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The Australian Sony PlayStation Case and the Implementation of the Australia-US Free Trade Agreement (AUSFTA)

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Introduction

In October 2005 the Australian High Court in *Stevens v Kabushiki Kaisha Sony Computer Entertainment*¹ held that a modification chip for a Sony PlayStation was not a circumvention device because it was not being employed to circumvent a technological protection measure. The great significance of this judgment is that it chose an interpretation of the law that guaranteed the liberty of digital consumers over an interpretation that would have allowed large corporate actors to increasingly restrict the way we consume knowledge and culture. It has been celebrated widely as one small, yet vitally important step, towards building a “constitutionalism” – a fair and just balancing of power relations - for a digital world whose landscape has been heavily shaped by (private sector) intellectual property owners.

In August 2005 the Australian Parliament through its House of Representatives Standing Committee on Legal and Constitutional Affairs (LACA) commenced an inquiry into the implementation of Art 17.4.7 of the Australia-US Free Trade Agreement (AUSFTA) which requires Australia to amend its anti-circumvention law in order to bring it into line with US anti-circumvention law. A key question is to what extent the AUSFTA amendments, to be legislated no later than 1 January 2007, will make the reasoning of the Sony Case redundant. The recommendations of LACA in its *Review of Technological Protection Measures Exceptions Report* of February 2006 suggest this will not be the case, although the issue is yet to be settled.

This paper outlines the reasoning in the Sony Case and then assesses its lasting impact in light of the LACA Report and the imminent implementation of art 17.4.7 of the AUSFTA. It suggests that the wording of the AUSFTA and recent case law in the US will place significant pressure on the Australian Parliament to ensure any amended anti-circumvention regime is clearly linked to copyright infringement and not an open ended notion of ‘access control’. In a knowledge economy, where the distribution and consumption of content is vital to economic, social and cultural advancement there is little sense in a legal regime that unnecessarily stifles access to knowledge

The Australian PlayStation Case: Kabushiki Kaisha Sony Computer Entertainment v Stevens²

Eddie Stevens who was involved in the computer games industry in Sydney was sued by Sony pursuant to the anti-circumvention provisions of the Australian Copyright Act for modifying the Sony PlayStation (PS) computer games platform or console to allow it more functionality. In particular Sony argued that Stevens had breached s 116A of the *Copyright Act 1968* in that he had sold or distributed a circumvention device, namely mod chips, which he knew or ought reasonably have known would be

¹ [2005] HCA 58

² [2002] FCA 906; [2003] FCAFC 157

used as a circumvention device. A circumvention device as defined by the *Copyright Act*, is something that has little other purpose than to circumvent a technological protection measure (TPM). A technological protection measure is something that is designed to prevent access to, or copying of copyright subject matter. In this case the mod chips were alleged to have the purpose of circumventing Regional Access Coding - as activated by the Boot Rom - the technological protection measure.³

The Technology

The Sony PlayStation is one of the most popular computer games consoles or platforms in the world. When a person wants to play a game they insert a disc into the PlayStation much like inserting a musical disc into a CD player. The PlayStation is coded (through what is called Regional Access Coding (RAC) contained within a track on each CD read by a chip known as a “Boot ROM” located on the circuit board of the PlayStation console (hereafter called “RAC/Boot Rom”)) to play games available in the region in which the PlayStation was sold. This means that a game purchased in the USA or Japan cannot be played on a PlayStation purchased in Australia; the platform will not support it. As well a copied, burnt or unauthorised version of a game will not play on the PlayStation, as the copying process does not embed the necessary coding in the copy. As a consequence of consumers seeking greater choice of digital products or digital diversity, a device known as the “mod chip” or “converter” surfaced in the market place. It extended the functionality of the PlayStation allowing games from other regions as well as copied, unauthorised or burnt games to be played on the PlayStation.

The Digital Agenda Amendments: Anti-Circumvention Law

This was the first case to consider the anti-circumvention law introduced by the *Copyright Amendment (Digital Agenda Act) 2000*. Section 116A *Copyright Act*, effective 4th March 2001, introduced the anti-circumvention notion enshrined in art 11 *WIPO Copyright Treaty* (1996) into Australian law. The section states:

Subject to subsections (2), (3) and (4), this section applies if:

- (a) *a work or other subject-matter is protected by a technological protection measure; and*
- (b) *a person does any of the following acts without the permission of the owner or exclusive licensee of the copyright in the work or other subject-matter:*
 - (i) *makes a circumvention device capable of circumventing, or facilitating the circumvention of, the technological protection measure;*
 - (ii) *sells, lets for hire, or by way of trade offers or exposes for sale or hire or otherwise promotes, advertises or markets such a circumvention device;*
 - (iii) *distributes such a circumvention device for the purpose of trade, or for any other purpose that will affect prejudicially the owner of the copyright;*
 - (iv) *exhibits such a circumvention device in public by way of trade;*

³ [2002] FCA 906 at [24]

- (v) *imports such a circumvention device into Australia for the purpose of:*
 - (A) *selling, letting for hire, or by way of trade offering or exposing for sale or hire or otherwise promoting, advertising or marketing, the device; or*
 - (B) *distributing the device for the purpose of trade, or for any other purpose that will affect prejudicially the owner of the copyright;*
or
 - (C) *exhibiting the device in public by way of trade;*
- (vi) *makes such a circumvention device available online to an extent that will affect prejudicially the owner of the copyright;*
- (vii) *provides, or by way of trade promotes, advertises or markets, a circumvention service capable of circumventing, or facilitating the circumvention of, the technological protection measure; and*
- (iv) *the person knew, or ought reasonably to have known, that the device or service would be used to circumvent, or facilitate the circumvention of, the technological protection measure.*

A technological protection measure (TPM) is defined under s 10 (1) *Copyright Act* as:

A device or product, or a component incorporated into a process, that is designed, in the ordinary course of its operation, to prevent or inhibit the infringement of copyright in a work or other subject-matter by either or both of the following means:

- (a) by ensuring that access to the work or other subject matter is available solely by use of an access code or process (including decryption, unscrambling or other transformation of the work or other subject-matter) with the authority of the owner or exclusive licensee of the copyright;*
- (b) through a copy control mechanism.*

A circumvention device is also defined in s 10 (1) *Copyright Act* as:

A device (including a computer program) having only a limited commercially significant purpose or use, or no such purpose or use, other than the circumvention, or facilitating the circumvention, of an technological protection measure.

Section 116A (5) creates the civil cause of action against the infringer:

If this section applies, the owner or exclusive licensee of the copyright may bring an action against the person.

The First Instance Decision in the Federal Court on s 116A – RAC/Boot Rom is not a TPM and Therefore the Mod Chip is not a Circumvention Device

At first instance Sackville J held that Regional Access Coding (RAC)/Boot Rom was not a technological protection measure because it did not and was not designed to prevent access to the copyright content or to act as a copy control mechanism of the copyright content. The crucial finding being that RAC/Boot Rom did not prevent reproduction of a game, it only prevented use of a game that was not coded for the

region in which the PlayStation was sold.⁴ Therefore, the mod chip could not be a circumvention device because it was not designed for the purpose of circumventing a technological protection measure.⁵ Sackville J rejected the argument that RAC/Boot Rom had the “practical effect” of inhibiting or preventing access or copying in that it created a disincentive for copying by making it difficult for copied games to be played. He explained:

There seems to be nothing in the legislative history to support the view that a technological measure is to receive legal protection from circumvention devices if the only way in which the measure prevents or inhibits the infringement of copyright is by discouraging infringements of copyright which predate the attempt to gain access to the work or to copy it.⁶

However the Judge did comment that if RAC/Boot Rom were a TPM then the mod chip would have satisfied the definition of a circumvention device.⁷ Further, Justice Sackville rejected a submission from the ACCC that in order for a device to be a “technological protection measure”, its sole purpose must be to prevent or inhibit infringement of copyright, noting that a TPM may have a dual purpose.⁸

