

**IN THE HIGH COURT OF AUSTRALIA  
SYDNEY REGISTRY**

**NO S23 OF 2010**

**BETWEEN: PHONOGRAPHIC PERFORMANCE  
COMPANY OF AUSTRALIA LIMITED  
ACN 000 680 704  
First Plaintiff**

**EMI MUSIC AUSTRALIA PTY LIMITED  
ACN 000 070 235  
Second Plaintiff**

**SONY MUSIC ENTERTAINMENT  
(AUSTRALIA) PTY LIMITED  
ACN 107 133 184  
Third Plaintiff**

**UNIVERSAL MUSIC AUSTRALIA PTY  
LIMITED  
ACN 000 158 592  
Fourth Plaintiff**

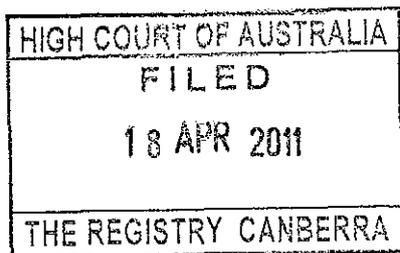
**WARNER MUSIC AUSTRALIA PTY  
LIMITED  
ACN 000 815 565  
Fifth Plaintiff**

**J ALBERT & SON PTY LTD  
ACN 000 026 513  
Sixth Plaintiff**

**AND: COMMONWEALTH OF AUSTRALIA  
First Defendant**

**AUSTRALIAN BROADCASTING  
CORPORATION  
Second Defendant**

**COMMERCIAL RADIO AUSTRALIA  
LIMITED  
ACN 059 731 467  
Third Defendant**



**SUBMISSIONS OF THE FIRST DEFENDANT**

Filed on behalf of the First Defendant by:  
Australian Government Solicitor  
50 Blackall Street  
Barton ACT 2600  
DX5678 Canberra

Date of this document: 18 April 2011  
Contact: Gavin Loughton  
File ref: 10009317  
Telephone: 02 6253 7203  
Facsimile: 02 6253 7303  
E-mail: gavin.loughton@ags.gov.au

## **PART I SUITABILITY FOR PUBLICATION**

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1. These submissions are in a form suitable for publication on the internet.

## **PART II ISSUES**

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2. The Special Case raises questions about the validity of ss 109 and 152 of the *Copyright Act 1968* (Cth) (**1968 Act**). The first defendant (**Commonwealth**) contends that those sections are wholly valid under s 51(xviii) of the Constitution. The Commonwealth contends in the alternative that s 152 provides “just terms” for any “acquisition of property” effected with the result that the sections are wholly valid under s 51(xxxi) of the Constitution.

## 10 **PART III NOTICE UNDER S 78B OF THE JUDICIARY ACT**

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3. Notice has been given in compliance with s 78B of the *Judiciary Act 1903* (Cth).

## **PART IV MATERIAL FACTS**

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4. The material facts are set out in the Special Case.

## **PART V APPLICABLE PROVISIONS**

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5. The plaintiffs’ statement of applicable provisions at paragraphs [168] and [169] of their submissions should be supplemented by the *Copyright (International Protection) Regulations* (Cth) (Statutory Rules No 60 of 1969) regs 3, 4, 7 and 9.

## 20 **PART VI ARGUMENTS OF THE COMMONWEALTH**

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### **Introduction**

6. The plaintiffs contend that ss 109 and 152 of the 1968 Act are, and have been from their commencement on 1 May 1969, invalid because they authorise an “acquisition of property” within the scope of s 51(xxxi) of the Constitution which s 152(8) and (11) prevent being on “just terms”. They identify the “property” so acquired as the exclusive right of an owner of copyright in a sound recording under the *Copyright Act 1911* (Imp) (the **1911 Act**) to broadcast that sound recording. They contend that s 109 authorises an “acquisition” of the property so identified because it deprives the owner of

the exclusive right to broadcast while conferring a "correlative benefit" on broadcasters in the form of a "statutory licence". They contend that s 152(8) and (11) prevent the acquisition being on "just terms" because they impose "significant and arbitrary restrictions" on the provision of compensation for the statutory licence and, in so doing, "manifest the reduction in rights previously held by the owners of copyright". They contend that ss 109 and 152 cannot be severed in their application to sound recordings in which copyright existed under the 1911 Act and are wholly invalid.

- 10 7. There is a threshold difficulty with the plaintiffs' reliance on copyright under the 1911 Act to challenge only ss 109 and 152 of the 1968 Act.
8. The 1911 Act, as extended to Australia by s 8 of the *Copyright Act 1912* (Cth) (the **1912 Act**), applied in Australia as Imperial legislation of paramount force.<sup>1</sup> The 1968 Act, enacted in reliance on s 51(xviii) of the Constitution, repealed the 1912 Act (s 6), excluded the further operation of the 1911 Act in Australia (s 5(1)) and provided that copyright does not subsist otherwise than by virtue of that Act (s 8(1)). The 1968 Act then went on, relevantly in Part IV, to create copyright that subsists by force of the 1968 Act.
- 20 9. Within Part IV of the 1968 Act as enacted, s 85(1)(c) of the 1968 Act relevantly defined copyright in a sound recording for the purposes of the 1968 Act to include the exclusive right to broadcast the recording. Section 89 of the 1968 Act has the effect that, subject to the 1968 Act, such copyright in relation to a sound recording subsists by force of the 1968 Act in a sound recording in three overlapping classes of case: where the maker was a "qualified person" (as defined in s 84) at the time the recording was made (s 89(1)); where the recording was made in Australia (s 89(2)); or where the recording was first published in Australia (s 89(3)). The first class of case is expressly stated to extend to sound recordings made before the commencement of the 1968 Act as if "qualified person" included a British subject or a person domiciled in any part of the Queen's dominions to which  
30 the 1911 Act extended (s 220(1)); the second is expressly stated not to extend to sound recordings made before the commencement of the 1968 Act (s 220(2)); and the third is extended generally to sound recordings first published in Australia before the commencement of the 1968 Act (s 207). Section 101(1) of the 1968 Act relevantly complements s 89 of the 1968 Act by providing that, again subject to the 1968 Act, the copyright it creates is infringed where a person other than the owner does or authorises the doing in Australia of an act comprised in the copyright.
- 40 10. Sections 109 of the 1968 Act, in combination with s 152 of the 1968 Act, does no more than qualify the extent of the copyright in a sound recording created by s 89 of the 1968 Act and protected by s 101(1) of the 1968 Act.

