

Case Note

The Implications of *Roadshow v iiNet* for Authorisation Liability in Copyright Law

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Abstract

Roadshow v iiNet concerned the liability of an internet service provider ('ISP') for copyright infringements its customers had committed using peer-to-peer file-sharing technology. The case involved an important examination of authorisation liability, a form of secondary liability for copyright infringements found in ss 36 and 101 of the *Copyright Act 1968* (Cth). The High Court found the ISP not liable, but the judgment leaves open many questions about the scope of authorisation liability and its applicability to modern technological contexts. The court adopted an approach to liability based on the defendant's power to prevent the primary infringement, where exercising that power would be reasonable. However, the relevance of the potential effectiveness of that power and the determinants of reasonableness remain unclear. Also, this approach suggests a narrow (and ill-defined) second head of authorisation liability where the defendant's actions are bound to cause infringement. The judgment indicates quite strongly that the court is unlikely to impose liability on ISPs for internet piracy in the absence of further legislative action on this issue.

I Introduction

The internet creates problems for media companies. Increasingly sophisticated technology and faster connection speeds allow users to share content while flouting copyright laws. Content owners have limited practical means for enforcing copyright against individual infringers. *Roadshow v iiNet*¹ represents a failed attempt to co-opt internet service providers ('ISPs') in this battle. The case focused on authorisation liability, whereby a person can be liable for the copyright infringements of another. Essentially, media companies wanted to require ISPs to disconnect users suspected of copyright infringement. The High Court unanimously found this unreasonable in the circumstances, and left little hope for media companies. 'Authorisation' has a convoluted history, and its ambit has long been unclear. *Roadshow* answers some questions and arguably confirms a control-based standard, but many issues remain unresolved. This case note outlines the legislative, factual and procedural background in pt II, and explains the two High Court judgments in pt III. Part IV discusses the decision's implications for the meaning of 'authorisation'. Part V explores the implications for relevant

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¹ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 286 ALR 466 ('*Roadshow*').

considerations, focusing on those mandated by s 101(1A) of the *Copyright Act 1968* (Cth) ('*Copyright Act*').

II Background

A *Legal Context*

The High Court considered whether an ISP was liable for 'authorising' copyright infringements committed by its subscribers, using the BitTorrent file-sharing system. Broadly speaking, 'authorisation' is secondary liability for 'authorising' others to commit primary copyright infringements — although what it means to 'authorise' remains unclear. Section 101(1) of the *Copyright Act* specifically provides for authorisation liability:

Subject to this Act, a copyright subsisting by virtue of [Pt IV] is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorises the doing in Australia of, any act comprised in the copyright.

Section 101(1A) further provides:

In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in a copyright subsisting by virtue of this Part without the licence of the owner of the copyright, the matters that must be taken into account include the following:

- (a) the extent (if any) of the person's power to prevent the doing of the act concerned;
- (b) the nature of any relationship existing between the person and the person who did the act concerned;
- (c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

Section 36 is in the same terms, but applies to 'works', which are fruits of authorship traditionally protected as 'copyright' (such as literary and musical works). Section 101 applies to 'subject matter other than works', which includes items such as sound recordings and cinematograph films. *Roadshow* concerned 'cinematograph films', so reference is made to the *Copyright Act* s 101, though the analysis applies equally to s 36.

B *Facts*²

The appellants owned or exclusively licensed copyright in films. The Australian Federation Against Copyright Theft ('AFACT'), a group promoting copyright owners' interests, alleged that users of iiNet Ltd's ('iiNet') internet services had infringed copyright in films using BitTorrent (by making them publicly available,

² Ibid 470–2 [15]–[21], 474–7 [27]–[38].

which is an exclusive right comprised in copyright³). iiNet was Australia's third-largest ISP. Its contract with subscribers expressly prohibited such infringing use, and empowered iiNet to cancel, suspend or restrict contracts if it reasonably suspected illegal conduct. AFACT sent iiNet notices alleging infringements by iiNet customers. iiNet did not send these to customers or terminate their accounts. In response to the subsequent litigation, iiNet issued media releases stating that it did not support copyright infringement but would not disconnect customers as it was not its role to act on AFACT's allegations.

'BitTorrent' is a peer-to-peer file sharing system. Technical complexities raised additional legal questions earlier in proceedings, which were not appealed to the High Court. Briefly, BitTorrent allows users to share files, rather than downloading them from a central server. Each file (such as a film) is separated into small pieces, so the system can source it efficiently from multiple users while simultaneously making it available to others. There are multiple components. The 'client' is a computer program which performs the whole process. Many are freely available. A small '.torrent' file gives the client necessary information, including the web address of the 'tracker' — a small program that is automatically downloaded and identifies other users sharing the file, allowing the client to download from them. Many websites host .torrent files. Importantly, iiNet had no part in implementing or maintaining BitTorrent.

Internet users are identified by an Internet Protocol ('IP') address — IP is a protocol which facilitates online communication. ISPs buy IP addresses and distribute them to subscribers. Addresses owned by each ISP are publicly known, but only the ISP knows which subscriber has a particular address (and addresses change over time). Also, IP addresses are assigned to modems or routers, so multiple computers may share an address. AFACT's notices to iiNet identified alleged infringers by IP address.

AFACT based its allegations on investigations it commissioned by DtecNet Software APS ('DtecNet'). DtecNet participated in sharing the appellants' films through BitTorrent, and, using its own proprietary software, could detect the IP addresses of users from whom it was downloading files. These were linked to iiNet. However, AFACT did not explain this methodology in its notices.

