

- materials on the internet is easily diverted from a specific product he or she is seeking if other options, particularly graphic ones, appear more quickly. Id. at [6]
- 15 Id
- 16 174 F.3d 1036 (9th Cir. 1999)
- 17 354 F.3d 1020 (9th Cir. 2004)
- 18 <http://www.clickz.com/news/article.php/3285971>
- 19 *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, Civil Case No. 5:03- 05340 (N.D. Cal. 2003)
- 20 *American Blind & Wallpaper Factory, Inc. v Google Inc. et al* (S.D.N.Y., Jan. 27, 2004)
- 21 <http://www.hklaw.com/Publications/Newsletters.asp?ID=450&Article=2491>
- 22 <http://www.ksat.com/money/2785019/detail.html>, <http://news.com.com/2100-1024-5061888.html>
- 23 <http://searchenginewatch.com/sereport/02/02-altavista.doc>, <http://searchenginewatch.com/sereport/02/02-findwhat.doc>, <http://searchenginewatch.com/sereport/02/02-kanoodle.doc>, <http://searchenginewatch.com/sereport/02/02-overture.doc>
- 24 http://news.com.com/2100-1017_3-244217.html
- 25 [2004] EWCA (Civ) 159
- 26 UK law does not consider likelihood of confusion where the marks and services of the trade mark owner and alleged infringer are identical – the “identity test” – but does require its consideration where there is not identity.
- 27 [2004] EWCA (Civ) 159 at [140]
- 28 Id. at [141]
- 29 Id. at [143]
- 30 *Société Viaticum et Société Luteciel contre Société Google France*, Tribunal de Grande Instance de Nanterre, 21 me chambre, 13 octobre 2003 available at <http://www.juriscom.net/jpt/visu.php?ID=367>
- 31 <http://www.cnn.com/2003/TECH/biztech/10/24/france.google.ap/>
- 32 Id
- 33 http://news.com.com/2110-1038_3-5200193.html?part=rss&tag=feed&subj=news.
- 34 <http://gnso.icann.org/mailing-lists/archives/registrars/msg01190.html>.
- 35 <http://www.clickz.com/news/article.php/3350371>.
- 36 <http://www.intern.de/news/5147.html>.
- 37 *In re Estée Lauder Cosmetics Ltd.* (Dist. Ct. Hamburg, February 16, 2000).
- 38 It is to be noted that each of these causes of action is directed to commercial conduct. Section 17 of the *Trade Marks Act* specifies that ‘use as a trade mark’ must be ‘in the course of trade.’ Section 52 of the *Trade Practices Act* is directed to misleading or deceptive conduct by a corporation in trade or commerce. The ‘classic trinity’ test for passing off espoused in *Reckitt & Colman Products Ltd v Bordenb Inc.* (1990) 17 IPR 1 at 7 (Ld Oliver), affirmed in *Cat Media Pty Ltd v Opti-Healthcare Pty Ltd* [2003] FCA 133 at [42] (Branson J) is directed to the get-up of a trader’s goods.
- 39 *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 42 ALR 1 at 6 (Gibbs CJ).
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Victory for P2P users and ISPs in Canada

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1 Background

There have been many high-profile instances of record companies ‘getting tough’ on music file swapping over the internet in recent times.¹ In one such case,² *BMG Canada Inc v John Doe* [2004] FC 488, the Federal Court of Canada held that uploading music files into shared folders on peer-to-peer (P2P) networks does not constitute copyright infringement.

The plaintiffs, collectively referred to as the Canadian Recording Industry Association (CRIA), brought a motion seeking pre-action discovery from five internet service providers (ISPs) of the identity of customers (Network Users) alleged to have illegally traded in music downloaded from the internet. The Network Users were the defendants to the action.

To succeed, the plaintiffs needed to satisfy a range of criteria. These

criteria included establishing a prima facie case of infringement of copyright by the defendants,³ and proving that the public interest in disclosure outweighed privacy concerns. Justice von Finckenstein held that the plaintiffs failed to satisfy these criteria, among others.⁴

2 Copyright infringement

2.1 The plaintiffs’ submissions

The plaintiffs submitted that the Network Users were infringing copyright by:

- installing a P2P application (program) on their computers;
- copying files to shared directories on their computers;
- connecting their computers to the internet;

- running the P2P application while on the internet; and
- making the files in the shared directories available for copying, transmission and distribution to any one of millions of users of the P2P service.

