be instructed to ensure that the disclosure of the Company’s intellectual property and confidential information does not occur;
- employees should never purport to speak on behalf of an organisation via social-networking sites without prior approval by the organisation. Policies should indicate that use of all Web 2.0 applications is use by an employee in their individual capacities and that the individual employee is personally liable for his/her own activities;
- organisations should advise employees to always use Web 2.0 applications in a lawful manner, which includes complying with the terms and conditions of the relevant Web 2.0 application; and
- policies should state that the organisation may monitor use of Web 2.0 applications at work and, if access to Web 2.0 applications impacts negatively on the organisation’s business or processes, or if employee productivity is seen to be adversely affected by use of such applications at work, access to such programs may be terminated at the discretion of the organisation.

Policies should make it clear that failure to follow the policy can result in termination of employment.

**Conclusion**

Web 2.0 is here to stay and it is generally poorly received by employees when employers block access to sites. Global law firm Allen & Overy had to do a backflip recently. Due to network performance impact, Allen & Overy blocked Facebook, but were forced to unblock the site after massive complaints from staff. In order to maintain relationships with employees, organisations need to consider the alternative of reasonable use policies rather than blanket bans.

**Endnotes**

8 Copyright Act 1968 (Cth) s36.
Are You With Us or What? The Use of Personal Images Online

Pam Foo considers whether Australian law protects against the unauthorised use of personal images on the internet.

The popularity of sites dedicated to user-generated content such as YouTube, Flickr and MySpace has resulted in a vast proliferation of unmonitored material being uploaded online. Conversely, the limitless boundaries to transmitting information facilitate the ability for users internationally to be informed of material uploaded, particularly where material is personal. The Virgin Mobile case, discussed below, is a prime example. Jurisdictional issues aside, this article considers the relevant legal areas pertaining to this case in the context of Australian law and considers the applicability of privacy, defamation, trade practices and copyright law. In addition, options for creating a relationship of responsibility between downloaders and the repositories of user-generated material will be discussed. The increased visibility of online content exacerbates the need for legal reform to provide protection to internet users and the public against unauthorised use of their personal images. In lieu of reform, repositories should contemplate what responsibility they have towards persons featured on their sites.

The ‘Are you with us or what?’ campaign

The Australian team of the multinational company Virgin Mobile attracted considerable controversy recently for using Flickr photographs in an extensive advertising campaign without obtaining permission from the photographer or the person featured in the photograph. The ‘areyouwithusorwhat?’ campaign appeared online and was advertised across billboards throughout Australia. The campaign used royalty-free photographs from the online repository Flickr accompanied with disparaging comments, often about the subject of the photograph. In one, the photograph of a minor appeared with the tagline ‘Dump your pen friend’. Internet users alerted the minor’s family to the situation on various online forums. A lawsuit has since been filed on behalf of the minor in a Texas court where the plaintiff resides. Consequentially, the action will be determined under US law. It is also worth considering the applicable law from an Australian perspective.

Privacy

Federal privacy law protects ‘personal information’, defined under the Privacy Act 1988 (Cth) (Privacy Act), as any information from which a person’s identity is reasonably ascertainable, such as a photograph. The Privacy Act requires businesses with over 50 employees to comply with the National Privacy Principles (NPPs). The NPPs outline policies that businesses must follow when collecting and disclosing personal information. For instance, when collecting personal information, an organisation must obtain a person’s consent to disclosure for certain stated purposes. However, the NPPs are designed mainly for entities collecting personal information and envisage the situation where the agency collecting personal information is responsible for the disclosure.

Presuming Virgin Mobile is subject to the NPPs, they would have been obliged to take reasonable steps to inform the individual that they were in possession of their personal information and obtain the consent of the individual concerned before making any disclosure. In this case the photograph was already public. Any cause of action would be for the lack of consent to the use of the photograph in a derogatory advertising campaign. In this situation privacy law provides little protection. The remedies available to complainants are also limited. Complainants must initially address their complaint to the disclosing entity. Only after no satisfactory outcome has been reached between these two parties, can a complaint to the federal Privacy Commissioner be made to assist in conciliation.