C Procedural History

Cowdroy J found iiNet not liable for authorising infringement because it had not provided the 'true means' of infringement, holding that iiNet did not have a relevant power to prevent infringement, and that for iiNet to terminate accounts was not a reasonable step.⁴

The Full Federal Court upheld this outcome in a 2:1 decision (with three separate judgments).⁵ Each judgment found that iiNet had a 'power to prevent' by

³ *Copyright Act* ss 10(1), 86(c).

⁴ *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215, 325 [505].

⁵ *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285.

terminating contracts,⁶ and that sending notices and terminating accounts could be ‘reasonable steps’ in response to credible evidence of infringement.⁷ However, Emmett and Nicholas JJ found AFACT’s notices insufficiently detailed to constitute ‘credible evidence’.⁸ Jagot J dissented on this point,⁹ and also suggested that iiNet’s public statements had tacitly approved infringements.¹⁰

III High Court Decision

The case was appealed on the authorisation issue. The High Court unanimously found iiNet not liable. French CJ, Crennan and Kiefel JJ delivered the majority judgment (‘French judgment’). Gummow and Hayne JJ delivered a separate judgment (‘Gummow judgment’). The judgments have different emphases but similar reasoning.

A French CJ, Crennan and Kiefel JJ

The French judgment implicitly acknowledged that the authorisation principle’s ambit is unclear, outlining competing formulations in the authorities.¹¹ The two formulations that have consistently been used (sometimes together) are that authorisation means ‘to grant or purport to grant’ the right to do acts constituting the primary infringement, or ‘to sanction, approve or countenance’ such acts. The latter has been considered wider, encompassing ‘permitting’ infringement by not taking preventative steps.¹² However, the judgment did not expressly adopt any formulation. Rather, it stated that authorisation is determined by examining the s 101(1A) factors and drawing inferences from these factual findings.¹³ It did, however, caution against relying on synonyms of ‘authorise’, observing that many meanings of ‘countenance’ are wider than ‘authorise’.¹⁴

To this end, the judgment examined iiNet’s technical and contractual power to prevent primary infringements, stating that authorisation requires a ‘power to prevent’.¹⁵ It concluded that iiNet’s power was limited and not ‘direct’, as its only power was to terminate the contract and stop providing the service to a customer. It could not monitor or control how customers used BitTorrent, nor prevent disconnected customers using another ISP to infringe.¹⁶ It noted that, in the contract, iiNet specifically did not purport to grant rights to do infringing acts, and

⁶ Ibid 329 [193] (Emmett J), 396 [473] (Jagot J), 449 [720] (Nicholas J).

⁷ Ibid 329 [193]–[194] (Emmett J), 388 [431] (Jagot J), 455 [751] (Nicholas J).

⁸ Ibid 333–4 [211] (Emmett J), 461 [783] (Nicholas J).

⁹ Ibid 397 [476].

¹⁰ Ibid 397 [477].

¹¹ *Roadshow* (2012) 286 ALR 466, 477–480 [43]–[53].

¹² Robert Burrell and Kimberlee Weatherall, ‘Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*’ (2011) 33 *Sydney Law Review* 801, 810.

¹³ *Roadshow* (2012) 286 ALR 466, 482–3 [63].

¹⁴ Ibid 484 [68].

¹⁵ Ibid 484 [69].

¹⁶ Ibid 483–4 [65]–[70], 485–6 [78].

that merely supporting or encouraging infringement would not constitute authorisation without power to prevent.¹⁷

Next, the judgment considered whether iiNet took reasonable steps to prevent or avoid primary infringements. It focused on whether sending warnings and then terminating was a reasonable step. Relevant considerations included the indirectness of iiNet's power, the nature of BitTorrent, and the absence of an industry code. It concluded that iiNet had not failed to take reasonable steps. There was no reasonable basis for termination because of limitations of iiNet's power — customers could join another ISP — and the costs and risks involved. After sending warnings and before terminating, iiNet would have to update evidence of infringement. This would be costly, and it would be difficult (given the shortcomings of AFACT's notices) to understand and apply DtecNet's methodology, and iiNet risked liability for wrongful termination.¹⁸ The judgment also stated that iiNet's inactivity could not give rise to an inference among customers that iiNet purported to give them the right to share films.¹⁹

The judgment concluded by observing that authorisation liability is not 'readily suited' to combating peer-to-peer copyright infringement and that other countries have addressed the issue with 'specially targeted legislative schemes'.²⁰

B *Gummow and Hayne JJ*

The Gummow judgment recognised disagreement among authorities about the meaning of 'authorisation'.²¹ It observed that the ordinary meaning suggests purporting to authorise certain acts without actual authority to do so,²² but acknowledged that *Moorhouse* expressed a wider principle with the 'sanction, approve, countenance' formulation.²³ The judgment expressly rejected expansion based on the broad dictionary definition of 'countenance'.²⁴ However, like the French judgment, the judgment did not state a definition for 'authorisation', and also framed its conclusions around s 101(1A).

The judgment ultimately concluded that iiNet's power to prevent was only 'attenuated' and that it was not unreasonable for iiNet not to act on AFACT's allegations.²⁵ Observations about iiNet's power focused on its inability to control customer choices, the BitTorrent software and the material being shared.²⁶

iiNet's inaction was reasonable, as any response would require further investigation and monitoring of customers' activities — which iiNet should not itself have to undertake — and AFACT's allegations were 'incomplete', lacking

¹⁷ Ibid 483–4 [67], [69].

¹⁸ Ibid 484–5 [71]–[76].

¹⁹ Ibid 485 [76].

²⁰ Ibid 486 [79].

²¹ Ibid 494–7 [121]–[130].

²² Ibid 495 [122].

²³ *University of New South Wales v Moorhouse* (1975) 133 CLR 1, 12 cited *ibid* 495 [125] ('*Moorhouse*').