The more complex argument made by Sony was that RAC/Boot Rom was a TPM because it prevented copies of the games being made in the RAM (Random Access Memory) or temporary memory of the PlayStation console.⁹ The Judge rejected this argument predominantly on the basis that reproduction in RAM was of such a limited and temporary nature that it was not reproduction “in a material form” as required by s 31 (1) (a) (i) *Copyright Act*.¹⁰

Sony continued this line of reasoning and alleged that playing PlayStation games created a copy of a cinematographic film in RAM. This argument was also rejected, explicitly on the ground that a substantial part of the film was not copied in RAM and implicitly because the film was not “embodied” in RAM.¹¹

The reasoning of Sackville J in *Stevens* along with that of Emmett J of the Federal Court in *Australian Video Retailers Association v Warner Home Video Pty Ltd*¹² establish a principle that reproduction of a computer program in RAM will not be regarded as an infringing reproduction for the purposes of the *Copyright Act* unless it is reproduced in a manner and on a technology that will allow that temporary reproduction to be captured and further reproduced.¹³ The message being that

⁴ [2002] FCA 906 at [92, 118]

⁵ cf. *Sony v Gamemasters* 87 F. Supp. 2d 976 (N.D. Cal. 1999); *Sony Computer Entertainment v Owen* [2002] EWHC 45; *Sony v Ball* [2004] EWHC 1738 (Ch); B Esler, “Judas or Messiah: The Implication of the Mod Chip Cases for Copyright in an Electronic Age” (2004) 1 *Hertfordshire L J* 1 http://perseus.herts.ac.uk/u/uhinfo/library/u20277_3.pdf See also an Italian decision (Court of Bolzano) on the legality of the mod chip at: <http://www.alcei.it/english/actions/psmodchip.htm>

⁶ [2002] FCA 906 at [117]

⁷ [2002] FCA 906 at [167]

⁸ [2002] FCA 906 at [104]

⁹ [2002] FCA 906 at [119 ff]

¹⁰ [2002] FCA 906 at [137]

¹¹ [2002] FCA 906 at [158]-[160]

¹² (2001) 53 IPR 242 at 262-3

¹³ [2002] FCA 906 at [137, 147-8, 150] This position has now changed as a result of Article 17.4.1 of the Australia-US Free Trade Agreement which obliges Australia to enact laws giving copyright owners

“use/playing” of a computer game is not of itself an infringement under the *Copyright Act*.

The Full Federal Court – RAC/Boot Rom is a TPM and the Mod Chip is a Circumvention Device

On 30 July 2003, the Full Federal Court of Australia (French, Lindgren and Finkelstein JJ) overturned the decision of Sackville J at first instance, and held that the sale and distribution of PlayStation mod chips contravened s116A of the *Copyright Act*. The Court held that Regional Access Coding (RAC) embedded on PlayStation Games and activated by the Boot Rom chip on the circuit board of the PlayStation console was a technological protection measure for the purposes of s 116A *Copyright Act* even though it did not prevent copying as such but merely provided a disincentive for copying or burning games – the so called “practical effect argument”.¹⁴

In the words of Lindgren J:

If, as in the present case, the owner of copyright in a computer program devises a technological measure which has the purpose of inhibiting infringement of that copyright, the legislature intended that measure to be protected (subject to any express exception), even though the inhibition is indirect and operates prior to the hypothetical attempt at access and the hypothetical operation of the circumvention device. By ensuring that access to the program is not available except by use of the Boot ROM, or the access code embedded in the PlayStation games, or both in combination, Sony's measure does inhibit the infringement of copyright in the PlayStation games in that way.¹⁵

Likewise French J explained:

If a device such as an access code on a CD-ROM in conjunction with a Boot ROM in the PlayStation console renders the infringing copies of computer games useless, then it would prevent infringement by rendering the sale of the copy “impracticable or impossible by anticipatory action”.¹⁶

However in obiter the majority (French and Lindgren JJ, Finkelstein J dissenting) supported Sackville J’s holding that playing a PlayStation game and reproducing it temporarily in the Random Access Memory (RAM) of the PlayStation console did not amount to a reproduction in a material form for the purposes of the *Copyright Act*.¹⁷ Once again in obiter the majority (French and Lindgren JJ, Finkelstein J dissenting) supporting Sackville J’s decision, apparently with slightly different

the right to prohibit all types of reproduction, in any manner or form, permanent or temporary. This change is implemented under the *US Free Trade Agreement Implementation Act 2004* (Cth) which came into effect on 1 January 2005. The Act amends the definition of ‘material form’ and ‘copy’ in section 10 of the Act and creates an exception to infringement where the reproduction is made as part of the technical process of using a non-infringing copy of the copyright material (see ss 43B and 111B). The critical difference being that temporary reproduction of a whole or substantial part of a computer program (game) or film (game) in RAM generated from an infringing copy of the copyright material will be unlawful.

¹⁴ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157 at [20], [139], [189].

¹⁵ Per Lindgren J at [139]

¹⁶ At [20];

¹⁷ At [168] [26]; cf [208-210]

reasoning, held that there is not a copy of cinematographic film made in RAM when a game is played, because there is no “embodiment in an article” as defined by ss 10 and 24 *Copyright Act*.¹⁸

The case was appealed to the High Court of Australia.¹⁹

***The High Court – Stevens v Kabushiki Kaisha Sony Computer Entertainment*²⁰ – RAC/Boot Rom is not a TPM and Therefore the Mod Chip is not a Circumvention Device**

In October 2005, the High Court of Australia overturned the decision of the Full Federal Court that RAC/Boot ROM was a TPM and confirmed the reasoning of Justice Sackville to hold that Eddie Stevens was not liable for infringement of s 116A of the Australian *Copyright Act*.²¹ The Court also agreed with Sackville J and the majority in the Full Federal Court that Sony’s arguments based on temporary reproduction in RAM could not be sustained.²²

The majority judgment of Gleeson CJ, Gummow, Hayne and Heydon JJ explained that Justice Sackville’s interpretation was correct for the following reasons:

It is important to understand that the reference to the undertaking of acts which, if carried out, would or might infringe, is consistent with the fundamental notion that copyright comprises the exclusive right to do any one or more of "acts" primarily identified in ss 31 and 85-88 of the Act. The definition of "technological protection measure" proceeds on the footing that, but for the operation of the device or product or component incorporated into a process, there would be no technological or mechanical barrier to "access" the copyright material or to make copies of the work after "access" has been gained. The term "access" as used in the definition is not further explained in the legislation. It may be taken to identify placement of the addressee in a position where, but for the "technological protection measure", the addressee would be in a position to infringe.

This construction of the definition is assisted by a consideration of the "permitted purpose" qualifications to the prohibitions imposed by s 116A(1). First, s 116A(3) provides that, in certain circumstances, the section does not apply in relation to the supply of a circumvention device "to a person for use for a permitted purpose". The term "supply" means selling the circumvention device, letting it for hire, distributing it or making it available online (s 116A(8)). Secondly, s 116A(4) states that the section in certain circumstances does not apply in relation to the making or importing of a circumvention device "for use only for a permitted purpose".

The expression "permitted purpose" in sub-ss (3) and (4) has the content given it by sub-s (7). This states that for the purposes of s 116A, a circumvention device is taken to be used for a permitted purpose only if two criteria are met. The first criterion is that the device be "used for the purpose

¹⁸ At [181-3], [26]; cf. [222-4]

¹⁹ See B Fitzgerald, “The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer’s Liberty or Copyright Menace/Circumvention Device?” <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp> An earlier and shorter version of this paper appears in (2005) 10 *Media and Arts Law Review* 89

²⁰ [2005] HCA 58

²¹ *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58

²² All judges made detailed comments regarding the method of statutory interpretation: [30]-[34] per Gleeson CJ, Gummow, Hayne and Heydon JJ; [124]- [127] per McHugh J; [168]-[169], [215]-[219] per Kirby J.

of doing *an act comprised in the copyright in a work or other subject-matter*" (emphasis added). The second criterion is that the doing of that act otherwise comprised in the copyright is rendered not an infringement by reason of the operation of one or more of the exculpatory provisions then set out. (The listed provisions do not include the general fair-dealing exculpations in ss 40, 41 and 42 of the Act.)