The law in Australia does not provide an absolute right to privacy. However, the case of ABC v Lenah Game Meats left open the possibility for the development of a common law privacy tort. The relevant test expressed in this case for whether an action under tort would exist was where ‘disclosure or observation of information or conduct would be highly offensive to a reasonable person of ordinary sensibilities’. Essentially, the tort would apply where the information disclosed is of a private nature. As the Virgin Mobile case concerned a publicly available photograph, it is difficult to argue that the mere fact of disclosure caused harm to the plaintiff. The action would be more likely to concern the unauthorised use made of the photograph which would not necessarily be protected under privacy law.

The Australian Law Reform Commission (ALRC) is currently conducting a review of privacy law and has put forward various proposals, including whether a right to privacy should exist under Australian law. In particular, the ALRC notes the issues associated with privacy in the electronic environment. One mechanism proposed is a take-down notice scheme, such as that under the Broadcasting Services Act 1992 (Cth). This would operate for instance where the personal information is displayed on a website hosted by an Australian internet service provider. A complainant could issue a notice for the removal of such information. Even if enacted, such a mechanism would only be available where the offensive disclosure has already occurred and not necessarily prevent an organisation from using an individual’s personal information.

A separate review conducted by the Standing Committee of Attorneys-General (SCAG) in 2005 considered: ‘Unauthorised photographs on the internet and ancillary privacy issues’. A major issue noted in the discussion paper was balancing the ability of people to take photographs in public places with prohibiting offensive uses of such photographs. While this review acknowledged that the main concern was the consequential use to be made of photographs rather than the initial capturing of the image, the main focus was on ideological reasons as to whether such images are acceptable to minors. Although still an ongoing issue on the SCAG agenda, Victoria’s response to the review and the tacit view taken by other states was that existing state and commonwealth criminal law was adequate to cover improper use. Criminal offences protecting persons against inappropriate use of their photographs in sexual contexts would not apply to the innocuous use of the photographs in the Virgin Mobile case.

Despite the limitations of domestic privacy law, as a party to the International Covenant on Civil and Political Rights, under Article 17 Australia should provide protection against unlawful interference with privacy. Substantial reform of privacy law in Australia is consequently forthcoming. The lack of a right against invasion of privacy distinguishes any action under Australian law from that of US law. The plaintiff in the Virgin Mobile case relies heavily on the implied right in the US Constitution of a right to privacy as determined under a number of cases. As an absolute privacy right does not exist under Australian law, plaintiffs in situations similar to that in the Virgin Mobile case may have to rely on common law tort doctrines.

Defamation

Defamation law in Australia has been the subject of national reform to achieve general consistency across the states and territories. Under the common law a plaintiff must show that the publication of defamatory matter by the defendant is likely to:

• injure the personal reputation of the plaintiff by exposing them to ridicule;
• tend to cause the plaintiff to be shunned or avoided; or
• lower the regard of the plaintiff in the estimation of others.

Where publication occurs online, an action can be taken in any jurisdiction where the material can be fully downloaded. Depending on where the action is brought, relevant state or territory legislation applies.

As Virgin Mobile advertised the campaign on their website, an action could be brought against them in any forum where the material had been accessed. The plaintiff must show that the publication contained an innuendo from which a defamatory imputation may be inferred or implied. For instance, it can be argued that the photograph together with the derogatory slogan ‘Dump your pen friend’ suggests that the plaintiff was a geeky teenager far below the social status of Virgin Mobile users. Arguments could be made that this imputation is defamatory and damages the plaintiff’s esteem in the mind of the ordinary person. Although mere words that cause the plaintiff annoyance will not necessarily be defamatory, it is arguable that being a minor the plaintiff is of a sensitive age and more susceptible to embarrassment. The plaintiff’s petition in the Virgin Mobile case states that the minor suffers daily humiliation from her classmates and youth group members. The extent of the publication’s audience will also be considered. Although the campaign was advertised in Australia, the highly visible nature of the internet and the Flickr community gave the publication widespread exposure.