²⁴ *Roadshow* (2012) 286 ALR 466, 494 [117], 495 [125].

²⁵ Ibid 500 [146].

²⁶ Ibid 498 [137].

detail about its methods.²⁷ The judgment highlighted that terminating accounts would deny users extensive non-infringing uses of the service.²⁸ It also emphasised that customers could simply join another ISP.²⁹ Thus, iiNet's supposed indifference could not constitute authorisation. It further observed that infringements were not 'bound' to happen from iiNet's conduct so as to attract liability.³⁰

C Section 112E

One small issue was the effect of s 112E, which provides that a person, including a carriage service provider (which describes iiNet), does not authorise copyright infringement in audio-visual items 'merely because' they provided the facilities used to infringe. Both judgments found this superfluous, as there cannot be authorisation liability 'merely' for providing the facilities; other factors must exist.³¹

IV Meaning of 'Authorisation'

Divergent and unclear notions of 'authorisation' have emerged in Australia. Unfortunately, *Roadshow* did not unambiguously define the principle. This section argues that *Roadshow* suggests a liability standard grounded in failure to exercise control over primary infringers. The meaning of 'authorisation' is fundamentally important despite s 101(1A), as the statutory criteria do not articulate a standard for liability; they guide the inquiry into whether the nebulous standard has been met.

Historically, authorisation has had an unclear ambit, and there has been little direct judicial acknowledgement or clarification of the confusion. At least two distinct, though ill-defined, interpretations emerged. One view was fairly narrow, defining 'authorisation' as 'to grant or purport to grant to a third person the right to do the act complained of'.³² This requires a sense of causation, whereby the primary infringement occurs because of the defendant's apparent permission.³³ By contrast, a wide view developed to include, to some extent, situations where a person permits primary infringements to occur by failing to take available preventative action (even if they have not purported to grant the infringed right).³⁴ This stems from the phrase 'sanction, approve or countenance', which has often been used (in that or similar form) to explain authorisation.³⁵ 'Countenance' has a wide

²⁷ Ibid 498 [138], 500 [146].

²⁸ Ibid 498–9 [139].

²⁹ Ibid.

³⁰ Ibid 500 [146].

³¹ Ibid 474 [26] (French CJ, Crennan and Kiefel JJ), 493 [113] (Gummow and Hayne JJ).

³² *Falcon v Famous Players Film Company* [1926] 2 KB 474, 499 ('Falcon'); *CBS Songs Ltd v Amstrad Consumer Electronics Plc* [1988] 1 AC 1013, 1054 ('Amstrad').

³³ Brendan Scott, 'Authorisation under Copyright Law and "The Nature of Any Relationship"' (2011) 22 *Australian Intellectual Property Journal* 172, 173.

³⁴ Peter Leonard, 'Storms Batter Not-so-safe Harbours — Liability of Internet Intermediaries in Australia' (2012) (88) *Intellectual Property Forum* 41, 46; Burrell and Weatherall, above n 12, 810.

³⁵ See, eg, *Falcon* [1926] 2 KB 474, 491 (Bankes LJ); *Corporation of the City of Adelaide v Australasian Performing Right Association Limited* (1928) 40 CLR 481, 489, 497 ('Adelaide

connotation, suggesting ‘tolerating’ or ‘not disapproving’ infringements regardless of their causal origins, and perhaps regardless of any ability to prevent them.

Moorhouse can be regarded as the modern origin of the ‘wide view’ theory (though elements of this reasoning exist in earlier judgments). It was a test case against a university, regarding copyright infringement committed by someone using a library photocopier to make unlawful copies of a library book. Three High Court judges unanimously found the university liable for authorisation. Jacobs J (with whom McTiernan ACJ agreed) largely conformed with the ‘narrow view’.³⁶ Gibbs J was more ambiguous, holding that authorisation existed where the defendant controls and makes available the means of infringement and, knowing or reasonably suspecting that infringement will occur, fails to take reasonable steps to prevent infringement.³⁷ His Honour expressly approved the ‘sanction, approve, countenance’ definition.³⁸ Gibbs J may not have intended to expand the principle — he thought the case would be of ‘little significance’³⁹ — but the wide view emerged from his statements,⁴⁰ arguably imposing a duty on those who control tools of infringement to take reasonable preventative steps. The appellants in *Roadshow* relied primarily on this, arguing that iiNet ‘countenanced’ infringements because it knew about it and did not take reasonable steps.⁴¹

Roadshow clearly rejected the widest implications of *Moorhouse*. Both judgments rejected semantic arguments using synonyms (‘sanction, approve, countenance’) of ‘authorise’. The French judgment cautioned that ‘countenance’ has wider meanings than ‘authorise’.⁴² The Gummow judgment wryly commented that complex authorisation cases ‘are unlikely to be resolved merely by recourse to a dictionary’.⁴³ Thus, a person does not authorise infringement through inaction merely by being aware of it when in a position to do ‘something’ about it. As the Gummow judgment concluded, ‘[t]he progression ... from the evidence, to “indifference”, to “countenancing”, and so to “authorisation”, is too long a march’.⁴⁴ Indeed, even if iiNet ‘supported’ or ‘encouraged’ infringements, these would not alone attract liability.⁴⁵

However, the circumstances in which liability will be attracted remain unclear. Authorisation can arise from inaction,⁴⁶ but when does inaction transform from mere indifference to authorisation? Does this only occur when the

Corporation’); *Moorhouse* (1975) 133 CLR 1, 12, 20–1; *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274, 288 (‘*Hanimex*’); *Amstrad* [1988] 1 AC 1013, 1054; *Universal Music Australia Pty Ltd v Sharman License Holdings* (2005) 220 ALR 1, 98 [402] (‘*Sharman*’).