The first criterion in s 116A(7) for reliance upon the permitted purpose provisions which are an answer to what would otherwise be a claim under s 116A thus in terms links the use of a circumvention device to the doing of one or more of the acts enumerated in s 31 of the Act (where these are done in relation to a work) and in ss 85-88 (where these are done in relation to subject-matter other than a work).

If the construction of the definition for which Sony contends were accepted despite the linkage specified in s 116A(7) between the use of a circumvention device and the central provisions of ss 31 and 85-88 of the Act, the permitted purpose provisions would risk stultification. The facts of the present case are in point. The use of Mr Stevens' mod chip in order to circumvent the protections provided by (a) the access code on a CD-ROM in which a PlayStation game is stored and (b) the boot ROM device contained within the PlayStation console cannot be said to be for the "purpose" of reproducing a computer game within the sense of s 31 of the Act. Any such reproduction will already have been made through the ordinary process of "burning" the CD-ROM. The mod chip is utilised for a different purpose, namely to access the reproduced computer program and thereafter visually to apprehend the result of the exercise of the functions of the program.²³

Gleeson CJ, Gummow, Hayne and Heydon JJ explained that in 'choosing between a relatively broad and a relatively narrow construction of legislation, it is desirable to take into account its penal character.' While this was not a criminal proceeding the judges stated that the potential for criminal sanction called for caution in 'accepting any loose, albeit 'practical'' construction of the section.²⁴ They added that:

..... in construing a definition which focuses on a device designed to prevent or inhibit the infringement of copyright, it is important to avoid an overbroad construction which would extend the copyright monopoly rather than match it. A defect in the construction rejected by Sackville J is that its effect is to extend the copyright monopoly by including within the definition not only technological protection measures which stop the infringement of copyright, but also devices which prevent the carrying out of conduct which does not infringe copyright and is not otherwise unlawful. One example of that conduct is playing in Australia a program lawfully acquired in the United States. It was common ground in the courts below and in argument in this Court that this act would not of itself have been an infringement. [Footnotes omitted]²⁵

In disposing of the issue and settling the meaning of the word 'inhibit' Gleeson CJ, Gummow, Hayne and Heydon JJ explained:

... Sony contended that, unless the term "inhibit" had the meaning given by the Full Court, it was otiose, adding nothing to "prevent". One meaning of "inhibit" indeed is "prevent". However, it may be taken that "inhibit" is used in the definition of "technological protection measure" in one of its weaker senses, while still necessarily attached to an act of infringement. One such sense has been given above with respect to acts of secondary infringement by dealing in an article created by an act of primary infringement. Further, the operation of a copy control mechanism to impair the quality or limit the quantity of a reproduction may be said to hinder the act of infringement. In that regard, there is a legislative antecedent in s 296 of the 1988 UK Act. This, it will be recalled, spoke of devices or means intended "to impair" the quality of copies made. In the present case, the

²³ Ibid at [39]-[43]

²⁴ Ibid at [45]

²⁵ Ibid at [47]

Sony device does not interfere with the making of a perfect copy of Sony's copyright in its computer program or cinematograph film.²⁶

They also noted that the definition of TPM was a compromise between the respective interests and that “there was a reluctance to give to copyright owners a form of broad “access control” and “this reluctance is manifest in the inclusion in the definition of “technological protection measure” of the concept of prevention or inhibition of infringement.”²⁷

McHugh J explained that ‘a device is a device that is "designed ... to ... inhibit" copyright if the device functions,so as to make the doing of an act of copyright infringement - not impossible - but more difficult than it would be if the device did not operate’²⁸ He went on to further explain this notion by way of examples:

This interpretation does not render the term "inhibit" redundant because it applies to at least two categories of devices that do not have an absolute preventative effect on copyright infringement. Thus, there are protective devices that regulate a user's access, not to the work itself, but to the appliance through which works are accessed. For example, "device binding" is a measure through which the decryption key of a work is linked to the "unique identifier" of the computer of a person who is licensed to download and copy a work. The work may only be downloaded and saved (and thus, copied) onto a computer with this identifier. The fact that access to the work is available solely by use of a decryption key that is linked to the computer's identifier does not make it impossible for another user of the same computer - who has not been licensed to reproduce the material - to download and save the work. Nonetheless, in disabling the access of all other computers to the work, "device binding" mechanisms function to make it more difficult for users - who are not licensed to download the work - to have access to an appliance that will enable the copying and infringement of copyright in the work. In this way, "device binding" inhibits, but does not prevent, copyright infringement.

Other devices are designed to make it impossible to do an act of copyright infringement by a particular method or methods, but are ineffective to prevent the doing of the same infringing act by other, more complex, methods. Online access controls are an example. They are measures that decrypt a work that is delivered to the computer through the Internet - "streamed" - when it is delivered to the computer. The work is then immediately re-encrypted, so as to enable only a small portion of the work to be decrypted at any given time. The result is that the work cannot be digitally copied onto the computer to which it is being delivered. However, the re-encryption of the work, after it has been delivered and played, does not restrain the user from reproducing the work on other recording devices while the work is being played. In making it impossible to do an act of copyright infringement (ie reproduction) using one method, but not making it impossible to do the same act of copyright infringement using a more tedious method, online access controls make it more difficult to reproduce the work.²⁹ [Footnotes omitted]

McHugh J concluded by saying that ‘if the definition of TPM were to be read expansively, so as to include devices designed to prevent access to material, with no inherent or necessary link to the prevention or inhibition of infringement of copyright, this would expand the ambit of the definition beyond that naturally indicated by the text’ of the Act.’³⁰

²⁶ Ibid at [55] See also [51]-[52]

²⁷ Ibid at [49]

²⁸ Ibid at [139]

²⁹ Ibid at [139]-[143]

³⁰ Ibid at [143]

Kirby J explained that as Parliament had chosen such an elaborate and a specific definition a court should be careful to respect this design. He added that the ‘difficulty with Sony's interpretation is that it challenges the very assumption upon which the definition of TPM in terms of "devices" would operate to have the designated effect, namely the prevention or inhibition of the infringement of copyright.’³¹ He explained:

The inclusion of the word "inhibit", in the context of a focus upon a self-operating device, does not alter this conclusion. A strict interpretation does not deprive the term "inhibit" in s 10(1) of meaningful content. That word still has work to do in a number of contexts that are not covered by the word "prevent". For example, it will apply to a protective device which regulates access to the mechanism that provides access to a work, rather than access to the work itself. Such a device will not prevent infringement in all cases. This is because a device limiting access to a work does not prevent infringing copies being made once access is legitimately achieved. However, by restricting access to the work in the first place, such a device makes infringement more difficult. Significantly, such an inhibition operates prospectively; the infringement against which the device is designed to protect occurs subsequent to the operation of the protection device in its ordinary course. ... Secondly, a device that prevents infringement by a particular method, but which is ineffective to protect against infringement by another more complex or involved method, is a device that will not be covered by the term "prevent" in s 10(1). This is because infringement will still be possible, through the more complex method, notwithstanding the operation of the device. However, by making infringement more difficult (say by preventing a common or easily available method of infringement), such a device can be seen to inhibit infringement in the technical sense required by the definition. This further demonstrates the utility of the inclusion of the term "inhibit" in s 10(1), consistent with the strict interpretation that I favour.

Had it been the purpose of the Parliament, by the enactment of the Digital Agenda Act, to create a right to control access generally, it had the opportunity to say so. It even had overseas precedents upon which it could draw. The Australian Government was pressed to provide protection for all devices that "control access". This is evident in the definition of TPM suggested to the Australian Parliamentary Committee by the International Intellectual Property Alliance. Such a definition would effectively have mirrored the provision adopted by the Congress of the United States in the *Digital Millennium Copyright Act of 1998*. By the time the Australian definition of TPM was enacted, the United States Act had been in force for two years. Nevertheless, the propounded definition of wider ambit was not accepted. Instead, in Australia, the Parliament chose to focus its definition upon protection from infringement of copyright as such.