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<sup>1</sup> *Copyright Owners Reproduction Society Ltd v EMI (Australia) Pty Ltd* (1958) 100 CLR 597, Dixon CJ at 604, Taylor J at 614 and Menzies J at 616-617.

Section 109 does so by making clear that the copyright created by s 89 is not infringed by the making of a broadcast in either of two classes of case: where the Copyright Tribunal made an order under s 152 determining an amount payable by the broadcaster to copyright owners or the broadcaster has given an undertaking to pay such an amount if determined (s 109(1)) or where there is an agreement between the broadcaster and the owner of that copyright (s 109(2)).

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11. The plaintiffs appear correctly to concede that ss 109 and 152 of the 1968 Act can effect no acquisition of the copyright created by s 89 of the 1968 Act in relation to sound recordings made after the commencement of the 1968 Act because that copyright is obviously qualified by s 109 of the 1968 Act, in combination with s 152 of the 1968 Act, from the moment of its creation. Yet the plaintiffs make no attempt to explain how ss 109 and 152 of the 1968 Act effect an acquisition of the copyright created by s 89 of the 1968 Act in relation to sound recordings made before the commencement of the 1968 Act. In the latter case, like the former, the operation of s 109 of the 1968 Act, in combination with s 152 of the 1968 Act, is to qualify the extent of the copyright in a sound recording created by s 89 of the 1968 Act and protected by s 101(1) of the 1968 Act. Section 109 does not purport to extinguish or
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12. It is possible to imagine an argument to the effect that one or more of the provisions of the 1968 Act which address the 1911 Act are invalid unless ss 109 and 152 are severed or read down as they propose. But the plaintiffs appear to eschew any such argument, no doubt because they want otherwise to retain the copyright they have under the 1968 Act (including in particular the enhancement of that copyright by the amendment made to s 93 of the 1968 Act by operation of the *US Free Trade Agreement Implementation Act 2004* (Cth) increasing the term of copyright from 50 to 70 years) and do not want to take the chance of reverting to any right they may have had under the 1911 Act. They should not be permitted to shelter in
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13. Unless the plaintiffs are prepared to mount an argument that one or more of the provisions of the 1968 Act which address the 1911 Act are invalid unless ss 109 and 152 of the 1968 Act are severed or read down as they propose, it is not necessary for the Court to do more than reject at the threshold their arguments that ss 109 and 152 effect an acquisition of the property they identify. The first question in the Special Case should on that basis alone be answered "No".
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14. If the plaintiffs are prepared to mount and articulate an argument that one or more of the provisions of the 1968 Act which address the 1911 Act are invalid unless ss 109 and 152 of the 1968 Act are severed or read down as they propose, the Commonwealth makes the following contentions.

15. First, an owner of copyright in a sound recording under the 1911 Act did not have an exclusive right to broadcast the sound recording. *Gramophone Co Ltd v Stephen Cawardine and Co* [1934] 1 Ch 450 (**Cawardine**) was wrongly decided. The "property" the plaintiffs identify did not exist (see paragraphs [21]-[28] below).
16. Secondly, the limited right conferred on broadcasters by s 109 of the 1968 Act is not "proprietary" in nature. *Australian Tape Manufacturers Association Ltd v The Commonwealth* (1993) 176 CLR 480 (**Tape Manufacturers**) is indistinguishable and should not be overruled. There was no acquisition of "property" (see paragraphs [29]-[36] below).
17. Thirdly, the degree of impairment of any exclusive right of an owner of copyright in a pre-1968 sound recording is in any event insufficient to attract the operation of s 51(xxxi) and is within the scope of permissible adjustment under s 51(xviii) of the Constitution (see paragraphs [37]-[62] below).
18. Fourthly, the plaintiffs have not discharged their burden of demonstrating that s 152(8) and (11) operate to prevent "just terms" being provided. They have not demonstrated that the caps they impose on the amount payable by a broadcaster in respect of the broadcasting of all published sound recordings ever has or ever will prevent the owner of copyright in a pre-1968 sound recording receiving such compensation as the Tribunal determines under s 152(6) to be fair and reasonable (see paragraphs [63]-[80] below).
19. Finally, if necessary to ensure "just terms" so as to preserve validity, s 152(8) and (11) can each be read down to exclude pre-1968 sound recordings from the sound recordings covered by the cap (see paragraphs [81]-[89] below).
20. It will be apparent that each contention need only be considered if the previous contention is rejected.

**First contention: the owner of copyright in a sound recording under the 1911 Act did not have an exclusive right to broadcast the sound recording**

21. The proposition that that they (or their predecessors in title) held under the 1911 Act an exclusive right to broadcast their recordings in public is essential to the plaintiffs' case. Without it, the "property" the plaintiffs identify did not exist. If an owner of copyright in a record under the 1911 Act did not have the sole right to perform the record in public, the plaintiffs' entire case must fail.
22. Under s 19(1) of the 1911 Act, copyright subsisted in "records, perforated rolls and other contrivances". The copyright in these physical items subsisted "in like manner as if such contrivances were musical works". The question is how complete was this parallel. There can be no doubt that the manufacturer of a record had an exclusive right to create copies of the record. Indeed, the avoidance of piracy of such records was the object

behind the provision (SCB p 352). But did the manufacturer of a record (or other "contrivance") also have a "sole right" to control the "performance" of that record and, if so, how was that sole right to be reconciled with the undoubted sole right of the composer as owner of copyright in the underlying musical work to control the same performance? The only case to address that question was *Cawardine* in which Maugham J in 1934 held that the playing of a record was a "performance" of it and that the owner of copyright in the record under the 1911 Act had a "special right" to control that performance.