³⁶ *Moorhouse* (1975) 133 CLR 1, 12, 22–3.

³⁷ *Ibid* 13.

³⁸ *Ibid* 12.

³⁹ *Ibid*.

⁴⁰ Burrell and Weatherall, above n 12, 810; Rebecca Giblin, ‘The Uncertainties, Baby: Hidden Perils in Australia’s Authorisation Law’ (2000) 20 *Australian Intellectual Property Law Journal* 148, 155.

⁴¹ *Roadshow* (2012) 286 ALR 466, 468 [5], 483 [67], 497 [128]–[129].

⁴² *Ibid* 484 [68].

⁴³ *Ibid* 494 [117].

⁴⁴ *Ibid* 499 [143].

⁴⁵ *Ibid* 484 [69].

⁴⁶ *Moorhouse* (1975) 133 CLR 1, 21; *Hanimex* (1987) 17 FCR 274, 286; *Australasian Performing Right Association Limited v Jain* (1990) 26 FCR 53, 59, 61.

indifference creates circumstances whereby the defendant has implicitly purported to grant the primary infringer the right to do the infringing acts? Or, is there effectively a duty on people to take steps to prevent infringement when they have a certain connection to it? Although the High Court did not expressly adopt a position, and used language from both approaches, the better answer from *Roadshow* is the latter. This derives from its focus on the power to prevent, rather than the causal relationship between primary and secondary infringer.

The ‘purported grant’ approach focuses on the relationship between the defendant and primary infringer. As Brendan Scott explained, this is because a purported grant implies causation — that the primary infringer ‘acted on’ the defendant’s apparent permission,⁴⁷ requiring an understanding that the defendant could grant and had granted the right to do the act.⁴⁸ Some observations in *Roadshow* do suggest such an analysis. The clearest instance is the French judgment’s finding that ‘iiNet’s customers could not possibly infer from iiNet’s inactivity ... that iiNet was in a position to grant those customers rights to make the appellants’ films available online’.⁴⁹ However, this observation is introduced with the word ‘moreover’ indicating that this ‘purported grant’ idea is at most one element which can be considered, not the inquiry’s focus.

The central inquiry was whether iiNet had power to prevent its customers’ infringements. ‘Power to prevent’ is not irrelevant to the ‘purported grant’ analysis; inaction in a context of substantial control may sometimes imply a purported grant.⁵⁰ However, there is no positive correlation between power and a purported grant, and a purported grant could arise without any power to prevent. This occurred in *Evans*,⁵¹ an early authority which both judgments discussed. The authoriser ‘sold’ the plaintiff’s manuscript to a publisher, without actually having the licence to do so. He was held to have authorised the subsequent publication by the purchaser (which breached the plaintiff’s copyright). As Scott explained, the authoriser did not have legal or practical power to control the publisher’s actions once the manuscript changed hands (not having the licence to the work in the first place).⁵² Rather, the outcome is explained by the parties’ relationship — the authoriser purported to grant the publication right, and the publisher acted on this apparent authority.⁵³ Likewise, in *Monckton*, another frequently-cited authority, a vendor who sold unauthorised music records authorised primary infringements by purchasers who played them⁵⁴ — even though a vendor cannot ‘control’ what purchasers do.⁵⁵

The *Roadshow* approach instead prioritised the ‘power’ element. The French judgment expressly stated that power to prevent is necessary for

⁴⁷ Scott, above n 33, 173.

⁴⁸ See, eg, *CBS Inc v Ames Records & Tapes Ltd* [1982] Ch 91, 106.

⁴⁹ *Roadshow* (2012) 286 ALR 466, 485 [76].

⁵⁰ See, eg, *Moorhouse* (1975) 133 CLR 1, 21.

⁵¹ *Evans v E Hulston & Co Ltd* [1924] All ER Rep 224.

⁵² Scott, above n 33, 176–7.

⁵³ *Ibid.*

⁵⁴ *Monckton v Pathé Freres Pathephone* [1914] 1 KB 395, 403.

⁵⁵ See, eg, *Amstrad* [1988] 1 AC 1013, 1054; *Australian Tape Manufacturers Association Ltd v Commonwealth of Australia* (1993) 176 CLR 480, 498 (‘*Australian Tape Manufacturers*’).

authorisation liability.⁵⁶ Both judgments framed their conclusions around iiNet's limited power (and the unreasonableness of requiring it to exercise such power). This is an important statement of principle, as it goes beyond the requirements of the statute. Section 101(1A)(a) says 'the extent (*if any*) of the person's power to prevent'.⁵⁷ *Roadshow* does not merely add power as a necessary condition to the 'purported grant' analysis, but suggests power as a separate basis for liability. Liability appears dependent on the defendant's connection with the primary infringement, focusing on power to prevent. A 'purported grant' is relevant, but not necessary.