It was submitted that these activities infringed the exclusive rights of copyright holders under the Canadian *Copyright Act*, RS 1985, c C-42 (Canadian Act) because the Network Users were:

- reproducing sound recordings;
- authorising the reproduction of sound recordings;
- distributing unauthorised copies of the sound recordings; and

- knowingly possessing, for the purpose of distribution, unauthorised copies.⁵

2.2 Reproduction

Under section 80 of the Canadian Act, reproducing musical works, in full or in part, embodied in sound recordings onto any audio recording medium “for the private use of the person who makes the copy” is not an infringement of the copyright in the work, the performance or the recording. Justice von Finckenstein held that the Network Users had reproduced the sound recordings for personal use only.⁶

This is to be contrasted with the more limited fair dealing rights found in the Australian *Copyright Act 1968* (**Australian Act**). Under the Australian Act, reproducing a work or sound recording does not infringe copyright only if for the purposes of research or study,⁷ criticism or review,⁸ or reporting news.⁹ In the case of research or study of a work, the portion copied must not be more than a “reasonable portion”.¹⁰ There is no exemption from infringement of copyright for private use under the Australian Act.

2.3 Authorisation of infringement

Justice von Finckenstein found that the Network Users had not authorised infringement of copyright because recent Canadian case law established that setting up facilities which allow copying does not amount to authorising infringement.¹¹ He added:

“I cannot see a real difference between a library that places a photocopy machine in a room full of copyrighted material and a computer user that places a personal copy on a shared directory linked to a P2P service. In either case the preconditions to copying and infringement are set up but the element of authorization is missing.”¹²

With respect, Australian case law and legislation has perceived a real difference between these scenarios; namely the distinction between the setting up of facilities with which essentially *public* copying can occur,

and the setting up of facilities through which *private* copying can occur.

In *University of New South Wales v Moorhouse* (1975) 133 CLR 1, it was held that a library, open to a section of the public, had authorised infringement of copyright because it had not taken reasonable steps to prevent the infringement. The placement of warning notices near copying machines would have been a reasonable step that would have prevented the University from being held liable for authorisation of infringement. This position has been codified in sections 36(1A) and 39A of the Australian Act.¹³

On the other hand, section 39B of the Australian Act¹⁴ effectively immunises ISPs against liability for authorisation of infringement of copyright if the ISP is merely providing the network facilities by which the private infringement by network users can occur.

In light of the Australian law, the reasoning on this point in *BMG Canada v John Doe* would appear questionable. It is true that under both Canadian and Australian law, an ISP would not be liable for authorisation of infringement in these circumstances. But in this case, the allegation of authorisation is directed at the Network Users, not the ISPs. If the allegation of authorisation is grounded in the activity of Network Users placing files in shared directories on computers *under their personal control*, and the infringing activity took the form of copying those files from those directories, then surely this is more analogous to the scenario encountered in *Moorhouse* than that envisaged by section 39B of the Australian Act, or encountered in the other copying technology cases, such as *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013.¹⁵

Nevertheless, the authority that Justice von Finckenstein draws on, *CCH Canada v Law Society of Canada*, expressly rejects the *Moorhouse* approach:

“In my view, the *Moorhouse* approach to authorization shifts the balance in copyright too far in favour of the owner’s rights and unnecessarily interferes with the proper use of copyrighted works

for the good of society as a whole.”¹⁶

Thus, Canada is selecting a stricter interpretation of the traditional definition of authorisation (to “sanction, approve [or] countenance”)¹⁷ at the very time that Australia and the United States are moving further in the opposite direction under the Australia United States Free Trade Agreement (**AUSFTA**).¹⁸

2.4 Distribution

Justice von Finckenstein also found that the Network Users had not distributed the copies (unauthorised or not). He held that distribution required “a positive act by the owner of the shared directory, such as sending out the copies or advertising that they are available for copying”,¹⁹ although his Honour cited no authority to support this statement of the law.

It seems unlikely that the Network Users would be as fortunate under Australian law. The Australian Act provides that it is the exclusive right of the copyright holder in a sound recording to make a copy of the recording and communicate it to the public.²⁰ “Communicate” is defined to include making a sound recording available online.²¹

2.5 Possession

The Network Users were also held not to have infringed copyright by knowingly possessing, for the purpose of distribution, unauthorised copies of sound recordings. The basis of the finding was lack of evidence as to knowledge,²² although presumably the distribution purpose component would also have failed.²³

The Australian provisions relating to secondary, or indirect, infringement are found in sections 37-38 and 102-103 of the Australian Act. However, these provisions differ in that they apply only to acts of importation and distribution of, or trading in, infringing copies of works or other subject-matter. Mere knowing possession of infringing copies, even with an intention to distribute them, is not of itself an infringement under these provisions.