10. 23. The Commonwealth submits that *Cawardine* was wrongly decided.
24. *Cawardine* was subjected to contemporaneous criticism in the United Kingdom in *Copinger on the Law of Copyright* (7<sup>th</sup> ed) (SCB p 661; see also the 8<sup>th</sup> ed at SCB pp 681-682) and was also the subject of adverse comment by Earl Jowitt in the debate on what became the *Copyright Act 1956* (UK).<sup>2</sup> *Copinger* (SCB p 661) stated:

20 It has been held that the owner has not merely the right to prevent copies of his record being made directly or indirectly from his plate, but also all the other exclusive rights conferred by [s 1(2)], including the sole right to use the record for public performance. It is, however, a little difficult to see how the record, as distinct from the music which it reproduces, can be performed in public and it is the record only and not the music which is the property of the manufacturer.

30 The point made in *Copinger* reflects the fact that the copyright subsisting by reason of s 19(1) of the 1911 Act subsisted in physical objects, which are used rather than performed. Although s 1(2) of the 1911 Act conferred on the owner of copyright in a musical work the sole right to "perform" that work, including by broadcasting, it is clear that not all of the rights conferred on works were equally applicable to physical items. For example, the right in respect of performance ("the acoustic representation of a work": s 35) had no application to a physical item such as a painting or statue (an artistic work). When a record was played it produced an acoustic representation of the musical work embodied in the record, but did not simultaneously produce an acoustic representation of the physical item constituting the record. The record was played as a means of performing the musical work, not of performing the record.

- 40 25. In Australia the contention that the 1911 Act conferred a performance right in respect of records was criticised in 1932 by Royal Commissioner Sir William Langer Owen as part of the *Royal Commission on Performing Rights* created by the Commonwealth (SC para 118; SCB pp 89-142; esp at 127-128). Until that Royal Commission, owners of copyright in records and other

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<sup>2</sup> *Hansard*, House of Lords, 15 November 1955, Copyright Bill 1955

contrivances had at no point in the 20-year operation of the 1911 Act asserted that the Act created a performing right in such items. The Commissioner's survey of the position on the issue was set out in his report under the heading '*Claim by the associated record manufacturers to performing rights*' (SCB p 127). The report delivered by the Commissioner on 24 May 1933 contained various recommendations, including that it should be "*determin[ed] whether a performing fee can or cannot be lawfully claimed by the manufacturer for the use of a record in public*" (SC para 119; SCB p 138 (recommendation (14))).

- 10 26. The Commonwealth submits that the rights created by the 1911 Act were exclusive to either the composer of a musical work or to the manufacturer of a record of that musical work. Contrary to *Cawardine's case*, if both the composer and the manufacturer held the same right in respect of performance in public, it would not be a "sole" right. Maugham J erred in seeking to develop an idea of cascading or preferential rights as between composers and manufacturers: the manufacturer had the sole rights only where the former did not already possess them.
- 20 27. The composer of a musical work held the sole right in the performance in public of that work including by mechanical means (see the definition of "performance" in s 35). The playing of a record does not meaningfully constitute the "performance" of the record but rather the performance of the musical work embodied in the record. The sole right of performance in public lay therefore with the composer of the musical work. What s 19(1) relevantly gave to the manufacturer of a record was limited to the sole right to reproduce the physical item constituting that record.
- 30 28. As Sir Robert Garran observed, this conclusion gains support from the fact that some of the rights included in the term "copyright" in s 1(2) are obviously inapplicable to records regarded as "musical works" – for example the right to "produce, reproduce, perform or publish any *translation* of the work" (SCB p 1597). Importantly, s 19(2), which deals with infringements, only refers to *making* records and s 19(7)(c) – which likewise refers to *making* records – has been held not to include performing rights: *Thompson v Warner Bros Pictures Ltd* [1929] 2 Ch 308.

**Second contention: the right conferred on broadcasters by s 109 of the 1968 Act is not "proprietary" in nature**

29. The Court in *Tape Manufacturers* was unanimous in holding that the insertion of s 135ZZM(1) into the 1968 Act effected no acquisition of property. That section provided:

40 Copyright subsisting in a published sound recording, or in any work included in a published sound recording, is not infringed by making on private premises a copy of the sound recording if the copy is made on or

after the proclaimed day on a blank tape for the private and domestic use of the person who makes it.

30. Justices Dawson and Toohey, with whom McHugh J agreed (at 528) stated (at 527):

"The effect of that section is to diminish the exclusive rights conferred elsewhere in the Act by way of copyright but it does not result in the acquisition of property by any person. All that the section does is to confer a freedom generally to do something which previously constituted an infringement of another's proprietary right."

- 10 31. Contrary to the plaintiffs' submissions, the conclusion of Dawson and Toohey JJ that there was no acquisition of property did not depend on the fact that the royalty provided for under the scheme was payable by the vendors of blank tapes and not the persons on whom was conferred the benefit of the defence to infringement under s 135ZZM.<sup>3</sup> Rather their reasoning was to the effect that s 51(xxxi) of the Constitution can only be engaged by the acquisition of something of a proprietary nature and that s 135ZZM(1) conferred nothing on anyone that could be described as being of a proprietary nature.

- 20 32. Chief Justice Mason and Brennan, Deane and Toohey JJ also agreed with Dawson and Toohey JJ and added (at 499) that s 135ZZM(1):

"...does not acquire from the copyright owners the whole or part of the exclusive right conferred by s 31(1)(a) of the Act to reproduce the copyright work in material form. Instead, s 135ZZM(1) provides that something which was formerly an infringement of copyright is not an infringement. To that extent, the Act reduces the content of the exclusive right conferred by s 31(1)(a). It does not, however, effect an 'acquisition' of property for the purposes of s. 51(xxxi) of the *Constitution*."

- 30 33. Section 109 of the 1968 Act operates in precisely the same manner as s 135ZZM(1): it reduces the content of the exclusive right conferred by s 89 read with s 85(1)(c) by creating a freedom from infringement of copyright. It does not involve the acquisition by any person of a proprietary interest.

34. Neither of the two ways in which the plaintiffs attempt to distinguish s 109 from s 135ZZM(1) is convincing. As to the first,<sup>4</sup> the circumstance that s 135ZZM(1) did not involve the payment of a royalty was irrelevant to the Court's analysis and can make no difference in principle: a freedom that is paid for remains a freedom. As to the second,<sup>5</sup> s 87 (which confers copyright

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<sup>3</sup> Cf. Plaintiffs' submissions at [100]

<sup>4</sup> Plaintiffs' submissions at [103]; see also *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [186] per Gummow J

<sup>5</sup> Plaintiffs' submissions at [104]

in the actual sound broadcast that a broadcaster transmits) is also irrelevant: the point is that neither s 87 nor s 109 confers any proprietary right in respect of any sound recording contained within that sound broadcast.