That this must be the inquiry is demonstrated by briefly comparing *Sharman*⁵⁸ and *Cooper*⁵⁹ with *Newzbin*,⁶⁰ an English case. Each concerned online piracy. In *Sharman*, operators of the file-sharing system 'Kazaa' were held liable for authorising infringements by users. *Cooper* and *Newzbin* featured authorisation by operators of websites which facilitated piracy by linking to pirated material stored elsewhere. In both Australian cases, liability was based on the nature of the defendants' control, focusing on how they could have — and had not — prevented infringements, such as by filtering search results in *Sharman*,⁶¹ and blocking links to pirated material in *Cooper*.⁶² Both highlighted that the defendants gained financially (through advertising revenue) from and encouraged infringing uses of their services⁶³ — but it was not suggested that they had purported to grant users legal rights to the material. Indeed, it would be artificial to suggest users were unaware of the illegality of their activities — Kazaa's operators even specifically exhorted users to 'join the revolution' against media companies by flouting copyright.⁶⁴ *Roadshow* only briefly referenced these cases, in support of the necessity for power to prevent, but there is certainly no negative treatment.⁶⁵

By contrast, in *Newzbin* Kitchin J applied the purported grant approach. Though he discussed these Australian cases favourably,⁶⁶ in his conclusion, he did not discuss control. Rather, he found that 'a reasonable [user] would deduce from the defendant's activities that it purports to possess the authority to grant any required permission to copy any film that a [user] may choose from [the website]',⁶⁷ because users paid a small weekly access fee and the site was quite sophisticated, with, for example, detailed reviews about the featured material.⁶⁸ On those facts, this reasoning already seems somewhat artificial, and would surely be incompatible with the facts in *Sharman* or *Cooper*. This indicates that in Australian law the 'purported grant' analysis is not necessary for a finding of liability; it can

⁵⁶ *Roadshow* (2012) 286 ALR 466, 484 [69].

⁵⁷ Emphasis added.

⁵⁸ *Sharman* (2005) 220 ALR 1.

⁵⁹ *Universal Music Australia Pty Ltd v Cooper* (2005) 150 FCR 1 ('*Cooper*').

⁶⁰ *Twentieth Century Fox Film Corporation v Newzbin Limited* [2010] EWHC 608 ('*Newzbin*').

⁶¹ *Sharman* (2005) 220 ALR 1, 99–100 [414].

⁶² *Cooper* (2005) 150 FCR 1, 21 [85].

⁶³ *Ibid* 20–1 [84]; *Sharman* (2005) 220 ALR 1, 98 [404]–[405].

⁶⁴ *Sharman* (2005) 220 ALR 1, 98 [405].

⁶⁵ *Roadshow* (2012) 286 ALR 466, 484 [69].

⁶⁶ *Newzbin* [2010] EWHC 608, [95].

⁶⁷ *Ibid* [102].

⁶⁸ *Ibid* [99], [101].

play a supporting role in the power-centric approach followed in *Roadshow*, but is not mandatory. It also suggests that, despite ambiguities, this power-centric approach can more satisfyingly address modern authorisation cases. However, it may well be that the purported grant analysis lives on as a possible (but not sole) basis of liability.

A Bound to Infringe

The power-centric approach leaves a gap in the shape of cases such as *Evans* and *Monckton*. As discussed, these feature no power to prevent; ‘authorisation’ was based on the fact that the infringing use was the ordinary use of the defendant’s product. Merely not selling the product does not constitute ‘control’.⁶⁹ Perhaps, ‘power to prevent’ is wider than ‘control’, encompassing the ‘ability’ not to sell. However, the Gummow judgment referred to the ‘attenuated sense’ of iiNet’s ‘control’ of primary infringements,⁷⁰ suggesting that ‘control’ and ‘power’ are synonymous. Another suggestion is that these cases form a second basis for liability that is an exception to the requirement for power to prevent.⁷¹ This derives from the Gummow judgment’s comment that ‘[this] case is not one where the conduct of [iiNet’s] business was such that the primary infringements ... were “bound” to happen in the sense apparent in *Evans*’⁷² and reference to an article by Yee Fen Lim which argues that such cases are indeed a separate category.⁷³

The exception would thus find authorisation where the only ordinary use of the defendant’s product would constitute copyright infringement. *Roadshow* and the tape recording cases show that a likelihood that the product will be used for infringement, where ordinary legitimate uses also exist, is insufficient to attract liability.⁷⁴ However, this category needs further definition. For example, would file-hosting websites which are ‘known’ to support online piracy but cannot control what material is uploaded, and are functionally indistinguishable from legitimate cloud storage services, fall within this ground? It seems unlikely, but it is not clear.

V Relevant Considerations

The preceding discussion indicates two main points about authorisation liability. First, liability derives from the defendant’s connection to the primary infringement, in a way that requires power to prevent and is wider than — or at least different to — the ‘purported grant’ analysis. Second, mere indifference about known or suspected infringement is not a sufficient connection. This section explores what factors are relevant to this connection, focusing on the s 101(1A) criteria.

⁶⁹ *Roadshow* (2012) 286 ALR 466, 494–5 [121]; *Amstrad* [1988] 1 AC 1013, 1054; *Australian Tape Manufacturers* (1993) 176 CLR 480, 498.

⁷⁰ *Roadshow* (2012) 286 ALR 466, 500 [146].

⁷¹ David Lindsay, ‘ISP Liability for End-User Copyright Infringements: The High Court Decision in *Roadshow Films v iiNet*’ (2012) 62(4) *Telecommunications Journal of Australia* 53.1, 53.15.

⁷² *Roadshow* (2012) 286 ALR 466, 500 [146].

⁷³ Yee Fen Lim, “Bound to Infringe”: The Forgotten Child of the Doctrine of Authorisation of Copyright Infringement’ (2011) 33(2) *European Intellectual Property Review* 91.

⁷⁴ *Roadshow* (2012) 286 ALR 466, 498–9 [139]; *Amstrad* [1988] 1 AC 1013, 1055; *Australian Tape Manufacturers* (1993) 176 CLR 480, 498.

A *Power to Prevent*

Having established that ‘power to prevent’ is necessary for authorisation liability (save perhaps for ‘bound to infringe’ cases), the question becomes about the necessary extent and nature of power. *Roadshow* makes a clear analytical distinction between direct and indirect power.