The Plaintiff may not have actually been defamed, however. The statement in the advertisement was not necessarily made about the plaintiff, being more a general slogan designed to promote the product. This does not necessarily lower the plaintiff’s reputation. It would be difficult for the plaintiff to satisfy the test for defamation. Defamation actions are also notoriously complex and procedurally burdensome. Ordinary people would generally not have the resources to proceed with a defamation action, particularly against an organisation as large as Virgin Mobile. The ability for the plaintiff to succeed against Virgin Mobile under defamation law is highly questionable.

**Trade practices**

Certain provisions of the *Trade Practices Act 1974* (Cth) (*TPA*) are designed to provide protection against unethical commercial practices by corporations. For instance, section 52 provides that a corporation must not engage in misleading or deceptive conduct. In *Telmax Pty Ltd v Telstra Corporation Limited* Kieran Perkins successfully claimed that by using his name and photograph in an advertisement, Telstra had misrepresented to the public that he endorsed their company. Consequently the false use of a person’s image to signify endorsement is misleading conduct. The plaintiff might make the argument that by using her photograph, Virgin Mobile were representing that she had been engaged by them to appear in the advertisements when in fact she was unaware that her photograph was being used. However such a case would need to demonstrate that this erroneous assumption is likely in the mind of the ordinary consumer. A misleading and deceptive conduct argument is difficult where the defendant has not represented that the plaintiff is associated with their products.

Alternatively false representations are prohibited under section 53(c) of the *TPA* which provides that a corporation must not ‘represent that goods or services have sponsorship, approval, performance characteristics, accessories uses or benefits they do not have’. The photograph does not picture the plaintiff endorsing Virgin Mobile. In fact, to the contrary, the advertisement distinguishes the plaintiff from the image being created by Virgin Mobile. While actions under the *TPA* do not necessarily require that the plaintiff have a certain reputation, the protection provided envisages a situation where deceptive conduct by the defendant regarding plaintiff endorsement deceives the consumer. Trade practices law would be unhelpful to the Plaintiff in the Virgin Mobile case.

**Copyright**

The photograph database Flickr allows users to apply a Creative Commons (CC) licence to their material should they choose. The plaintiff’s photograph was provided under a CC ‘attribution’ only licence effectively allowing Virgin Mobile to use the photograph commercially. By applying this licence, the copyright owner, being the photographer, had assigned their rights under copyright law, requiring only that anyone reproducing the photograph attribute it under the terms of the licence. The petition in the Virgin Mobile case joins the photographer as a plaintiff and alleges that Virgin Mobile breached the terms of the Attribution 2.0 licence by failing to attribute the photograph to him. The advertisements featured only a link to the Flickr page where the photographs were hosted and did not personally acknowledge the photographer. The photographer is also taking action against CC (the organisation) by alleging that CC failed to properly educate him about the legal effect of the licence, in particular, the meaning of commercial use and ramifications and effects of entering into a licence allowing such use.

Under the *Copyright Act 1968* (Cth) a copyright owner has certain exclusive rights in relation to their material, including the right of reproduction and communication to the public. Copyright is infringed where another
person performs those exclusive rights in relation to protected material without the permission of the copyright owner. Virgin Mobile was able to use the photograph without infringing copyright law due to the application of the CC licence on the photograph. This licence represented the copyright owner’s permission for users to exploit the material in any manner, providing the copyright owner was attributed. No action is available against Virgin Mobile under copyright law. Whether the photographer has grounds for arguing that Virgin Mobile breached the terms of the licence by failing to attribute it is a separate contractual matter.

If a CC licence had not been applied to the material, the photographer would have been able to assert that Virgin Mobile should have obtained permission to reproduce their material, particularly commercially in an advertising campaign. Asserting copyright is an effective method of ensuring that permission is obtained to use material. To protect against unauthorised use, reserving such a right in the digital age is crucial due to the ease with which technology allows such material to be reproduced. In a similar case involving Flickr photographs, a copyright claim allowed Rebekka Guðleifsdóttir to take action against print-selling company Only-Fram. She argued that the repository association with downloaders can assist in avoiding negligence claims against repositories by ensuring that steps were taken to define authorised uses of content.