35. To the extent that the plaintiffs seek leave to argue that *Tape Manufacturers* should not be followed<sup>6</sup> that leave should be refused:

35.1. the decision of the Court was unanimous;

35.2. there was no divergence in the reasoning of the justices;

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35.3. the distinction on which the decision turned - that between an acquisition and a mere diminution of proprietary rights - had been worked out in a succession of prior cases;<sup>7</sup>

35.4. both the distinction and its application in the decision have been accepted and as correct in subsequent cases.<sup>8</sup>

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36. To the extent that the plaintiffs rely upon passages in *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [21] and [24] to support a contention that a mere reduction in a subsisting statutory exclusive right, such as copyright, attracts the operation of s 51(xxxi) of the Constitution,<sup>9</sup> the plaintiffs simply draw too much from passages directed respectively to establishing the proposition that statutory rights can fall within the scope of s 51(xxxi) and to rejecting the proposition that all statutory rights are susceptible of modification or extinguishment outside of s 51(xxxi). The second passage includes a footnote reference to the judgment of Gummow J in *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [185] in which his Honour cited *Tape Manufacturers* for the specific proposition that "a law which reduces the content of the exclusive [statutory] rights ... for example, by providing that certain acts henceforth will not infringe those rights, will not attract s 51(xxxi)."

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<sup>6</sup> Plaintiffs' submissions at [106]

<sup>7</sup> See *R v Ludeke; Ex parte Australian Building Construction Employees' and Builders Labourers' Federation* (1985) 159 CLR 636, at 653; *The Commonwealth v Tasmania (the Tasmanian Dam Case)* (1983) 158 CLR, at 145, 181, 247, 283; *Australian Capital Television Pty. Ltd. v The Commonwealth* (1992) 177 CLR 106, at 163-165, 196-198.

<sup>8</sup> *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1, Gummow J at [185]; *Wurridjal v Commonwealth* (2009) 237 CLR 309 French CJ at [90]; *ICM Agriculture v Commonwealth* (2009) 240 CLR 140, French CJ, Gummow and Crennan JJ at [81]-[86].

<sup>9</sup> Plaintiffs' submissions at [94]-[96].

**Third contention: the degree of impairment of any exclusive right of an owner of copyright in a pre-1968 sound recording is in any event within the scope of permissible adjustment under s 51(xviii) of the Constitution and is insufficient to attract the operation of s 51(xxxi) of the Constitution**

- 10 37. Unlike Article I s 8 cl 8 of the United States Constitution,<sup>10</sup> s 51(xviii) of the Constitution is not a purposive power but a power to make laws "with respect to" "copyrights, patents of invention and designs, and trade marks" understood as broad and evolving categories of legislation.<sup>11</sup> Section 51(xviii), like any other power, "carries all that is proper for its full effectuation".<sup>12</sup> In particular, it allows the Parliament to make laws that address the "inevitable tensions between the rights of copyright owners and the public need for reasonable access to copyright works".<sup>13</sup>
- 20 38. The full effectuation of the power conferred by s 51(xviii) of the Constitution necessitates the ability to adjust the competing rights of copyright owners and other persons who are not copyright owners in the light of technological developments<sup>14</sup> and also in the light of international developments which have always been strongly influential in the development of copyright law. While the precise extent to which an adjustment may be made without trespassing into the field covered by s 51(xxxi) may well involve questions of degree,<sup>15</sup> a law which adjusts competing rights of copyright owners and other persons in the light of technological or international developments is very much something that "springs from the nature of the power".<sup>16</sup> To apply s 51(xxxi) to such an adjustment would be "incongruous".<sup>17</sup>
39. Nowhere has the necessity to adjust the competing rights of copyright owners and others persons in the light of technological developments and international developments been more pronounced than in relation to the mechanical reproduction of music, a subject the law of copyright did not begin to address until the 1880s. By an international treaty signed in 1886

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<sup>10</sup> Article I s 8 cl 8 of the United States Constitution confers power on Congress to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"

<sup>11</sup> *Grain Pool of Western Australia v Commonwealth* (2000) 202 CLR 479 at [16]-[17].

<sup>12</sup> *City of Melbourne v The Commonwealth (State Banking Case)* (1947) 74 CLR 31 at 83 per Dixon J

<sup>13</sup> *Copyright Agency Ltd v State of New South Wales* (2008) 233 CLR 279 at [51] per Gleeson CJ, Gummow, Heydon, Crennan and Kiefel JJ

<sup>14</sup> See *Nintendo Company v Centronics Systems* (1994) 181 CLR 134 at 160 per Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ

<sup>15</sup> *Smith v ANL Ltd* (2000) 204 CLR 493 at [23] per Gaudron and Gummow JJ; *Telstra Corporation Ltd v Commonwealth* (2008) 234 CLR 210 at [52] per curiam.

<sup>16</sup> *City of Melbourne v The Commonwealth (State Banking Case)* (1947) 74 CLR 31 at 81 per Dixon J.

<sup>17</sup> *Theophanous v Commonwealth* (2006) 225 CLR 101 at [60] per Gummow, Kirby, Hayne, Heydon and Crennan JJ.

known as the "Berne Convention", nine countries formed themselves "into a Union for the protection of the rights of authors over their literary and artistic works" (Art 1). (The expression "literary and artistic works" was defined to include "musical compositions, with or without words"). Great Britain "with its colonies and possessions" was one of the nine original members of the Berne Union. At the time of the Berne Convention, the only significant industry pertaining to the mechanical production of music was the music box industry (SC para 103). With protection of the music box industry in mind,<sup>18</sup> the Berne Convention stipulated that "the manufacture and sale of instruments serving to reproduce mechanically musical airs in which copyright subsists shall not be considered musical infringement" (Art 3 of the Closing Protocol; SC para 105).