Broadly stated, direct power appears to be the ability to control or influence the particular unlawful acts of primary infringers, whereas indirect power only prevents infringement as a side effect of more general consequences. This distinction is traceable to *Adelaide Corporation*, which concerned statutorily-imposed liability for permitting use of premises for copyright infringement, though *Roadshow* considered ‘permitting’ relevantly the same as ‘authorisation’.⁷⁵ The town hall was leased to someone who intended to stage concerts. The lease gave officers of the local corporation unfettered discretion to cancel the lease. The collecting agency informed the officers that one song to be performed would infringe copyright, but the corporation did not cancel the lease. A High Court majority held that the corporation had not permitted infringement as it lacked a relevant power to prevent the specific unauthorised performance. Higgins J stated that what was required was ‘a power to prevent the specific act ... not a power which, if exercised ... would put an end to the whole relationship of lessor and lessee’.⁷⁶ The principle is evident in the tape recording cases, whereby the ability not to sell the products was not considered a relevant power. By contrast, in *Moorhouse*, the university had an ongoing connection with primary infringers that allowed it to caution them and to monitor their activities. The existence of direct power certainly makes authorisation more likely, but, as discussed below, also seems subject to a reasonableness inquiry.

A useful tool for distinguishing between direct and indirect power — and, indeed, a possible rationale for the distinction — is to consider how the power would affect lawful uses of the product. A direct power should only prevent or reduce unlawful uses. In *Roadshow*, the Gummow judgment particularly considered it relevant that requiring iiNet to terminate accounts would prevent the extensive legitimate uses of its service.⁷⁷ Higgins J drew this link in *Adelaide Corporation*, stating that ‘[ending the lease] is not a step which would in itself prevent the infringement of the copyright, but a step which would do much more: it would put an end to the lease’;⁷⁸ he characterised the suggestion that the corporation should prevent all performances to stop one infringing song as ‘extreme’.⁷⁹ Such analysis also suggests that lawful uses may form part of the ‘reasonable steps’ analysis.⁸⁰

⁷⁵ *Roadshow* (2012) 286 ALR 466, 478–9 [48].

⁷⁶ *Adelaide Corporation* (1928) 40 CLR 481, 499.

⁷⁷ *Roadshow* (2012) 286 ALR 466, 498–9 [139].

⁷⁸ *Adelaide Corporation* (1928) 40 CLR 481, 498.

⁷⁹ *Ibid.*

⁸⁰ See also Burrell and Weatherall, above n 12, 814–16; Lisa Jarrett, ‘The Use of P2P Technology for Piracy of Film and Television Content in Australia’ (2008) (74) *Intellectual Property Forum* 49, 57.

Clear cases of direct power include, for example, a senior executive at a media company who can direct that infringing broadcasts not be shown,⁸¹ and a factory owner who can direct that known counterfeit goods not be made.⁸²

Direct power is not the same as absolute power to prevent; authorisation can be found even though the authoriser cannot guarantee prevention of infringement. The copyright notices in *Moorhouse* or search filters in *Sharman* would not come close to eliminating piracy, and in *Cooper* no measures changed the fact that the pirated material remained accessible online. It might seem curious that both *Roadshow* judgments emphasised that iiNet could not prevent disconnected users from continuing to infringe with another ISP.⁸³ However, this does not appear to affect whether power exists, but whether it is reasonable to exercise it.

The question remains whether there may be authorisation where only indirect power exists. It must be that it is possible. In past cases, cited with approval in *Roadshow*, the lack of direct power has arguably been decisive. In the tape recording cases, the indirect power not to sell was characterised as ‘no control’,⁸⁴ and in *Adelaide Corporation* Higgins J characterised the indirect power as irrelevant.⁸⁵ However, *Roadshow* did not treat the absence of direct power as automatically decisive. Rather, the judgments assessed whether iiNet took reasonable steps to prevent ‘given its indirect power to do so’,⁸⁶ concluding that it was not reasonable to require iiNet to terminate contracts in the circumstances. The implication must be that theoretically there could be circumstances in which exercising indirect power would be reasonable (and capable of forming the basis for an authorisation claim). As the next section discusses, though, such situations would likely be rare, particularly given the court’s ‘lawful uses’ analysis.

B Reasonable Steps

Section 101(1A)(c) requires assessment of ‘whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice’. Its conceptual relationship with the other statutory factors is somewhat unclear. The Gummow judgment apparently considered that ‘other’ reasonable steps are conceptually separate to the power to prevent in sub-s (a): ‘[o]ther than the exercise of that power, did the secondary infringer take any reasonable steps to prevent the primary infringement, or to avoid the commission of that infringement?’⁸⁷ This is somewhat circular; a step that could ‘prevent’ infringement is surely a ‘power to prevent’. Indeed, the concept of reasonable steps which fall short of a power to

⁸¹ See, eg. *TVBO Production Ltd v Australia Sky Net Pty Ltd* [2009] FCA 1132 [57].

⁸² See, eg. *Deckers Outdoor Corporation Inc v Farley (No 5)* (2009) 262 ALR 53, 65 [33]–[35].

⁸³ *Roadshow* (2012) 286 ALR 466, 485 [73], 498–9 [139].

⁸⁴ *Amstrad* [1988] 1 AC 1013, 1054; *Australian Tape Manufacturers* (1993) 176 CLR 480, 497–8. See also Michael Naphthali, ‘Unauthorised: Some Thoughts upon the Doctrine of Authorisation of Copyright Infringement in the Peer-to-Peer Age’ (2005) 15 *Australian Intellectual Property Journal* 5, 31.

⁸⁵ *Adelaide Corporation* (1928) 40 CLR 481, 499.

⁸⁶ *Roadshow* (2012) 286 ALR 466, 484 [71].