Such legal developments should parallel growing awareness of how technological advances can assist to protect against unauthorised use of material. Arguing digital rights management or technological protection measures to content can physically prevent unauthorised reproduction of material. Until a definitive legal basis is settled, wary internet users may have to utilise technological measures to prevent subsequent use of their material.

Conclusion
The lack of an authoritative basis in Australian law upon which a person can prevent unauthorised use of their personal information is disconcerting due to the increasing prevalence of communications technology. Current Australian law does not ensure adequate protection against unauthorised use of personal images. Despite whatever reforms are made, legal action is costly for the average person. User-generated repositories can constitute legal reform by instituting clearly defined terms and conditions between uploaders and downloaders. Ensuring contractual agreements which are not subject to stringent obligations will place the onus on repositories to assist against unauthorised use of personal images.

This essay won the 2007 Communications and Media Law Association Essay Prize.

(Endnotes)

Endnotes for page 1 article: “User Generated Content and Copyright”

6. Yochoi Benikier, Wealth of Networks (2006), 91


Copinger and Skone-James, [9-19]


Copyright Act 1968 (Cth) section 112; [105] Ricketson and Creswell (1968).

23 Laddbroke (Football) Ltd v William Hill (Football) Ltd [1964] 1 All ER 465 (HL).

49 s 32(1); Donohue v Allied Newspapers Ltd [1938] Ch 106.

25 Sam Ricketson, WIPO Study On Exceptions & Limitations To Copyright In The Digital Environment (WIPO Document Number SCCR/9/7, April 5, 2003), 78 (WIPO Study) who believes that a proposed exception on the basis of their now existing a new ‘digital environment’ (or even a less precise ‘public interest’) would not withstand scrutiny against each of the three steps.