40. Within a handful of years of the Berne Convention, the sound recording industry had begun (SC para 43-44, 62-63). It expanded rapidly. The new industry was unconstrained by the existence of copyright in, or pertaining to, sound recordings. The apparent iniquity of these arrangements to composers (whose work was being exploited commercially without their consent) began to be addressed in 1908. The parties to the Berlin Convention of 1908 agreed to a revision to the Berne Convention to facilitate the extension of composer's copyright in musical compositions to include the exclusive right to authorize the making of sound recordings of those compositions (Art 13; SCB p 295). In Britain, the government appointed a committee (**Gorrell Committee**) to examine the Berne Convention and make recommendations on its incorporation into British law (SC para 108). As was pointed out to the Gorrell Committee by a representative of the sound recording industry, "vast interests have been created under conditions which specifically denied to the composer any right in phonographic publication" (SC para 109; SCB p 322, col b). The representative submitted that legislation "should strike a fair bargain as between conflicting interests" (SCB p 323 col a). The compromise recommended by the Gorrell Committee was that the law be amended to: (a) create a composer's right to control the making of sound recordings of his or her musical compositions (SCB p 349); and (b) create a separate copyright in records themselves, such copyright being with the manufacturers of the records (SCB p 352). The Committee considered such a right desirable to protect manufacturers of records against the making of pirated copies (SCB p 352). Ultimately, both of those recommendations were adopted in the 1911 Act: ss 1(2)(d) and 19(1) (and see also the additional right conferred on manufacturers by s 19(2)).
41. The possibility of adjustment of the rights it created was inherent in the terms of both the 1911 Act and the 1912 Act. Section 19 of the 1911 Act provided that copyright shall subsist in records and other such contrivances in like manner as *if* they were musical works and s 1(1) of the 1911 Act in turn

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<sup>18</sup> William Briggs, *The Law of International Copyright* (London 1906) 403.

conferred copyright in musical works “*subject to the provisions of this Act*”.<sup>19</sup> Section 8 of the 1912 Act provided that the 1911 Act “shall, *subject to any modifications provided by this Act*, be in force in the Commonwealth ...”. The references to “this Act” in each case are properly construed as referring to the relevant Act as amended from time to time.<sup>20</sup>

- 10 42. Of course the 1911 Act was enacted before the technology for mass communication by radio had been developed. Commercial radio broadcasting did not begin anywhere in the world until the 1920s. By this time, advances in technology had put gramophones within the affordability of most working people for the first time (SC para 83). But now the invention of radio created a new class of consumers of records: broadcasters. They made investments in the facilities and equipment necessary for mass broadcasting. The advent of mass broadcasting also improved the position of the public, who then enjoyed a greater choice in the number and variety of the sound recordings it could hear. By contrast, composers of musical works and manufacturers of records were concerned that the new technology might adversely affect their interests. Through the 1920s and 1930s, the composers and manufacturers took action. There ensued legal and commercial struggles between the competing interests (SC paras 113-122, 173-179). The legal side of these struggles tested the language of the 1911 Act, which had been framed without disputes of this kind in mind. The 1912 Act was in fact amended in 1933 to insert an arbitration mechanism whereby, if there was a dispute between an owner or controller of copyright in a contrivance and a user, one of those parties could apply for a determination of the dispute by an arbitrator (see s 13A; see SC para 120). Invocation of the arbitration process was voluntary, however the determination by the arbitrator was final (s 13A(2),(6)) and payment by a user in accordance with the determination of the arbitrator operated as a defence to an infringement action (s 13A(6)).
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- 30 43. By 1934, the effect of the decided cases in Australia and England, including *Cawardine’s case* (assuming its correctness) was that the unauthorised broadcast by radio stations of records would infringe the copyright of manufacturers of those records. Record companies were therefore in a strong position to demand from broadcasters a royalty in return for the right to broadcast records in which copyright subsisted (SC paras 179-182). This

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<sup>19</sup> Other provisions in the 1911 Act confirm that copyright in respect of contrivances was always subject to statutory variation: the *term* of copyright in a contrivance (s 3) was expressed to be “except as otherwise provided by this Act”; *ownership* of copyright (s 5(1)) was expressed to be “subject to the provisions of this Act”; and the entitlement to *remedies* for civil infringement (s 6(1)) was expressed to be “except as otherwise provided by this Act”.

<sup>20</sup> *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [18], [20], [30] per Gleeson CJ, Gummow, Hayne and Crennan JJ; *Ocean Road Motel Pty Ltd v Pacific Acceptance Corp Ltd* (1963) 109 CLR 276 at 280 and 282-4; *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at 74 [200]

was in contrast to the position in the United States, where no separate copyright existed in records (SC paras 135-137).

- 10 44. Australia's record manufacturing industry was nearly wiped out during the Great Depression (SC paras 84-97) and by 1933 only Electrical and Musical Industries Ltd (**EMI**), a British corporation which carried on business in Australia through a number of subsidiary corporations (together, the **Australian EMI group**), remained (SC para 91). From this position, the Australian EMI group went on to enjoy, for the next twenty years, a virtual monopoly on the distribution in Australia of popular records (including from the US) of a technical quality suitable for radio broadcast (SC paras 188, 190).
- 20 45. In the mid 1950s, an opportunity arose for the commercial broadcasters to shift the bargaining position as between record companies and commercial broadcasters decisively in their favour. Rock and roll music, principally from the United States, was becoming increasingly popular. Technological improvements in the durability of records now allowed a single record to be played over a great number of times without significantly degrading. This facilitated an increasing number of broadcasters adopting a "top 40 format" (SC para 56(a)). At about this time, several major US record companies decided to withdraw their franchises from EMI and begin selling records direct to the Australian market (SC paras 203-204). Commercial broadcasters obtained a joint opinion from Sir Garfield Barwick KC (as he then was) and Mr GE Thomas, the effect of which was that s 19 of the 1911 Act conferred no copyright protection in Australia on records that had originally been made in the United States (SC para 206; SCB pp 1527-1537). The combined effect of these developments was that broadcasters were no longer dependent on the Australian EMI group. Relying on this alternative supply, the commercial broadcasters terminated their licence agreement with the Australian EMI group and refused, for about 5 months, to broadcast records in respect of which the Australian EMI group required royalty payments (SC paras 208-212). Eventually, a new arrangement was negotiated under which the commercial broadcasters were no longer required to make money payments to the Australian EMI group. Instead, commercial broadcasters made available to record companies a certain amount of free radio time.
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- 40 46. In 1958, the Spicer Committee was appointed to advise which of the recent UK amendments to copyright law (brought about by the *Copyright Act 1956* (UK)) should be incorporated into the copyright law of Australia (SCB pp 473-582). The Spicer Committee revisited the question of whether copyright in sound recordings should extend to the exclusive right to authorise radio broadcasts, including the question of the correctness of the cases from the 1920s and 1930s on the question. The issue was strenuously debated before the Committee (SCB pp 513 [232], 514-515 [237-240]). The Spicer Committee also gave some consideration to the unclear legal status in