⁸⁷ *Ibid* 498 [135].

prevent is difficult. Decisions such as *Sharman* and *Moorhouse* show that a power to prevent need not eradicate infringement, and it would be arbitrary to require taking steps which have no impact on infringements. Indeed, *Roadshow* elsewhere treats ‘reasonable steps’ and ‘power to prevent’ as interrelated, so that a person need not exercise a power to prevent if that would not be ‘reasonable’. This is evident in the French judgment’s framing of the question as ‘[d]id reasonable steps to prevent [the] infringements ... include warnings and subsequent suspension or termination?’:⁸⁸ that is, was it reasonable for iiNet to exercise whatever power to prevent it did have? *Roadshow* only concerned indirect power, but there is no indication in either judgment or sub-s (a) — ‘power to prevent (if any)’ — that the reasonableness analysis does not also apply to direct power. Indeed, in *Moorhouse*, Gibbs J stated that there is authorisation when, inter alia, the person ‘omit[s] to take reasonable steps to limit its use to legitimate purposes’,⁸⁹ an approach applied, for example, in *Cooper*.⁹⁰

It remains unclear, though, whether there can be liability for failing to take steps that appear reasonable but may have only a relatively small impact on infringement. For example, Robert Burrell and Kimberlee Weatherall, writing before the High Court’s decision, argued that it was open to find iiNet liable on the basis that simply sending AFACT’s warnings to customers could be a reasonable step, even though terminating accounts would likely be found (and indeed was found) not to be reasonable.⁹¹ Unfortunately, the High Court did not consider this argument because the parties do not appear to have proposed the sending of warnings without any threat of termination. However, it must be that the efficacy of any step is part of the ‘reasonableness’ analysis, as suggested, for example, by the court’s concern that disconnected customers would simply infringe using another ISP. It is unclear, though, whether there is a threshold level of efficacy, and what weight efficacy is given (and the issue is further complicated, of course, by the fact that judging efficacy is a speculative exercise). If a measure will only have a small impact, but is very easy to take (such as posting copyright notices) so as to appear to be a ‘reasonable step’, does omitting to take that step attract liability? If a measure is likely to have substantial (direct) impact, does that justify a greater burden on the defendant (so that it is more difficult to show that the step is unreasonable)? The related issue was discussed above: what extent of power is necessary to attract liability? Given that the ‘fatal weakness’ in *Moorhouse* was the lack of copyright notices⁹² — the efficacy of which cannot realistically be expected to be substantial — the threshold does not appear very high. It is a shame that the court was unable to consider the bare sending of notices to clarify such matters.

The factors that affect reasonableness appear to be whatever the court considers relevant. In *Roadshow*, influential factors included the cost and difficulty of enforcing a procedure of warnings and termination, and the commercial risks and consequences of doing so.⁹³ Other cases indicate that the feasibility of

⁸⁸ Ibid 482–3 [63].

⁸⁹ *Moorhouse* (1975) 133 CLR 1, 13.

⁹⁰ *Cooper* (2005) 150 FCR 1, 21 [87].

⁹¹ Burrell and Weatherall, above n 12, 821–2.

⁹² *Moorhouse* (1975) 133 CLR 1, 17.

⁹³ *Roadshow* (2012) 286 ALR 466, 485 [74]–[75].

proposed measures (such as the availability of required technology) is clearly relevant.⁹⁴ As discussed, the impact on legitimate uses is also very relevant, though *Roadshow* did not clarify whether a step could ever be reasonable if it would also deny substantial lawful uses, nor how ‘substantial’ the lawful uses must be.

One other important factor which may fall within ‘reasonableness’ (though it could simply be an additional factor to consider) is the defendant’s knowledge of infringements. Gibbs J in *Moorhouse* stated that for there to be authorisation, the defendant must know or reasonably suspect that infringements of the general type were likely;⁹⁵ the defendant need not know about the specific instance of infringement.⁹⁶ *Roadshow* does not disturb this finding, but it does suggest that the level of knowledge required for a step to be ‘reasonable’ must be assessed in relation to the specific step. iiNet was plainly aware that users were using its service to infringe, but this did not make any possible step ‘reasonable’ in terms of knowledge. Rather, both judgments emphasised that AFACT’s notices were insufficiently detailed to give a credible basis for terminating any particular account;⁹⁷ iiNet did not sufficiently ‘know’ of the alleged infringement to justify the action. In the circumstances, this analysis is undoubtedly correct and may seem obvious, but it is worth emphasising that for an indirect step — which affects innocent uses and users — to be reasonable, much greater certainty seems necessary than for direct steps which only deter unlawful behaviour.

C *Relationship*

Section 101(1A)(b) mandates consideration of ‘the nature of any relationship existing between the [alleged authoriser] and the person who did the [primary infringement]’. This is the most obscure statutory factor, as there is little obvious guidance about how this relationship bears on liability. *Roadshow* does not clarify this, and it is questionable whether this criterion has any independent content.

The court only expressly adverted to relationship when assessing ‘power to prevent’ and ‘reasonable steps’. Indeed, the French judgment framed the question as ‘[h]ow does the relationship between iiNet and its customers ... bear on each of those questions’.⁹⁸ Both judgments apparently fulfilled s 101(1A)(b) by observing that iiNet’s relationship with primary infringers was contractual, involving supply of internet services for reward. This helped characterise iiNet’s ‘power to prevent’ as merely ‘indirect’ (by terminating the contract).⁹⁹ However, if this is the extent of the sub-section’s relevance, it is redundant as such analysis is integral to any inquiry into ‘power to prevent’ and does not need specific enumeration.