The preference inherent in the Australian Act has been viewed as one which "favours the use of protected works", by limiting the operation of TPMs in terms of control over infringement of copyright rather than a potentially broader control over access. When the competing legislation of other jurisdictions, giving effect to the relevant international treaties, is contrasted, it appears clear that the distinctive statutory formula adopted in Australia was a deliberate one. [Footnotes omitted]³²

Kirby J reinforced his interpretation by stating that:

Avoiding over-wide operation: There is an additional reason for preferring the more confined interpretation of the definition of TPM in the Copyright Act. This is because the wider view urged by Sony would have the result of affording Sony, and other rights holders in its position, a de facto control over access to copyrighted works or materials that would permit the achievement of economic ends additional to, but different from, those ordinarily protected by copyright law. If the present case is taken as an illustration, Sony's interpretation would permit the effective enforcement, through a technological measure, of the division of global markets designated by Sony. It would have the effect of imposing, at least potentially,

³¹ Ibid at [204]

³² Ibid at [204]-[209]

differential price structures in those separate markets. In short, it would give Sony broader powers over pricing of its products in its self-designated markets than the Copyright Act in Australia would ordinarily allow

Upholding fundamental rights: A further reason, not wholly unconnected with the last, is relevant to the choice to be made in selecting between the competing interpretations of the definition of TPM. ...The Full Court's broader view gives an undifferentiated operation to the provisions of s 116A that clearly impinges on what would otherwise be the legal rights of the owner of a Sony CD ROM and PlayStation console to copy the same for limited purposes and to use and modify the same for legitimate reasons, as in the pursuit of that person's ordinary rights as the owner of chattels Take, for example, the case earlier mentioned of a purchaser of a Sony CD ROM in Japan or the United States who found, on arrival in Australia, that he or she could not play the game on a Sony PlayStation console purchased in Australia. In the case postulated, there is no obvious copyright reason why the purchaser should not be entitled to copy the CD ROM and modify the console in such a way as to enjoy his or her lawfully acquired property without inhibition. Yet, on Sony's theory of the definition of TPM in s 10(1) of the Copyright Act, it is able to enforce its division of global markets by a device ostensibly limited to the protection of Sony against the infringement of its copyright.

The provisions of the Australian Constitution affording the power to make laws with respect to copyright operate in a constitutional and legal setting that normally upholds the rights of the individual to deal with his or her property as that individual thinks fit. In that setting, absent the provision of just terms, the individual is specifically entitled not to have such rights infringed by federal legislation in a way that amounts to an impermissible inhibition upon those rights constituting an acquisition. This is not the case in which to explore the limits that exist in the powers of the Australian Parliament, by legislation purporting to deal with the subject matter of copyright, to encumber the enjoyment of lawfully acquired chattel property in the supposed furtherance of the rights of copyright owners. However, limits there are. [Footnotes omitted]³³

The legislative option: An additional consideration for avoiding reversal of the *Sony* rule in the United States Supreme Court was mentioned by Breyer J in the recent opinion to which I have referred. This was, as the decision in *Sony* in that Court had earlier recognised, that "the legislative option remains available. Courts are less well suited than Congress to the task of 'accommodat[ing] fully the varied permutations of competing interests that are inevitably implicated by such new technology.'" In the Australian context, the inevitability of further legislation on the protection of technology with TPMs was made clear by reference to the provisions of, and some legislation already enacted for, the Australia-United States Free Trade Agreement. Provisions in that Agreement, and likely future legislation, impinge upon the subject matters of this appeal. Almost certainly they will require the attention of the Australian Parliament in the foreseeable future. [Footnotes omitted]³⁴

The Rise of the Consumer Interest

While copyright law and policy has long talked in terms of copyright owners and users the *Stevens* decision marks a significant shift in terms of reasoning. In this case the interests of the consumer as owner of lawfully acquired chattels (not as a user of copyright material) are balanced against the interests of the copyright owner. And in this instance the Court limits the power and scope of copyright ownership *vis a vis* the consumer as chattel (console and games) owner. This clash of the respective rights to

³³ Ibid at [213]–[216]

³⁴ Ibid. at [222]–[225]

private property shows how copyright litigation in a similar context in the future will need to assess and address the competing principles at play.

The Effect of Australian –US Free Trade Agreement (AUSFTA) on the *Stevens v Sony* Decision

By including the words “prevents or inhibits infringement of copyright” the existing definition of TPM is said to be narrower in effect than a provision that “controls access” without any reference to copyright infringement. At the time of enactment submissions were made by the International Intellectual Property Alliance (IIPA) to the House of Representatives Legal and Constitutional Affairs Committee (LACA) that the definition of a TPM in the form of an “access control” should not be linked to copyright infringement.³⁵ It was argued that access controls should be reinforced by anti-circumvention law even if they do not prevent or inhibit infringement of copyright. The “real world” example provided by the IIPA to highlight the point was that of having a lock to prevent opening a door to a house (the access control) which contained a book which upon entry I could read without infringing copyright.³⁶ This view was said to have been endorsed in the *Digital Millennium Copyright Act* (DMCA) in the US. Critics of this approach had argued that such a broad ranging definition of TPM introduced a new form of economic exploitation over information called an “access right”. At no point in time did the IIPA submission suggest that an access control should regulate “use” of copyright material that had already been copied. As well, the IIPA argued on the basis that the law reform being undertaken at that time related to the WCT and WPPT – both treaties dealing with copyright and convened by the World Intellectual Property Organisation. The IIPA’s preferred definition of an effective TPM is the same as the one offered in art 17.4.7 of AUSFTA and the DMCA.

The AUSFTA Obligations – Already Enacted

The AUSFTA has already been implemented in part through the *US Free Trade Agreement Implementation Act 2004* (Cth) which came into effect on 1 January 2005. Article 17.4.1 of AUSFTA obliges Australia to enact laws allowing copyright owners the right to prohibit all types of reproduction, in any manner or form, permanent or temporary. The *US Free Trade Agreement Implementation Act 2004* (Cth) amends the definition of ‘material form’ and ‘copy’ in section 10 of the Act and creates an exception to infringement where the reproduction is made as part of the technical process of using a non-infringing copy of the copyright material (see ss 43B and 111B). The critical difference being that temporary reproduction of a whole or substantial part of a computer program (game) or film (game) in RAM generated from an infringing copy of the copyright material will be unlawful. This will most likely mean that the arguments made by Sony concerning reproduction in RAM will be

³⁵ S Metalitz , 7.10.1999, pages 3-5

<http://www.aph.gov.au/house/committee/laca/digitalagenda/submiss.htm>

³⁶ S Metalitz, Public Hearing 21.10.1999 pages 176-177

<http://www.aph.gov.au/house/committee/laca/digitalagenda/pubhear.htm>

upheld in the case of infringing material. The decision would remain intact in relation to non-infringing material namely games purchased overseas and possibly back up copies.

Will the Further Changes Required by AUSFTA mean Regional Access Coding is now a TPM?

The clear intent of the AUSFTA evidenced in art 17.4.7 is to bring Australian anti-circumvention law into line with that in the US through making actual anti-circumvention of an access control unlawful³⁷ and moving the definition of TPM from one that “prevents or inhibits infringement of copyright” to one that “controls access” to protected subject matter.³⁸

Art 17.4.7 of AUSFTA requires that:

7. (a) In order to provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that authors, performers, and producers of phonograms use in connection with the exercise of their rights and that restrict unauthorised acts in respect of their works, performances, and phonograms, each Party shall provide that any person who:

(i) knowingly, or having reasonable grounds to know, circumvents without authority any effective technological measure that controls access to a protected work, performance, or phonogram, or other subject matter; or

(ii) manufactures, imports, distributes, offers to the public, provides, or otherwise traffics in devices, products, or components, or offers to the public, or provides services that:

(A) are promoted, advertised, or marketed for the purpose of circumvention of any effective technological measure;

(B) have only a limited commercially significant purpose or use other than to circumvent any effective technological measure; or

(C) are primarily designed, produced, or performed for the purpose of enabling or facilitating the circumvention of any effective technological measure,

shall be liable and subject to the remedies specified in Article 17.11.13. Each Party shall provide for criminal procedures and penalties to be applied where any person is found to have engaged wilfully and for the purposes of commercial advantage or financial gain in any of the above activities. Each Party may provide that such criminal procedures and penalties do not

³⁷ On the possible exceptions see: AUSFTA art 17.4.7 (e) & (f).