3 Privacy issues

Justice von Finckenstein stated the law as requiring “the Court to balance privacy rights against the rights of other individuals and the public interest”.²⁴ In spite of numerous cases in which the public interest had been held to outweigh privacy rights,²⁵ the judge found against the plaintiffs on this point because the data which linked the pseudonyms to Internet Protocol addresses registered with the ISPs was old and generally unreliable and that there was a “serious possibility” of an innocent account holder being identified.²⁶

This finding was welcomed by the Canadian Internet Policy and Public Interest Clinic.²⁷ And for all the concern in Australia about the implications for user privacy under AUSFTA, it is submitted that the same conclusion would be reached here, albeit by a purely statutory route under AUSFTA. Paragraph 17.11.29(b)(xi) of AUSFTA provides for an infringer identification regime under which ISPs avoid liability for authorisation of infringement of copyright if they comply with identification notices. But the notices are only available to copyright holders who obtain a take-down notice first.²⁸ However, take-down notices are not available against ISPs acting as a passive conduit, as arguably is the case with P2P technology,²⁹ and therefore, there is no scope for infringer identification notices to be issued in these cases either. This is precisely the position taken in *Recording Industry Association of America Inc v Verizon Internet Services Inc* (2003) 351 F 3d 1229 (*Verizon III*) in relation to identifying P2P users under section 512(h) of the DMCA.

4 Appeal

CRIA has stated that it expects to appeal the decision.³⁰ CRIA General Counsel commented that CRIA had “put forward a compelling case of copyright infringement [and] ... more initial evidence than has ever been put forward in a request for disclosure of user identities from ISPs”. Given that the recording industry worldwide is increasingly taking action against users and creators of P2P networks,³¹ an

appeal of this case would be a development worth following closely.

- 1 In Australia, for example, see *Sony Music Entertainment (Australia) Ltd v University of Tasmania* [2003] FCA 532; *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2004] FCA 183. For discussion of the *Sony* case, see V Broucek, S Frings and P Turner, ‘The Federal Court, the Music Industry and the Universities: Lessons for Forensic Computing Specialists’ 1st Australian Computer, Network & Information Forensics Conference, 25 November 2003, available at: http://brouk.psychol.utas.edu.au/files/ACNI_FC2003Law.pdf
- 2 See for example T Hamilton, ‘Music industry hit all wrong notes in court; Justice on case wanted evidence, not assumptions’, *Toronto Star*, 5 April 2004, available at: www.thestar.com; ‘Canadian court says file sharing is legal’, *Sydney Morning Herald*, 1 April 2004, available at: <http://smh.com.au/articles/2004/04/01/1080544598902.html>; ‘Music swapping lawsuit rejected’, *Cnews*, 31 March 2004, available at: <http://cnews.canoe.ca/CNEWS/Canada/2004/03/31/403585.html>
- 3 Paragraphs 21-29
- 4 Paragraph 43
- 5 See sections 18, 27 of the Canadian Act
- 6 Paragraph 26
- 7 Sections 40, 103C
- 8 Sections 41, 103A
- 9 Sections 42, 103B
- 10 Section 40(3)(b)
- 11 *CCH Canada Ltd v Law Society of Canada* [2004] SCC 13. This case concerned photocopiers in libraries.
- 12 Paragraph 27
- 13 Corresponding section is 101(1A) (subject-matter other than works)
- 14 Corresponding section is 112E (subject-matter other than works)
- 15 This case concerned twin-deck tape recorders
- 16 *CCH Canada v Law Society of Canada*, paragraph 41
- 17 See *Moorhouse*, 12
- 18 Under AUSFTA, the Australian regime for ISP liability for authorisation of infringement of copyright would be fundamentally changed through harmonisation with the US position as provided for under section 512 of the *Digital Millennium Copyright Act (DMCA)*: paragraph 17.11.29(b) AUSFTA. Section 512 provides that ISPs obtain ‘safe harbour’ from liability only if they comply with a take-down notice and infringer identification regime. The draft text of AUSFTA is available at: <http://www.dfat.gov.au/trade/negotiations/us.html>
- 19 Paragraph 28
- 20 Sections 85(1)(a) and (c) respectively
- 21 Section 10
- 22 Paragraph 29
- 23 See paragraph 2.4 above
- 24 Paragraph 40
- 25 See paragraph 41
- 26 Paragraph 42
- 27 See CIPPIC, ‘CIPPIC lauds court decision protecting Internet privacy’ (News Release, 31 March 2004), available at: http://www.cippic.ca/uploads/images/60/news_release_CRIA.pdf
- 28 Paragraph 17.11.29(b)(xi). See above n 18
- 29 Paragraph 17.11.29(b)(iii)-(v)
- 30 Canadian Recording Industry Association, ‘Canadian recording industry confident after hearing on music piracy issues’ (Press Release, 31 March 2004), available at: http://www.cria.ca/news/cria_31mar04.htm
- 31 For example, see IFPI, ‘Statement by Jay Berman, Chairman and CEO of IFPI, on the launch of international legal action against illegal file-sharing’ (News Release, 30 March 2004), available at: <http://www.ifpi.org/site-content/press/20040330m.html>