54 Copyright Act 1968 (Cth) s 132
56 Interestingly, the question of whether direct acts of infringement need first be proven for authorisation to be found was a question in Sharmar that Justice Wilcox did not ‘find’ it necessary to reach a conclusion about: [365]. The issue thus appears to remain at large.
57 Although unfortunately beyond the scope of this article, consideration should be given to the degree to which the new fair dealing exceptions for the purposes of parody and satire (ss 41A and 103AA) might assist persons similarly disposed as Mr Atkin – especially given the sections are not drafted so as preclude reliance thereon merely because a commercial again is effected by the taking, although it could be that its ‘commercial’ nature sufficiently colours the taking as prima facie not fair’. Hubbard v Vosper [1972] 2 Q.B 84 (CA) (Denning LJ); see further Melissa de Zwart ‘Australia’s Fair Dealing Exceptions’ in Andrew T Kenyon (ed), TV Futures: Digital Television Policy in Australia (2007) 166 (de Zwart, Fair Dealing); note also, that questions of infringement notwithstanding, as a consequence of Atkin’s publicity he has since been retained by the ABC to produce further satirical ‘mash-ups’ for its own Unleashed website <http://www.abc.net.au/ unleashed>
58 Copyright Act 1968 (Cth) s 86C
59 Copyright Act 1968 (Cth) s 87(c); TCN Channel Nine Pty Ltd v Network Ten Pty Ltd [2002] FCAFC 146 [10] – [13]
60 Copyright Act 1968 (Cth) s 85(1)(a)
61 Copyright Act 1968 (Cth) s 85(1)(c)
62 Copyright Act 1968 (Cth) s 31(1)(a)(i)
63 Copyright Act 1968 (Cth) s 31(1)(a)(iv)
64 See, for example, the Fan Fiction website <http://www.fanfiction.net/> where fans of popular authors, their stories and characters, reinterpret them into new and novel plots and adventures. A popular source of fan fiction has been, unsurprisingly, the tales and characters in J.K. Rowling’s Harry Potter novels: see <www. fictionalley.org>.
65 see text surrounding note cloxi
67 Campbell, 577-78, the doctrine of fair use ‘is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis.’
69 (i) the purpose and character of the use (ie whether the use is ‘transformative’), (ii) the nature of the original copyright work, (iii) the amount and substantiality of the portion used, and (iv) effect of the taking on the market for the original work: 17 U.S.C. § 107 (2000)
70 Campbell, 579, the more ‘transformative’ the new work is, ‘the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.’
72, see, for example, EC Directive on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society (2001) 3 de Zwart, Digital Age, 91
73 Copyright Act 1968 (Cth), s 22(6), a communication other than a broadcast is taken to have been made by the person responsible for determining the content of the communication.’
74 Cooper [74] who said it is ‘artificial in the extreme to suggest that the person or body who facilitates access from the website to a remote site and provides a trigger which enables sound recordings to be downloaded from that remote site is responsible for the content of the communication from the remote website.’
75 Sharmar [362]
76 Cooper [49], [56]; see Copyright Act 1968 (Cth) s 85(1)
77 Copyright Act 1968 (Cth), s 10(1) (emphasis added); see also, Kabushiki Kaisha Sony Computer Entertainment v Stevens [2002] FCA 906, [137] Sackville J
79 Internet and E-Commerce Law, 194-195
80 Perfect 10 affirming Kelly v Ariba Soft Corp. 336 F.3d 811 (9th Cir. 2003)
81 Perfect 10, 15467, that ‘a computer operator does not display a copy of an image when it communicates only the HTML address’.
82 Perfect 10, 15468 [11]
83 Perfect 10, 15471 [12]
84 Asher Moses, ‘Music industry opens new front on piracy.’ Sydney Morning Herald (25 April 2008) who quotes Telstra BigPond as saying ‘we are a mere conduit and are protected as such under the Copyright Act.’
86 Enacted by the US Free Trade Agreement Implementation Act 2004 (Cth) to harmonise with DMCA § 512 and requires that CSFs have effective ‘notice and takedown’ procedures and also abide by certain other qualifying conduct
88 Electronic Commerce (EC Directive) Regulations 2002, Regulation 2(1) defines a ‘service’ as ‘any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.’
89 Coper and Skone-James, [2-104]
90 A CSP is defined by reference to the meaning prescribed by Telecommunications Act 1997 (Cth.) s 87 as being a person who ‘supplies a carriage service to the public’. A UGC website would not ordinarily answer this definition.
91 Perfect 10, Inc. v. CBSII 481 F.3d 751 (9th Cir. 2007), [56] that ‘Service providers are immune for transmitting all digital online communications, not just those that directly infringe.’
92 O’Brien and Fitzgerald, 5
93 See Matthew Rimmer, ‘Copyright laws caught up with the web Viacom International v. YouTube’, ABC News Opinion (Friday, May 4, 2007) < http://papers.ssm.com/sol3/papers.cfm?abstract_id=998706> who says that ‘there is a pressing urgency in Australia’s anachronistic copyright laws. At present, the safe harbours regime is limited to telecommunications carriers and Internet service providers; search engines and Web 2.0 sites cannot benefit from such immunities.’
94 Lexis-Nexis, Communications Law and Policy in Australia, (2007) [46,890] and [46,700]; Foxtel Management v Australian Video Council (2000) FCA 589 held that a ‘service’ may simultaneously be a ‘listed carriage service’ and a ‘content service’ for the purposes of regulation under the Telecommunications Act.
95 Broadcasting Services Act, Schedule 5, Cl 91 provides certain ‘reasonable’ indemnities against liability under state or territory laws on the basis of their being ‘mere conduits’. ISPs and ‘internet content hosts’ are not required to ‘monitor, make inquiries about, or keep records of’ internet content to the extent they are unaware of the content transmitted; Broadcasting Services Act, Schedule 7, Cl 5 provides a ‘safe-harbour’ in the following forms: ‘an internet content service merely because the person supplies a carriage service that enables content to be delivered or accessed;’ see also ss 85ZEB Crimes Act 1914 (Cth) which removes any obligation on the ISP and ICs to proactively screen for criminally ‘offensive’ uses.
96 OECD Report, 50
97 Cubby Inc. v. Compuserve, Inc., 776 F. Supp. 135, 138-41 (S.D.N.Y. 1991); Religious Tech. Ctr. v. Netcom On-line Communications Service, Inc., 907 F. Supp. 1361, 1372 (N.D. Cal. 1995) where it was held that an ISP was not a direct infringer because it ‘did not take any affirmative action that directly resulted in copying plaintiff’s works other than by installing and maintaining a system whereby software automatically forwards messages received from subscribers . . . and temporarily store copies on its system.’
98 106  See, for example, Uniform Defamation Act 2005 (NSW), s 32 affords a statutory defence of ‘innocent dissemination’ for ‘subordinate distributors’ who provide a ‘communications system that transmits the material of another person and the operator or provider has no effective control,’ UK Defamation Act 1996 s 1 - defence of ‘innocent dissemination’.
99 Copyright Act 1968 (Cth) s 116 AF - Category D activity; s 116A(1), Item 5, Condition 2A which states that ‘the carriage service provider does not, in an action relating to this Division, bear any onus of proving’ that copyright material is infringing (emphasis added); 17 U.S.C. § 512(c)(1); as to position in the UK see Copinger and Skone-James, [2-114]
108 See Viacom v YouTube Defendant’s Answer, where YouTube claims that ‘Google and YouTube respect the importance of intellectual property rights, and not only comply with their safe harbor obligations under the DMCA, but go well above and beyond what the law requires.’