³⁸ “There are two elements involved in implementing the TPM obligation. The first element is the development of amendments to the *Copyright Act 1968* to ensure compliance with Article 17.4.7. The second element involves a determination of whether there are additional exceptions to TPM liability that would be appropriate for Australia to create. The Attorney-General’s Department is currently undertaking the first element. At the request of the Attorney-General, the House of Representatives Standing Committee on Legal and Constitutional Affairs (the Committee) will undertake the second element. The Committee announced this reference on Wednesday 24 August 2005. Information about the reference can be accessed at <http://www.aph.gov.au/house/committee/laca/previnq.htm>”. AG’s Newsletter August 2005 <http://www.ag.gov.au/agd/WWW/enewsCopyrightHome.nsf/Page/eNews_Issue_37_-_August_2005>.

apply to a non-profit library, archive, educational institution, or public non-commercial broadcasting entity.

(b) Effective technological measure means any technology, device, or component that, in the normal course of its operation, controls access to a protected work, performance, phonogram, or other protected subject matter, or protects any copyright.³⁹

If we presume that a link to copyright infringement will not be required (as explained below that now seems unlikely), the critical question concerning the continued relevance of the *Stevens v Sony* reasoning will be whether the amended Australian law will equate “access” with “use”. If “controls access” means for example controlling access to copyright subject matter **before** any act of using, reproduction or communication occurs then the *Stevens v Sony* reasoning will remain important, as regional access coding does not “control access” before the relevant act. It does not stop someone being able to access the copyright subject matter for the purpose of using, copying or communicating it. This approach fits well with the argument proposed by the IIPA that access should be decoupled from the activity that goes on after access is achieved; access is merely the lock on the door. It does not concern itself with any activity (e.g. use)⁴⁰ that will occur after access has been achieved. However if “controls access” means for example the right to control use or playing of a game on a PlayStation **after** access to copyright subject matter has been achieved then the *Stevens v Sony* reasoning would be of limited application.⁴¹

³⁹ Consider: *DMCA* s 1201 (a) (1) (2) & (3)

(2) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that— (A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

(3) As used in this subsection— (A) to “circumvent a technological measure” means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner; and

(B) a technological measure “effectively controls access to a work” if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.

⁴⁰ On one view it might be argued that you have not achieved access to a PlayStation game if you cannot play it on the console you have purchased. It is hard to justify such an approach as it ignores the fact that once access is established a consumer can use modified technology to play the game. If they could not achieve access to the game in the first place there would be nothing that could be done to enable use. By trying to draw the legality of the modified technology into the definition of access the proponents of this view are extending the notion of access control (having its origins in copyright law) to a broader right to control use (having significant impact on consumer law).

⁴¹ On this interpretation see, *Sony v Gamemasters* 87 F. Supp. 2d 976 (N.D. Cal. 1999):

“39. Defendant concedes in its opposition papers that “[t]he Game Enhancer makes temporary modifications to the [PlayStation] computer program ... [c]hanging these codes with the Game Enhancer does not alter the underlying software made by SONY.” (Def. Opp. at 6). Based upon the declarations before this Court, the Game Enhancer’s distinguishing feature appears to be its ability to allow consumers to play import or non-territorial SCEA video games. As discussed above, SCEA specifically designed the PlayStation **console to access only those games** with data codes that match

The very great fear is that as software inhabits an enormous number of the consumer goods we purchase in this day and age there is tremendous scope for embedding TPMs in all kinds of products and thereby radically redefining the parameters of a sale of goods or services. If TPMs as protected by anti-circumvention law can be used to structure the scope/usability of the product through code or technology then what the consumer is buying may not be readily apparent and worse still, may not allow choice of or interoperability with other accessories.⁴²

If the definition of a TPM is to move from “prevent or inhibit copyright infringement” to “controls access” meaning “controls use” then we have not only legislated an access right in our copyright law but we have also legislated a far reaching right to control and define consumer use. This would be better placed in our consumer legislation and assessed in that light than articulated and justified as an aspect of copyright law. The AUSFTA in essence acknowledges such a point in art 17.4.7 (d).⁴³

As Australia has moved to open up the flow of goods and services across borders in line with free trade principles through the removal of the restrictions on parallel importation of copyright material in certain circumstances it seems odd that the AUSFTA should be interpreted as promoting the reintroduction of such barriers through technology. The barrier that law has taken away AUSFTA is threatening to reintroduce through technological regulation.

Kirby J in *Stevens v Sony* questions whether such an enactment would be constitutional.⁴⁴ Parliament would act to legislate these amendments (pursuant to the Australian Federal *Constitution*) under the intellectual property power s 51 (18) and/or the external affairs power s 51 (29) (implementing the WCT⁴⁵, WPPT and the geographical location of the game console itself. The Game Enhancer circumvents the mechanism on the PlayStation console that ensures the console operates only when encrypted data is read from an authorized CD-ROM. (Pltf's Reply at 7). Thus, at this stage, the Game Enhancer appears to be a device whose primary function is to circumvent "a technological measure (or a protection afforded by a technological measure) that effectively controls access to a system protected by a registered copyright...." 17 U.S.C. § 1201(a)(2)(A). (Emphasis added)" See also Gleeson CJ, Gummow, Hayne and Heydon JJ in *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58 at [43] where they say “The mod chip is utilised for a different purpose, **namely to access** the reproduced computer program and thereafter visually to apprehend the result of the exercise of the functions of the program.” (Emphasis added).

⁴² *The Chamberlain Group Inc v Skylink Technologies Inc* 381 F.3d 1178 at 1203, 1204 (Fed Cir. 2004); *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522; 2004 U.S. App. LEXIS 27422 (6th Cir 2004); B Fitzgerald, “The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer’s Liberty or Copyright Menace/Circumvention Device?” <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp> An earlier and shorter version of this paper appears in (2005) 10 *Media and Arts Law Review* 89

⁴³ AUSFTA art 17.4.7 (d): Each Party shall provide that a violation of a measure implementing this paragraph is a separate civil or criminal offence and independent of any infringement that might occur under the Party’s copyright law.

⁴⁴ At [216]

⁴⁵ E.g. Art 11 WCT: Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.

AUSFTA) with other powers such as the trade and commerce power or the corporations power having potential relevance. Any inherent limits found in the intellectual property power (as yet undefined by the High Court)⁴⁶ or the guarantee of compensation (“just terms”) for acquisition of property under s 51 (31) would be the obvious constitutional limits.⁴⁷ Section 51 (31) would have particular relevance where property rights to chattels have already vested and the AUSFTA amendments purport to reduce the value (through functionality) of such chattels to the benefit of the copyright owner.⁴⁸

The House of Representatives Standing Committee on Legal and Constitutional Affairs (LACA)

In July 2005, the Commonwealth Attorney-General asked the House of Representatives Standing Committee on Legal and Constitutional Affairs (LACA) to consider what exceptions should be drawn to the modified liability scheme to be enacted pursuant to the AUSFTA. The LACA held public hearings and received 64 submissions from interested organisations and individuals, and released its *Review of Technological Protection Measures Exceptions Report* in February 2006.