⁹⁴ See, eg, *Sharman* (2005) 220 ALR 1, 100 [414]; *Cooper* (2005) 150 FCR 1, 21 [85].

⁹⁵ *Moorhouse* (1975) 133 CLR 1, 13.

⁹⁶ See also Anna Spies, ‘Balancing the Rights of Copyright Holders, Internet Users and ISPS in an Internet Age: Recent Developments in ISP Liability in Australia, Canada and New Zealand’ (2011) 16 *Media Arts Law Review* 341, 353.

⁹⁷ *Roadshow* (2012) 286 ALR 466, 485–6 [78], 500 [146].

⁹⁸ *Ibid* 483 [63].

⁹⁹ *Ibid* 483 [65], 498 [137].

The one other reference to ‘relationship’ is in the Gummow judgment’s discussion of *Falcon*, commenting that Atkin LJ’s phrase

‘purport to grant’ ... has a significance not always appreciated ... [w]hat is important for the present case is the immediacy in *Falcon* of the relationship between the primary infringement and the secondary infringement.¹⁰⁰

In *Falcon*, the ‘relationship’ was that the authoriser contracted with a cinema owner to screen a film for which it did not have a licence, and to share the box office receipts. The Gummow judgment did not return to this discussion, but two things might be inferred. First, ‘relationship’ may go to the causal link between the primary infringement and authoriser, resembling Scott’s analysis of ‘purported grant’ discussed above. A ‘purported grant’ is not *necessary* for authorisation, but certainly seems to be relevant. A greater causal link — a more ‘immediate’ relationship — may make it more reasonable to expect the defendant to take available steps. This helps explain the French judgment’s observation that ‘iiNet’s customers could not possibly infer ... that iiNet was in a position to grant those customers rights to make the appellants’ films available online’;¹⁰¹ iiNet did not have an ‘immediate’ relationship to the primary infringement.

Second, ‘relationship’ might invite consideration of whether the defendant has any interest in seeing the infringements occur. As Burrell and Weatherall observed, courts appear to give weight to the fact that a defendant has a financial interest in primary infringements occurring, such as in *Sharman* and *Cooper*, where the business models were built around copyright infringement.¹⁰² iiNet profited by providing internet services, but the trial judge found no evidence that it specifically benefited from piracy.¹⁰³ Cases like *Cooper* are distinguishable from situations where the defendant has an interest in activity increasing generally (whether infringing or not).¹⁰⁴ However, this does not easily fit within s 101(1A)(b), which contemplates the defendant’s relationship with the primary infringer, rather than to the infringements. In *Cooper*, for example, the financial interest came from advertising revenue due to greater traffic, which arose independent of any relationship between the defendant and website visitors. Of course, s 101(1A) is non-exhaustive, so this does not change the fact that the defendant’s financial interests are relevant considerations.

VI Conclusions

The High Court in *Roadshow* failed to clarify many issues surrounding ‘authorisation liability’, and there is still no clear statement of the principle’s meaning. However, there is increased definition at the edges; it is not as wide as some believed *Moorhouse* to be, nor as narrow as the traditional ‘purported grant’ formulation suggests. Moreover, it now seems clear that liability primarily depends

¹⁰⁰ Ibid 496 [127].

¹⁰¹ Ibid 485 [76].

¹⁰² Burrell and Weatherall, above n 12, 817–18. See also Giblin, above n 40, 165; Jarrett, above n 80, 51, 57.

¹⁰³ *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215, 312–13 [451]–[452].

¹⁰⁴ Burrell and Weatherall, above n 12, 818.

on whether there were measures a defendant could reasonably have been expected to take which would have prevented or reduced infringements. It seems that in most cases such measures much directly target only unlawful actions, but this is not certain. It also remains unclear what level of power or possible effectiveness establishes sufficient connection between the defendant and infringement for liability. This power-centric approach seems to necessitate a narrow second basis for liability where, regardless of power, the defendant's conduct is 'bound' to cause infringements, though this ground's ambit is also ambiguous. Perhaps, given the extent of complexity and technological innovation in modern authorisation cases, it is impossible to define a clear standard, and courts must simply judge whether it is reasonable to attach secondary liability from all the circumstances (although clearer judicial instruction would be helpful). In the words of Herring CJ in *Wurlitzer*, as quoted in the Gummow judgment:¹⁰⁵ 'any attempt to prescribe beforehand ready-made tests for determining on which side of the line a particular case will fall would seem doomed to failure'.¹⁰⁶

For media owners, *Roadshow* indicates that the court is unlikely to compel legitimate third parties connected with the distribution of media, such as ISPs, to help them enforce their copyrights (clearly 'illegitimate' parties, as in *Cooper*, remain open as targets of litigation, but pursuing this route is of limited effectiveness in stemming piracy). Both judgments clearly characterised it as a matter better dealt with by Parliament.¹⁰⁷ If ISPs are to bear some duty in respect of digital piracy, it must surely come through legislative enactments or voluntary agreements. As the law stands, *Roadshow* leaves few routes open to media companies. ISPs are unlikely to be required to disconnect customers; at most, it may be arguable that ISPs should send warnings to customers, but even this is far from certain and for practical purposes, would likely be little more than a pyrrhic victory. As file-sharing technologies become more decentralised, there seem to be few feasible targets with sufficient 'power to prevent' to be liable under the authorisation principle.

¹⁰⁵ *Roadshow* (2012) 286 ALR 466, 496 [125].

¹⁰⁶ *Winstone v Wurlitzer Automatic Phonograph Co of Australia Pty Ltd* [1946] VLR 338, 345 ('*Wurlitzer*').

¹⁰⁷ *Roadshow* (2012) 286 ALR 466, 486 [79], 493 [120].