109 Loopnet, 550, where it was held that to establish direct liability ‘something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal infringement that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.’

110 Twentieth Century Fox Film Corp. v. Cablevision Systems Corp., 554 F. Supp. 2d 607 (S.D.N.Y. 2007) which distinguished the defendant from the role played by a ‘mere conduit’ ISP when it held that the permanent storage of copies of unauthorized copyrighted work on the defendant’s server constituted direct infringement.

111 Sharman [401]

112 Copyright Act 1968 (Cth) s 101

113 WEAI International Inc v Hanimex Corporation Ltd (1987) 17 FCR 274, 281 (Gunnjow J) (Hanimex)

114 Copinger and Skone-James, [7-132]

115 University of New South Wales v Moorhouse (1975) 133 CLR 1, 12 (Gibbs J) (Moorhouse)

116 Ginsburg and Ricketson, 11

117 City of Adelaide v Australasian Performing Right Association Ltd (1928) 40 CLR 481, 490-491 (Innes J) (Adelaide)

118 Moorehouse, 12 (Gibbs J)

119 Australasian Performing Right Association Ltd v Jain (1990) 18 IPR 663, 667 (Jain) noting ‘it could not be inferred that a person had, by mere inactivity, authorised something to be done if he neither knew nor had reason to suspect that the act might be done.’

120 Copyright Design and Patent Act 1988, s 97A and 191A allow the UK High Court to grant an injunction against a service provider which has ‘actual knowledge’ of copyright infringement; see Tania Aplin, ‘Copyright Law in the Digital Society: The Challenges of Multimeda,’ (2005) 156; Copinger and Skone-James, [2-109]

121 Cooper Appeal [41] Branson J

122 Adelaide, 487

123 Ricketson and Creswell, [9.605]

124 Explanatory Memorandum to Copyright Amendment (Digital Agenda) Act 2000, Item 39

125 Copyright Act 1968 (Cth) s101(1A): (a) the extent (if any) of the person’s power to prevent the doing of the act concerned; (b) the nature of any relationship existing between the person and the person who did the act concerned; (c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

126 Cooper [81]


128 Sharman [395]; Cooper Appeal [19]

129 [416]

130 Explanatory Memorandum, Digital Agenda Act explained that the ‘new clause 112E has the effect of expressly limiting the authorisation liability of persons who provide facilities for the making of, or facilitating the making of, communications.’

131 Sharman [394]

132 Sharman [418]; Cooper [99]; Cooper Appeal [31] and [152]

133 Sharman [399]

134 Sharman [399]; Cooper [402] where his Honour explained that ‘although s 112E provides that the provision of facilities is not enough to constitute authorisation, such provision is a matter relevant to the “nature of the relationship”; the phrase “nature of the relationship” referring to paragraph (b) in s 101(1A).