Article 17.4.7(e) requires that exceptions to the anti-circumvention provisions are limited to:

- (i) non-infringing reverse engineering activities with regard to a lawfully obtained copy of a computer program, carried out in good faith with respect to particular elements of that computer program that have not been readily available to the person engaged in those activities, for the sole purpose of achieving interoperability of an independently created computer program with other programs;
- (ii) non-infringing good faith activities, carried out by an appropriately qualified researcher who has lawfully obtained a copy, unfixed performance, or display of a work, performance, or phonogram and who has made a good faith effort to obtain authorisation for such activities, to the extent necessary for the sole purpose of identifying and analysing flaws and vulnerabilities of technologies for scrambling and descrambling of information;
- (iii) the inclusion of a component or part for the sole purpose of preventing the access of minors to inappropriate online content in a technology, product, service, or device that itself is not prohibited under the measures implementing sub-paragraph (a)(ii);
- (iv) non-infringing good faith activities that are authorised by the owner of a computer, computer system, or computer network for the sole purpose of testing, investigating, or correcting the security of that computer, computer system, or computer network;
- (v) non-infringing activities for the sole purpose of identifying and disabling a capability to carry out undisclosed collection or dissemination of personally identifying information reflecting the online activities of a natural person in a way that has no other effect on the ability of any person to gain access to any work;
- (vi) lawfully authorised activities carried out by government employees, agents, or contractors for law enforcement, intelligence, essential security, or similar governmental purposes;

⁴⁶ See: *Grain Pool of WA v The Commonwealth* [2000] HCA 14 at f/n 218 per Kirby J

⁴⁷ See further: B Fitzgerald, “The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer’s Liberty or Copyright Menace/Circumvention Device?” <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp> An earlier and shorter version of this paper appears in (2005) 10 *Media and Arts Law Review* 89; B Fitzgerald, “Unjust Enrichment As A Principle of Australian Constitutionalism” (1995) available at <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp>

⁴⁸ Consider: Kirby J in *Stevens v Sony* at [216]

- (vii) access by a non-profit library, archive, or educational institution to a work, performance, or phonogram not otherwise available to it, for the sole purpose of making acquisition decisions; and
- (viii) non-infringing uses of a work, performance, or phonogram in a particular class of works, performances, or phonograms, when an actual or likely adverse impact on those non-infringing uses is credibly demonstrated in a legislative or administrative review or proceeding; provided that any such review or proceeding is conducted at least once every four years from the date of conclusion of such review or proceeding.

The terms of reference given to the LACA requested it to consider if any exceptions should be introduced based on Article 17.4.7(e)(viii), in addition to the exceptions in Article 17.4.7(e)(i)-(viii). The Committee was asked specifically to consider:

- a. the activities of libraries, archives and other cultural institutions
- b. the activities of educational and research institutions
- c. the use of databases by researchers (in particular those contemplated by recommendation 28.3 of the Australian Law Reform Commission Report on Gene Patenting)
- d. activities conducted by, or on behalf of, people with disabilities
- e. the activities of open source software developers, and
- f. activities conducted in relation to regional coding of digital technologies.

“A particular class of works, performances, or phonograms”

The Committee did not consider itself to be in a position to provide a settled definition of the phrase ‘a particular class of works, performances, or phonograms’ however it did indicate that it was not bound by the “narrow” interpretation that the US Copyright Office had given the phrase.⁴⁹ Further the Committee noted that there were a number of factors which could identify ‘a particular class of works, performances, or phonograms’, including:⁵⁰

- Attributes of works, performances, or phonograms;
- Reference to the relevant category of copyright material as set out in the Copyright Act 1968 – for example literary, dramatic, musical or artistic works, performances, and sound recordings;
- Attributes of the form or media in which works, performances, or phonograms are distributed or stored;
- The presence of particular TPMs on or with works, performances, or phonograms;
- Identified users of works, performances, or phonograms, or categories of users of works, performances, or phonograms;
- The purpose of uses of works, performances, or phonograms; and
- The purpose of proposed circumvention of TPMs.

The Committee suggested that ‘a particular class of works, performances, or phonograms’ could be identified using a combination of these factors, but cautioned that there should be sufficient identification of the copyright material itself:

any formulation of ‘a particular class of works, performances, or phonograms’ should have a proper grounding in the works, performances or phonograms concerned. Regardless of the specific factor or factors that, apart from information about the copyright material itself, are utilised to formulate ‘a particular class of works, performances, or phonograms’, there should be a sufficient level of detail about the copyright material concerned.⁵¹

⁴⁹ LACA, *Review of Technological Protection Measures Exceptions*, 66-69.

⁵⁰ LACA, *Review of Technological Protection Measures Exceptions*, 69.

⁵¹ LACA, *Review of Technological Protection Measures Exceptions*, 69.

Definition of ETM

The Committee was not asked to consider the content of any new definition of ‘effective technological measure’ (ETM), which has not yet been determined in Australian legislation. The Committee found that the lack of context and the uncertainty of the definition “significantly complicated the work of the Committee, particularly its central task of assessing additional proposed exceptions to the liability scheme.”⁵²

The Committee noted that a broad definition of ‘effective technological measure’ would necessarily supersede the High Court’s decision in *Stevens v Sony*, and that the Government must consider both constitutional limits and broader policy issues in its construction of an Australian definition.⁵³ While the Committee was not asked to comment on the definition of ETMs, it did recommend that the balance struck by the *Copyright Act* between users and owners of copyright material should be maintained upon implementation of the AUSFTA,⁵⁴ in other words, the new legislation should act to strengthen protections available to the copyright owner, but not create broad new access rights at the expense of users. The Committee accordingly drew a distinction between technological means to protect copyright and other technological measures which may claim or protect unrelated rights. In doing so, the Committee considered the introductory words to Article 17.4.7(a)⁵⁵, which provide that the anti-circumvention provisions are to be enacted

[i]n order to provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that authors, performers, and producers of phonograms use in connection with the exercise of their rights and that restrict unauthorised acts in respect of their works, performances, and phonograms.

The Committee relied on evidence provided by the Attorney-General’s Department, which explained that Article 17.4 “deals only with rights comprising copyright”, and that “the definition of an ETM refers to technology that protects any copyright, not that protects any right”.⁵⁶ Accordingly, the Committee recommended that the definition of ETM “clearly require a direct link between access control and copyright protection”.⁵⁷ The Committee then recommended that “access control measures should be related to the protection of copyright, rather than to the restriction of competition in markets for non-copyright goods and services”.⁵⁸

Region Coding

The Committee considered whether region coding for both electronic games and DVDs should fall within the definition of TPMs under the new scheme. With respect to console games, the Committee was not persuaded that access controls which distinguish between legitimate and illegitimate copies of games were inseparable from

⁵² LACA, Review of Technological Protection Measures Exceptions, 3.

⁵³ LACA, Review of Technological Protection Measures Exceptions, 11.

⁵⁴ LACA, Review of Technological Protection Measures Exceptions, 14.

⁵⁵ LACA, Review of Technological Protection Measures Exceptions, 22-23.

⁵⁶ LACA, Review of Technological Protection Measures Exceptions, 23, quoting Mr Mark Jennings, *Transcript of Evidence*, 5 December 2005, pp 25-26.

⁵⁷ LACA, Review of Technological Protection Measures Exceptions, 26.

⁵⁸ LACA, Review of Technological Protection Measures Exceptions, 31.

access controls which enforced region codes.⁵⁹ The Committee also accepted that there was doubt as to whether region codes were designed purely for television standard compliance, or whether there were significant market control reasons for their use.⁶⁰

The Committee dealt with region coding of DVDs at greater length. It first noted, similarly to games, region coding of DVDs was not inseparable from copyright control measures embedded in DVDs and DVD players.⁶¹ The Committee then noted that it is not an infringement of copyright to play discs from other regions, and that it would be permissible for Australian residents to import both foreign DVDs and a foreign DVD player to watch them on, but considered that this would not be a reasonable option.⁶² The Committee also noted that the number of people who would be impacted by region coding was likely to be significant.⁶³ The Committee concluded that

it is ludicrous to envisage a situation where an individual's only option to use legally acquired genuine non-zone 4 DVDs will be to purchase a DVD player tuned to each of the other regions, rather than have the ability to modify a DVD player to access all regions.

The Committee recommended that region coding TPMs "be specifically excluded from the definition of 'effective technological measure'".⁶⁴ However, the Committee noted that the definition of ETM would ultimately be a policy decision for the Government, and recommended, in the alternative, that exceptions be granted for region coding TPM circumvention wherever the criteria under Article 17.4.7(e)(viii) are met.⁶⁵

Other recommendations

The Committee recommended that an exception should be drawn for TPM circumvention for the purpose of making back-up copies of computer programs, mirroring the exceptions to copyright infringement in s 47C, noting that the criteria under Article 17.4.7(e)(viii) and (f) appear to be met.⁶⁶ Due to the fact that computer games like those in *Stevens v Sony* are not only computer programs, but are also considered to be cinematograph films,⁶⁷ it is unclear to what extent such an exception would operate in relation to the console game industry. The Committee noted that an exception to TPM circumvention for backup copies of other copyright material would not be feasible unless a similar exception is created to copyright infringement, and recommended that should backup become a non-infringing use, the Government should investigate creating a TPM circumvention exception.⁶⁸

The Committee noted that, based on evidence from the Attorney-General's Department, technological measures restricting access to material not protected by

⁵⁹ LACA, Review of Technological Protection Measures Exceptions, 36.