Australia of sound recordings that had been first published in the United States but had, simultaneously or nearly simultaneously, been published in Canada (SCB pp 517-518 [246-250]). By virtue of a certificate issued under s 25(2) of the 1911 Act,<sup>21</sup> Canada was required to be treated as if it were a dominion to which the 1911 Act extended. In consequence, works first published in Canada enjoyed copyright protection in Australia: s 1(1)(a). By s 35(4) of the 1911 Act, a work was deemed to have been first published within His Majesty's dominions if publication there had (in fact) occurred within 14 days of first publication elsewhere. It *arguably* followed that a US record published in Canada within 14 days of first publication in the US would be deemed to have been a work first published in Canada and therefore would attract copyright protection in Australia under the 1911 Act. By this method it seemed (at the time) possible that "American record producers can obtain protection in Australia or the United Kingdom that they are denied in their own country".<sup>22</sup> On the other hand, the reasoning of the Barwick / Thomas opinion would seem to deny this. Moreover, it was not clear whether any, and if so how many, US records were published in Canada within 14 days of first publication in the US.<sup>23</sup> The question was never considered by the courts. According to a submission by the Attorney-General to Federal Cabinet in October 1967, "neither party...wished to go to litigation which would probably have ended up in the Privy Council" (SCB pp 1346, 5]).

47. The Spicer Committee recommended that copyright in a sound recording should include the exclusive right to authorize radio broadcasts (and all public performances) of that sound recording (SCB pp 516-517 [241-242]). A majority of the Committee went even further, and recommended that such a right be expressly extended to US sound recordings, even though such a

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<sup>21</sup> *London Gazette*, 14 December 1923, p.8721, col a.

<sup>22</sup> LR Zines, 'Revision of Copyright Law' (1963) 37 ALJ 247, 256.

<sup>23</sup> It seems clear that in the 1960s a substantial number of US records were first published in Canada within 30 days of first publication within the United States: SCB pp 1346-1347. The specific identification of '30 days' in the contemporary documents suggest that US record manufacturers, or some of them, may have been taking deliberate steps to ensure publication in Canada within 30 days of first publication in the US with a view to securing copyright protection for US sound recordings in the United Kingdom. For by that time the British Parliament had, insofar as the United Kingdom was concerned, replaced the 1911 Act with the *Copyright Act 1956* (UK). By virtue of the operation of ss 12(2), 32 and 49(2)(d) of the 1956 Act and a 1957 Order in Council (SI 1957 No 1523) publication of a US sound recording in Canada within 30 days of publication in the US did result in that sound recording being protected in the UK under the 1956 Act. This situation was continued by a 1964 Order in Council (SI 1964 No.690). For there to have been a possibility of a similar argument being available in respect of Australia (where the 1911 Act was still in force and a shorter, 14 day simultaneous publication requirement applied: s 35(3)) publication in Canada would have had to occur within 14 days of publication in the United States. There is no indication one way or another as to whether any publications in Canada occurred within a 14 day period (and of the Barwick / Thomas opinion in any event: SCB pp 1511-1537)

right did not exist under US law (SCB p 518 [253-254]). The Spicer Committee's recommendation, if adopted, would likely have cut off what the commercial broadcasters took to be their alternative source of relatively cheap US sound recordings and thereby greatly weaken the broadcasters' bargaining position as against record manufacturers. The legal position could have reverted to something closer to the position prior to 1954 when EMI enjoyed a virtual monopoly in record distribution in Australia.<sup>24</sup>

10 48. By the 1960s, a new copyright statute was in contemplation.<sup>25</sup> Over the  
course of 1966 and 1967, the proposed content of such a statute in relation  
to sound recordings changed significantly several times. At first, in April  
1966, the government indicated it would reject the Spicer Committee's  
proposals on sound recordings: the new Copyright Bill would not confer on  
manufacturers of sound recordings any exclusive right to authorise or prohibit  
broadcasts of those sound recordings (SCB p 1114, col a).<sup>26</sup> The  
consequence would be that record manufacturers would not have any legal  
basis for demanding royalties or other remuneration from broadcasters. This  
proposal was the subject of representations to government by record  
companies and radio stations (SCB p 1118 [5]).<sup>27</sup> In consequence, in May  
20 1967 Cabinet revisited its previous decision. In his submission to Cabinet,  
the Attorney-General indicated that he had "given much thought to what  
should be... the proper balance between the competing interests of the  
record industry and the broadcasting industry in this matter" (SCB p 1118  
[5]). He placed weight on the desirability of securing copyright protection for  
the increasing number of sound recordings made in Australia (SCB p 1120  
[4]). Cabinet now decided that the Bill should provide that record  
manufacturers be entitled to receive from broadcasters "equitable  
remuneration" – as agreed or, in the absence of agreement, as determined  
by a Copyright Tribunal. Such a right would only exist in relation to the  
broadcast of sound recordings from countries whose own copyright law  
30 conferred a copyright in respect of sound recordings which extended to the  
right to authorise or prohibit the broadcast of such sound recordings, e.g.  
sound recordings from the UK, but not from the US.<sup>28</sup> Such a provision  
would strengthen the position of manufacturers; however, broadcasters  
would of course still be able to simply refuse to broadcast sound recordings  
in respect of which the broadcasters did not wish to pay the requested

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<sup>24</sup> See discussion at paragraphs 44-45 above.

<sup>25</sup> See Geoffrey Sawer 'Australia--Embarrassing Interlude' (1964) 11 *Bulletin of the Copyright Society* 313.

<sup>26</sup> Being *Hansard*, HR, 20 April 1966 971 at 974. A Cabinet decision dated 20 April 1966 on the issue is referred to at SCB 1117 and Cabinet's likely reasons rejection of the Spicer Committee's recommendations on this issue are set out at 1124-1125.