135 Cooper [99]

136 Sharman [401]

137 Sharman [194]

138 Sony Corp. v Universal City Studios 464 U.S. 417, 418

139 Jeffrey Lee ‘The ongoing design duty in Universal Music Australia Pty Ltd v Sharman License Holdings Ltd – Casting the scope of copyright infringement even wider’ (2007) 15(3) International Journal of Law and Information Technology 275, 284

140 Ginsburg and Ricketson, 23

141 Grokster 934-5

142 Ginsburg and Ricketson, 23

143 Ginsburg and Ricketson, 15

144 A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1020 (9th Cir. 2001)

145 Buckley, 258

146 Sharman [405]; Cooper Appeal [152] Kenny J

147 Sharman [406]

148 Sharman [411] and [414]

149 Sharman [404]; Cooper Appeal [48] Branson J; [170] Kenny J

150 Sharman [407]; Cooper Appeal [51] Branson J; [151] Kenny J

151 Cooper [107] Tamberlin J said that even if the ‘safe harbour’ scheme had been in force at the time, the respondent CSP would not have been ‘safe harbour’ scheme had been in force at the time, the respondent CSP would not have been entitled to its protection because ‘despite the respondents’ awareness that copyright material was likely to be infringed, they [had] not taken any steps to implement … a policy that provides for termination, in appropriate circumstances, of the accounts of repeated infringers.

152 Copyright Act s 116AH(1), Category C, Condition 1, which provides that protection under Division 2AA only arises if a CSP does ‘not receive a financial benefit that is directly attributable to the infringing activity.’

153 Grokster, 937-940

154 OECD Report, 25


156 Alan Friel ‘Harnessing Creativity Or Creating Liability?’ (2007) 5(11) Internet Law & Strategy

157 Buckley, 259

158 for example, the terms and conditions of a new Sydney Morning Herald website – the Vine < http://www.smh.com.au/ - makes explicit reference to the holding in Sharman and Cooper with regard to ‘communication’ when it states, inter alia, ‘we will not be taken to have uploaded, posted, transmitted or otherwise made Material available on the Site simply by facilitating others to post, transmit or other make Material available.’ Such contractual agreement notwithstanding, the extent to which such language is able, as a matter of law, to exclude the website from the authorisation claims of third parties is a matter of conjecture.

159 See, for example: CNN International, ‘CNN Interactive Service Agreement (2005) [http://edition.cnn.com/cnnedition/service_terms.html] [7] Monitoring: ‘CNN shall have the right in its sole discretion to edit, refuse to post or remove any material submitted to or posted on CNN Interactive’; Walt Disney Internet Group, Terms of Use (November 2006) [http://disneygo.com/corporate/legal/terms.html] [6] Public Forums and Communications: ‘we reserve the right to screen, refuse to post, remove or edit User-Generated Content at any time and for any or no reason in our absolute and sole discretion without prior notice, although we have no duty to do so to or monitor any Public Forum.’

160 Justice Kirby, Computers and the Law, 12

161 see Julius, Stone, Precedent and Law: Dynamics of Common Law Growth (1985)

162 Internet and E-Commerce Law, 214

163 Cooper, [80] citing Gummow J in Hanimex, [48]

164 Cooper Appeal [40] Branson J

165 Submission to Senate Legal and Constitutional Affairs Committee, Provisions of the Copyright Amendment Bill 2006, Parliament of Australia, Canberra, 30 October 2006 (Google), 7, in which Google submitted that ‘given the vast size of the Internet it is impossible for a search engine to contact personally each owner of a web page to determine whether the owner desires its web page to be searched, indexed or tracked.’ Furthermore if ‘such advanced permission was required, the Internet would promptly grind to a halt.’<http://www.aph.gov.au/senate/committee/legcon_ctte/copyright06/submissions/sub12.pdf>

166 See generally, Yochai Benkler, Wealth of Networks (2006)

167 OECD Report, 12, which states that YouTube is now ranked the number four web site in the world. A study by Nielsen NetRating shows that in the UK UGC platforms for photo sharing, video sharing and blogging are among the fastest growing Web sites. In the US, UGC sites comprised five out of the top 10 fastest growing Web sites in July 2006 to 46 million unique visitors in July 2006


170 See text surrounding note xxv; see also Lawrence Lessig ‘Is Google Book Search ‘Fair Use’?; YouTube (January 15, 2006) <http://www.youtube.com/watch?v=5l2nrbmBQXg>


172 Ricketson, Boundaries Of Copyright, 94


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