⁶⁰ Ibid.

⁶¹ LACA, Review of Technological Protection Measures Exceptions, 40-1.

⁶² LACA, Review of Technological Protection Measures Exceptions, 44.

⁶³ LACA, Review of Technological Protection Measures Exceptions, 45.

⁶⁴ LACA, Review of Technological Protection Measures Exceptions, 48.

⁶⁵ LACA, Review of Technological Protection Measures Exceptions, 48.

⁶⁶ LACA, Review of Technological Protection Measures Exceptions, 95.

⁶⁷ *Sega Enterprises Ltd v Galaxy Electronics Pty Ltd* (1998) 39 IPR 577

⁶⁸ LACA, Review of Technological Protection Measures Exceptions, 127.

copyright (public domain material) would not be considered to be ETMs. The Committee noted, however, that “copyright owners should not be able to obtain *de facto* protection for non-copyright material by bundling it with copyright material in mixed works”.⁶⁹ The Committee accordingly recommended that an exception should be created “to allow for circumvention of TPMs for access to mixed works consisting of both copyright material and non-copyright material where the amount of non-copyright material in the work is substantial”.⁷⁰

The Committee also recommended that the “exclusion or limitation of permitted exceptions by agreement should be prohibited under the liability scheme”.⁷¹ The Committee considered that the

Widespread use of exclusionary or limiting agreements, particularly when presented to copyright users as virtual *faits accomplis* in the form of end user licence agreements, could easily render the very concept of permitted exceptions meaningless.⁷²

This is an important statement of principle given the recent 8th Circuit Court of Appeals decision in *Davidson v Internet Gateway*⁷³ (more commonly known as *Blizzard v BNetD*), which held that bypassing the cd-key validity check on Blizzard’s online games in order to create an interoperable gaming server violated the DMCA, and that a fair use defence was not available because the defendants’ fair use rights were waived in the shrinkwrap and clickwrap EULAs and Terms of Service. In Australia, the ability to engage in reverse engineering of software for interoperability purposes in certain circumstances is an exception to copyright infringement, and cannot be waived by contract.⁷⁴ There is a similar exception to the anti-circumvention provisions in relation to reverse engineering of software, but it is not similarly protected from exclusion by contract.⁷⁵ The report by the LACA Committee, if followed, would ensure that the ability to reverse-engineer and create interoperable products in Australia remains protected.

The Committee also recommended that:

- an exception be created for TPM circumvention for government activities of the Australian Tax Office and the Office of Film and Literature Classification;⁷⁶
- exceptions for TPM circumvention for reverse engineering of software for interoperability purposes; for software installed involuntarily or without acceptance, or where the user has no awareness of the TPM; for security testing of software; and for circumvention to maintain individual privacy online;⁷⁷
- the express exceptions in Article 17.4.7(e)(i)-(vii) should be drafted so as to not limit their scope in any way;⁷⁸

⁶⁹ LACA, Review of Technological Protection Measures Exceptions, 131.

⁷⁰ Ibid.

⁷¹ LACA, Review of Technological Protection Measures Exceptions, 135.

⁷² Ibid.

⁷³ 422 F. 3d 680 (8th Cir 2005)

⁷⁴ *Copyright Act 1968 (Cth)* ss 47D, 47H.

⁷⁵ *Copyright Act 1968 (Cth)* s 116A.

⁷⁶ LACA, Review of Technological Protection Measures Exceptions, 56.

⁷⁷ LACA, Review of Technological Protection Measures Exceptions, 59.

⁷⁸ LACA, Review of Technological Protection Measures Exceptions, 59.

- the term ‘manufactures’ in Article 17.4.7(a)(ii) should be clarified to permit the non-commercial creation of circumvention devices for the purpose of utilising exceptions permitted under Article 17.4.7(e)(v), (vii), and (viii);⁷⁹
- the government should devise a “workable and adequate solution” to the problem of access to circumvention devices and services to enable the proper exercise of exceptions under Article 17.4.7(e)(v), (vii), and (viii);⁸⁰
- the government should maintain the existing permitted purposes and exceptions in the *Copyright Act* 1968;⁸¹
- an exception to liability for TPM circumvention should be created for the investigation of copyright infringement of licensed computer programs, subject to a court order, where the court is satisfied that there are reasonable grounds for the investigation;⁸²
- exceptions should be created for making backup copies of computer programs, interoperability between computer programs, correcting errors in computer programs, and interoperability between computer programs and data;⁸³
- the government should “monitor the potential adverse impact of threats of legal action being made against legitimate researchers in Australia conducting research into encryption, access, copy control measures, and other issues relating to computer security”;⁸⁴
- the government should “monitor the potential adverse impact in Australia of compilations of lists of websites being blocked by commercial filtering software”;⁸⁵
- if the use, exploitation, and modification of ‘abandonware’ becomes non-infringing, the Government should consider introducing a corresponding exception to TPM circumvention;⁸⁶
- exceptions be created for the provision of copyright material to members of Parliament, and the use of copyright material for the services of the Crown;⁸⁷
- “if any activities for assisting students with disabilities outside of Part VB of the Copyright Act 1968 become non-infringing in future”, the Government should consider introducing a corresponding TPM circumvention exception;⁸⁸
- exceptions be created for reproduction and communication for educational institutions, and institutions assisting those with a print disability;⁸⁹
- devices classified as accessibility aids or for those with a print disability should be exempted from the TPM liability scheme;⁹⁰

⁷⁹ LACA, Review of Technological Protection Measures Exceptions, 88. See also s 17.4.7 (f)

⁸⁰ LACA, Review of Technological Protection Measures Exceptions, 90. See also s 17.4.7 (f)

⁸¹ LACA, Review of Technological Protection Measures Exceptions, 92.

⁸² LACA, Review of Technological Protection Measures Exceptions, 94.

⁸³ LACA, Review of Technological Protection Measures Exceptions, 98.

⁸⁴ LACA, Review of Technological Protection Measures Exceptions, 99.

⁸⁵ LACA, Review of Technological Protection Measures Exceptions, 102.

⁸⁶ LACA, Review of Technological Protection Measures Exceptions, 103.

⁸⁷ LACA, Review of Technological Protection Measures Exceptions, 106.

⁸⁸ LACA, Review of Technological Protection Measures Exceptions, 109.

⁸⁹ LACA, Review of Technological Protection Measures Exceptions, 110-111.

⁹⁰ LACA, Review of Technological Protection Measures Exceptions, 111.

- exceptions should be created for libraries, archives, and cultural institutions;⁹¹
- an exception be crafted for the temporary reproduction of digital material for exhibition and preservation purposes;⁹²
- an exception be created for fair dealing with copyright material and the inclusion of copyright material in broadcasts;⁹³
- an exception be created for access where a TPM is obsolete, lost, damaged, defective, malfunctioning, or unusable, and where a TPM interferes with or causes damage or a malfunction to a product, or where circumvention is necessary to repair a product;⁹⁴
- if format shifting of copyright material, or communication of orphaned works, becomes non-infringing in future, the Government should consider a corresponding exception for TPM circumvention;⁹⁵

The Committee concluded by noting that there is no requirement that exceptions ‘expire’ at the end of each review period,⁹⁶ and recommending that:

- future administrative reviews required under Article 17.4.7(e)(viii) be conducted by the Attorney-General’s Department;⁹⁷
- the Attorney-General should consider *ad hoc* requests for exceptions under the TPM liability scheme according to a statutorily defined process;⁹⁸
- existing and proposed exceptions be reviewed every four years through a statutorily defined, public administrative review conducted by the Attorney-General’s Department;⁹⁹ and
- “any exceptions [...] should be promulgated as subordinate legislation, rather than through amendments to the *Copyright Act* 1968.”¹⁰⁰

Requiring a link to copyright infringement

One of the key recommendations put forward by the LACA Committee was that the definition of ETM should require a link to copyright infringement.¹⁰¹ Some commentators have questioned whether it is appropriate to constrain anti-circumvention law in this way, arguing that the concept of ‘access control’ protects a distinct set of rights which are unrelated to copyright interests.