<sup>27</sup> *Hansard*, HR, 18 May 1968, 2333.

<sup>28</sup> SCB p 1121 [8]; see also the provisions of the draft bill at SCB pp 1173 (cl 108) and 1187 (cl 149).

remuneration – particularly so long as they had an alternative, cheaper supply of sound recordings from the US.

- 10 49. However, at this time consideration was also being given in the United States to reform of its Federal copyright statute. The questions under consideration included whether US copyright law should be amended to recognise copyright in sound recordings and, if so, whether such copyright should extend to a right to authorise or prohibit the broadcast of sound recordings.<sup>29</sup> By the mid-1960s, the prospect of an amendment (in the foreseeable future) to US law to create a copyright of that kind in sound recordings was becoming increasingly remote.<sup>30</sup> Nonetheless, as late as 1967, when the Australian Bill was being debated, record manufacturers were still pressing strongly for the right in the United States (SCB pp 1324-1325).
- 20 50. The prospect of US law being amended to confer on record companies such a right was of considerable concern to commercial broadcasters in Australia. The consequence would be that Australian broadcasters could well lose their supply of cheap US sound recordings. The amount of “equitable remuneration” that broadcasters might then be required to pay (that is, if the US law changed) under the proposed new Act might be considerable. Accordingly, commercial broadcasters made representations that provision be made in the Bill for a “cap” to be placed on the amount of equitable remuneration they could be required to pay –“*against the possibility that the United States of America will grant a broadcasting right in records*” (SCB p 1451 [3]; see also SCB p 1348). Cabinet revisited the issue once more (see esp SCB pp 1347-1348 [7-8]) and decided to further amend the proposed Bill to adopt a 1% cap. As was acknowledged at the time, this was a compromise between the various interests.<sup>31</sup> A cap was also introduced similarly to protect the ABC. (Ultimately, in 1972 Congress amended the US copyright statute to create a limited copyright in sound recordings. However, the right did not extend to a right to authorise or prohibit broadcasts of sound recordings (SC para 137).)
- 30 51. In the second reading speech for the 1968 Bill, the Attorney-General noted that considerable changes in technologies and the economic environment required a complete revision of copyright law in Australia and referred to

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<sup>29</sup> SCB pp 1314-1316. The Register of Copyright described the latter question as 'explosively controversial'. See also Benjamin Kaplan, *An Unhurried View of Copyright* (New York 1967) 109: 'Truly astonishing has been the vehemence of the dispute over the shape of this copyright and who is to control it'.

<sup>30</sup> SCB pp 1315-1316; Kaplan (n 29 above) 109.

<sup>31</sup> SCB p 1348 [7-8]. See also Geoffrey Sawer 'The Commonwealth Copyright Act 1968' (1969) 43 ALJ 8, n 3, noting the relevant parts of the Act dealt with 'systems of compulsory licensing and royalty-fixing...of great importance to a large and growing industry, and they involve difficult questions of monopoly-control, protection for Australian enterprise, and cutting-up of commercial cakes in ways not-likely to be achieved by competitive capitalism'.

“compromises” between “conflicting interests” (*Hansard*, HR, 16 May 1968, SCB pp 1395-6). The plaintiffs rely on parts of the second reading speech in which the Attorney-General referred to the “fears” of the commercial broadcasters and the ABC in relation to royalties and then stated that caps would be imposed in light of the “special circumstances now existing in Australia in relation to the broadcasting of records” (SCB p 1403).<sup>32</sup> It is plain from the history referred to above that the “fears” held by commercial broadcasters and the ABC that were sought to be allayed by the caps and the “special circumstances” for imposing those caps both arose from concerns regarding possible changes to US copyright in sound recordings.<sup>33</sup> However, it is apparent from the same history that the caps were imposed to “overcome distortion, anomaly or unintended consequences in the working of the particular scheme”.<sup>34</sup>

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52. The 1968 Act included the following relevant features the combination of which had the result that, in a number of significant respects, the rights that the 1968 Act conferred on owners of copyright in sound recordings were greater than those that had subsisted under the 1911 Act.<sup>35</sup>

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53. First, by the 1968 Act, the Parliament replaced the approach of having copyright subsist in physical items (records, perforated rolls and other such contrivances) “in like manner as if they were musical works” and instead instituted a new and separate scheme addressing more coherently and clearly copyright in sound recordings. In doing so, s 85 of the 1968 Act conferred a benefit in respect of sound recordings made prior to the 1968 Act by including an express right to broadcast the recording (whereas under the 1911 Act this result was only achieved by the single-judge decision in *Cawardine’s case*). This removed the doubt that existed about the correctness of that case for the benefit of holders of copyright in sound recordings.

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54. Secondly, under the 1911 Act, copyright only subsisted for 50 years from the *making* of the original plate: s 19(1). Section 220(3) of the 1968 Act had the effect that, in relation to pre-1968 Act sound recordings still in copyright, copyright would thereafter subsist for 50 years after the *end* of the calendar year in which the recording was made.

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<sup>32</sup> Plaintiffs’ submissions at [150]; *Hansard*, House of Representatives, 16 May 1968, SCB p 1403

<sup>33</sup> Cf. Plaintiffs’ submissions at [150]–[151]

<sup>34</sup> See *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 237 per Mason CJ, Deane and Gaudron JJ; cf. Plaintiffs’ submissions at [127]

<sup>35</sup> *Commonwealth v WMC Resources* (1998) 194 CLR 1 at 70–1 [182]–[187] per Gummow J; *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [24] per Gleeson CJ, Gummow, Hayne and Crennan JJ

55. Thirdly, and more significantly, commencing 1 January 2005, s 93 was amended and s 220(3) was repealed with the effect that the duration of copyright in all sound recordings still in copyright was extended from 50 years to 70 years after the end of the calendar year in which the recording was made (the "2005 amendments").<sup>36</sup> The significance of this enhancement can be illustrated by the following example. The recording "*A Pub With No Beer*" owned by the second plaintiff was recorded some time in 1957 (SC para 12(f)(i)). The copyright in that recording:

10 55.1. would have expired some time in 2007 if the 1911 Act had not been excluded from operation by the 1968 Act (ie. expired in the month of 2007 which corresponds to the month the recording was made in 1957);

55.2. would have expired on 31 December 2007 by the operation of s 220(3) of the 1968 Act as enacted (with the extension being the number of months difference between 31 December and the day of the month the recording was made in 1957); and

55.3. will now expire on 31 December 2027 by the operation of the 2005 amendments (being an extension of at least 20 years plus the number of months calculated in (b)).

