Copyright: Penalty for Possession of Infringing Copies of Computer Programs

Irvine v Hanna-Rivero

by Vikki Grimley

Federal Court of Australia
Von Doussa J
Judgment delivered 20 December 1991

Facts

The defendant, Joseph Hanna-Rivero, pleaded guilty to four charges of contraventions of s132(2A)(b) of the *Copyright Act* 1968 (Cth) (the 'Act') in relation to the possession of infringing copies of 23 computer programs which were seized by the Federal Police under a search warrant.

In addition to seizing magnetic disks containing 1,500 programs, the Federal Police also seized two computers, two keyboards, two video monitors, various modems, external disk drives, mice and a printer from the defendant's premises. The defendant did not dispute that, apart from the printer, all of this equipment was used for the recording of infringing copies. The value of the equipment when new, was approximately $5,000 but its value at the time of seizure was one-half that price.

Of the 1,500 different programs seized from the defendant's premises, approximately one-half were in the public domain and accordingly were not infringing copies.

The defendant was employed full-time as a computer technician with the Defence Forces. As part of his employment, he operated sophisticated computer equipment. He was a computer enthusiast and became a member of a network which swapped or sold copies of computer programs. As a member of this network he would exchange a program which he held for one not in his library. He also supplied programs to persons who were not members of that network by copying a program onto a blank magnetic disk provided by the acquirer for a fee of approximately three dollars.

Prior to the seizure, the Federal Police had kept surveillance over the defendant's mail for about 24 days. That evidence showed that the defendant would receive about one postal item per day requesting the supply of programs. Some of these requests related to innocent activity such as requests to supply computer programs in the public domain.

Von Doussa J accepted that:

1. the infringing copies were held by the defendant primarily as part of his hobby of collecting programs. Nevertheless they were used for distribution in trade;
2. the defendant's activities were not commercially oriented and the charges for supplying the disks were nominal to defray his costs;
3. the defendant had not broken any security coding or removed any computer copyright statements from the genuine articles; and
4. the defendant had no previous conviction and he was a first offender of previous good character.

The prosecutor sought convictions on each count, a monetary penalty by way of a fine, confiscation of the hardware seized (apart from the printer) and costs of the proceedings.

Decision

Von Doussa J made orders that:

1. the defendant be convicted on the four counts;
2. one penalty be imposed for all the offences;
3. the defendant be fined $1,200 to be paid by a specified date or, in default, the defendant be imprisoned for 24 days;
4. the infringing copies of the computer programs and one computer, one keyboard, one video monitor, the modems, the external disk drives and two mice be forfeited.

The defendant had asked the Court to exercise its power under s19B of the *Crimes Act* 1914 (Cth) to discharge him without conviction. This power is exercisable by the Court where it is of the opinion that, having regard to the character, antecedents, age, health or mental condition of the person, the extent to which the offence is trivial or the extent to which the offence was committed under extenuating circumstances, it would be inexpedient to inflict any punishment. Von Doussa J held it was not a proper case for the application of s19B, despite the defendant's previous history.

The defendant alleged that the recording of a conviction could adversely affect his employment prospects, not by bringing about his dismissal but by affecting his prospects of further promotion and the grading of security clearance. Von Doussa J rejected this allegation. He held that any interference would result because of the commission of the offences and not the convictions. By pleading guilty, there was sufficient proof of the commission of the offences.

The defendant also submitted that the offence was trivial. Von Doussa J was satisfied that it was a serious offence and although the defendant's activities were more in the nature of a hobby than a commercial activity, the extent of his possession and use of infringing computer programs was anything but trivial. Von Doussa J concluded that copyright protection is a valuable asset to authors of software programs. He said that lost sales from illegal copying result in loss of incentive for research and development and higher prices for legitimate software packages.

In determining the penalty, Von Doussa J relied on s16A of the *Crimes Act*, which requires a court to consider the seriousness of the offence and mitigating circumstances. Before deciding the amount of the fine, Von Doussa J considered the applications for confiscation of the hardware seized and for the order for costs. Both these matters would be relevant to the overall sentencing package.

Under s133(4) of the Act, the Court has a discretion to confiscate and order the destruction of hardware used for the making of infringing copies of software programs. Von Doussa J said that discretion must be exercised having regard to the nature of the article in question, its value and the extent to which it has been used in making infringing copies. Von Doussa J stated that there was a deterrent effect in making forfeiture orders. He said that if persons involved in piracy of intellectual property understood that expensive equipment involved in the copyright process would be likely to be forfeited if used for illegal activity, then that should have a substantial deterrent effect and therefore protect copyright holders.

Von Doussa J accepted that the defendant would use his computers for legitimate and infringing purposes. He ordered only partial forfeiture of the hardware after considering the absence of a profit made from the illegal trading, the aggregate value of the equipment seized and the fact that the defendant used a home computer for employment purposes. He also ordered the defendant to pay costs of $3,000.

Von Doussa J said that the order for costs and confiscation would have a substantial impact on the defendant. Accordingly, he ordered the defendant to pay a total fine of only $1,200. The maximum fine which could have been imposed was $11,500.

Comment

In the decision of *Irvine v Carson*, von Doussa J ordered the forfeiture of infringing programs and hardware, the defendant to pay the costs of the prosecution and to undertake community service. Von Doussa J warned that, if further cases of contraventions of s132 of the Act came before the Court, greater penalties would be imposed. No fine was imposed in that case.

In this case, von Doussa J considered that the imposition of a fine would be appropriate. The amount of the fine would have been greater if this had not been a first offence and if the defendant's activities had been more substantial.

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