There are two key issues which seem to support a reading of anti-circumvention law as directly related to copyright interests. The first is the chapeau of Article 17.4.7, which, as extracted above and explained by the Attorney-General’s Department,

⁹¹ LACA, Review of Technological Protection Measures Exceptions, 117-18.

⁹² LACA, Review of Technological Protection Measures Exceptions, 119.

⁹³ LACA, Review of Technological Protection Measures Exceptions, 122.

⁹⁴ LACA, Review of Technological Protection Measures Exceptions, 126.

⁹⁵ LACA, Review of Technological Protection Measures Exceptions, 129-30.

⁹⁶ LACA, Review of Technological Protection Measures Exceptions, 139-141.

⁹⁷ LACA, Review of Technological Protection Measures Exceptions, 143.

⁹⁸ LACA, Review of Technological Protection Measures Exceptions, 146.

⁹⁹ LACA, Review of Technological Protection Measures Exceptions, 147.

¹⁰⁰ LACA, Review of Technological Protection Measures Exceptions, 148.

¹⁰¹ LACA, Review of Technological Protection Measures Exceptions, 26.

means that Art 17.4.7 “deals only with rights comprising copyright”.¹⁰² The second is a recent decision of the US Court of Appeals for the Federal Circuit, *StorageTek v Custom Hardware Engineering*, which held that “the DMCA must be read in the context of the Copyright Act, which balances the rights of the copyright owner against the public’s interest in having appropriate access to the work.”¹⁰³ Following the Court’s earlier decision in *Chamberlain v Skylink*,¹⁰⁴ the Court held that “[a] copyright owner alleging a violation of [the DMCA] consequently must prove that the circumvention of the technological measure either infringes or facilitates infringing a right protected by the Copyright Act”.¹⁰⁵

In *StorageTek*, the defendants were accused of violating the DMCA by bypassing a password protection scheme in order to perform maintenance on a series of mass storage solutions. The copyright software in question was the executable code loaded from memory each time one of the control or management units was rebooted. The devices used to bypass the password protection scheme necessarily cause these units to be rebooted, which causes the protected software to be copied into RAM. The District Court held that

[e]ven if StorageTek were able to prove that the automatic copying of the software into RAM constituted copyright infringement, however, it would still have to show that the [device] facilitated that infringement. [...] If such a nexus were not required, the careful balance that Congress sought to achieve between the ‘interests of content creators and information users’ would be upset.¹⁰⁶

Consequently, because the copying of the software into RAM occurred every time the units were rebooted, regardless of whether the devices used by the repair technicians were used or not, then those devices could not ‘facilitate’ any possible infringement.¹⁰⁷ The devices allowed access to the copyrighted work concurrently with the copying, but did not ‘facilitate’ that copying. Even though the use of the devices may violate contractual rights of StorageTek against its customers, these interests “are not the rights protected by copyright law”.¹⁰⁸

The meaning of the AUSFTA must be read in accordance with judicial interpretation of the DMCA, and *StorageTek* provides authority that the DMCA is limited to the protection of copyright interests. If anti-circumvention under the DMCA requires “a sufficient nexus between the rights protected by copyright law and the circumvention”,¹⁰⁹ then there can be very little objection to the conclusion reached by LACA regarding the implementation of the AUSFTA.

Conclusion: Key Issues for the Final Legislation

¹⁰² LACA, Review of Technological Protection Measures Exceptions, 23, quoting Mr Mark Jennings, *Transcript of Evidence*, 5 December 2005, pp 25-26.

¹⁰³ *Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc* (2005) 421 F.3d 1307, 1318.

¹⁰⁴ *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178 (Fed. Cir. 2004)

¹⁰⁵ *Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc* (2005) 421 F.3d 1307, 1318.

¹⁰⁶ *Ibid*, 1319.

¹⁰⁷ *Ibid*.

¹⁰⁸ *Ibid*.

¹⁰⁹ *Ibid*.

The Australian Federal Government now has the difficult task of crafting the implementing legislation. The Government must uphold its international obligations; while at the same time ensure that the implementation of the AUSFTA obligations does not result in the reinforcing of TPMs that deny Australian consumers their legitimate rights to participate in the global market for digital entertainment products. *Stevens v Sony* highlights for the very first time the need to bring into the balance and reconcile the fundamental rights of consumers with those of copyright owners.

While some believe that the Australian Parliament has no room to move on these issues due to its existing obligations under the AUSFTA, the LACA Committee has shown that there is some room for interpretation of the treaty text in a manner which can support Australian anti-circumvention law that appropriately balances the legitimate interests of copyright owners and the rights of users. The first step in this balancing act is the recognition of one of the core recommendations of the LACA Committee, that liability for circumvention is clearly linked to copyright infringement. By following this principle in the implementing legislation, the Australian Parliament should be able to create rules that protect the copyright interests of copyright owners, and avoid rules that have the effect of creating new rights, or protecting unrelated interests, at the expense of legitimate users.

By linking the definition of 'TPM' to copyright infringement, the Australian Parliament can avoid granting large-scale protection to copyright owners to regulate the *use* of copyright material. The LACA Committee has shown that doing so should not breach Australia's obligations under the AUSFTA – indeed, the introductory words of Article 17.4.7 would seem to require a sufficient nexus to copyright infringement for circumvention liability. As well, the recent US Federal Circuit Court of Appeals judgment in *StorageTek* provides an interpretation at high judicial level that the DMCA is linked to the protection of copyright interests. The Government should take note of these principles, and, in drafting the definition of 'TPM', ensure that only technological measures which support legitimate copyright interests are protected – measures which are anti-competitive in nature or for any other reason other than the protection of copyright, should not be supported under this scheme.

Regardless of the final definition of what will constitute a technological protection measure, the implementation legislation (or subordinate regulations) must carve out adequate exceptions from the general rule against circumvention, in order to protect legitimate interests of affected parties. Again, the Australian Parliament's task is made somewhat difficult by the strict criteria that any proposed exception must meet under the AUSFTA. Perhaps, it is not possible to create broad exceptions to allow circumvention for any non-infringing purposes; however, a flexible and responsive review process will allow the Government to determine areas of tension between legitimate individual interests and broad prohibitions on circumvention. A specific exception, statutory licence, or non-commercial allowance must also be made for the manufacture and distribution of circumvention devices, or provision of circumvention services, for these permissible purposes, if the exceptions created are to be exercised in a meaningful way.

The creation of a balanced anti-circumvention legislative regime represents an important plank in the societal bargain that copyright law evidences.¹¹⁰ The Australian Parliament, while constrained by its international obligations, has important choices to make in the implementation of these obligations, which have the potential to bring widespread changes to the way Australians access and enjoy all types of information, knowledge, and culture.

¹¹⁰ B. Fitzgerald (ed) *Cyberlaw* Volume 1 (2005) Ashgate London; B. Fitzgerald, "Software as Discourse: The Power of Intellectual Property in Digital Architecture" (2000) 18 *Cardozo Arts and Entertainment Law Journal* 382–5; Paul Schiff Berman "Cyberspace and the State Action Debate: The Cultural Values of Applying Constitutional Norms to 'Private' Regulation" (2000) 71 *University of Colorado Law Review* 1263; Jack M. Balkin "Virtual Liberty: Freedom to Design and Freedom to Play in Virtual Worlds" (2004) 90 *Virginia Law Review* 2043. See further A Giddens, *The Constitution of Society* (1984) Polity Press, Cambridge; Alan Hunt *Foucault and law: towards a sociology of law as governance* (1994) Pluto Press, London; E Ehrlich *Fundamental Principles of Sociology of Law* (1936) trans. By WL Moll (NY: Arno Press edn 1975).

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