20 56. Fourthly, the 1968 Act conferred a further benefit on all *controllers* of 1911 Act sound recordings. Section 5(2) of the 1911 Act provided for the grant of an interest by licence in a record or other contrivance. In this respect, the fourth plaintiff was granted an interest in and became the controller of the recording "*You Don't Have To Say You Love Me*" before the commencement of the 1968 Act (SC para 14(f)(i)). However, because no provision was made regarding the position of successors in title, in accordance with the general law, such a licence held by the fourth plaintiff would not bind a purchaser for value without notice. The Spicer Committee, after noting that the position regarding exclusive licences under the 1911 Act "is doubtful",<sup>37</sup> recommended that a provision be inserted into the 1968 Act expressly providing that a licence granted is binding on every successor in title. The Parliament adopted this course by s 196(4) of the 1968 Act and, in doing so, strengthened the position of all controllers of sound recordings (that is, exclusive licensees), including those who held exclusive licences in respect of 1911 Act Sound Recordings (see s 207).

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<sup>36</sup> *US Free Trade Agreement Implementation Act 2004* (Sch 9, Part 6, cl 124) (commencing 1 January 2005). See also Sch 9, Part 6, cl 130 of that Act which repealed s 220(3) of the 1968 Act, with the effect that, from 1 January 2005, s 93 (as amended to extend to 70 years) applied directly to Affected Sound Recordings by reason of the operation of s 207 of the 1968 Act (with the previous modification of s 93 by virtue of s 220(3) having been repealed).

<sup>37</sup> Spicer Committee Report at para 392 (tab 17) (SCB p 543)

57. It is also worthy of note – in addition to s 109 – Division 6 of Part IV of the 1968 Act confers a number of defences to infringement of copyright in a sound recording which did not exist under the 1911 Act:

57.1. *Section 104* (anything done for the purposes of a judicial proceeding or a report of a judicial proceeding).

57.2. *Section 105* (copyright subsisting in a sound recording by virtue only of s 89(3) is not infringed by the public performance or broadcast of the recording).<sup>38</sup>

10 57.3. *Section 106* (copyright not infringed by the public performance of a sound recording in a guest house or club where no relevant charge imposed).

57.4. *Section 107* (copyright not infringed by making of a record embodying a sound recording for the purpose of broadcasting).

20 58. It is not the case, as the plaintiffs have asserted, that ss 109 and 152 represent the only instance in the 1968 Act where a defence to infringement was conferred if the relevant user paid a fixed or capped fee.<sup>39</sup> By s 55, the 1968 Act provided a defence against the infringement of composer's copyright in favour of record manufacturers. That defence is particularly pertinent here as it conferred a valuable freedom on all record companies, including the second to sixth plaintiffs.<sup>40</sup> As enacted, the freedom conferred by s 55 required record companies to pay a fixed fee which was set at 5% of the retail selling price of the record (s 56). Like s 109, s 55 was expressed as a defence to infringement, whereby the payment by a record company of the fixed royalty set by the Parliament operates as a defence to infringement. The freedom conferred under s 55 was of considerable benefit to record companies in that the making of a record under the freedom was "considerably less risky" than the making of a first release record (because the first release record has already been tested in the market)<sup>41</sup> in circumstances where, as at 1979, 90% of the records manufactured in

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<sup>38</sup> The effect of s 105 is that, where copyright subsists in a sound recording by virtue only of s 89(3) (that is, the only connecting factor is that it was first published in Australia) the copyright therein is effectively limited to the mechanical right in s 85(1)(a). This defence did not exist under the 1911 Act. Under the 1911 Act, where copyright subsisted in a mechanical contrivance by virtue only of the only fact that it was first published in Australia (see ss 1(1)(a), 19(1)), on the plaintiffs' case copyright would be infringed by the public performance (including broadcast) of the mechanical contrivance (see ss 1(2) and 19 of the 1911 Act; see SOC para 20-22).

<sup>39</sup> Plaintiffs' submissions at [144]

<sup>40</sup> See SC para 12(e), 13(e), 14(e), 15(e), 16(e)

<sup>41</sup> See *Report of the Inquiry by the Copyright Tribunal into the Royalty Payable in Respect of Records Generally* (Copyright Tribunal, 24 December 1979) at para 3.8 (referred to at SC para 261(a))

Australia represented records to which s 55 applied.<sup>42</sup> The statements of the then Attorney-General, the Honourable Nigel Bowen during the course of debate on the revised Copyright Bill introduced into the House of Representatives on 16 May 1968 illustrate the Parliament striking a balance of competing interests between record companies on the one hand and owners of musical works on the other. After referring to the fact that owners of musical works had sought an increase in the fixed royalty (above 5%) and had opposed the enlargement of the statutory licence, and after noting that he had considered the “arguments that were put by both sides”, the Attorney-General stated his conclusion that changes to the scheme should be made.<sup>43</sup> 10 Relevantly, the changes made to the scheme were to make it broader and thus more beneficial to record companies than the scheme that had existed under s 19(2) of the 1911 Act.<sup>44</sup> For example, the freedom under s 19(2) was only triggered by the making of a record in Australia, a British dominion or self-governing dominion that had declared the 1911 Act to be in force.<sup>45</sup> Under the 1968 Act, the freedom under s 55 is triggered by the making in or importing into any one of some 80 countries identified in the Regulations (see s 55(1)(a)(iii)-(iv)).

20 59. Moreover, the incidents of copyright in a sound recording have continued to be adjusted since the enactment of the 1968 Act to the considerable benefit of the owners of that copyright. As already noted, the duration of copyright in sound recordings was extended to 70 years commencing 1 January 2005 in response to Australia’s entry into the Australia-United States Free Trade Agreement in 2004.<sup>46</sup> In addition, in 2007, the definition of “record” was made inclusive and more technology neutral (thereafter providing that “record” includes a “disc, tape, paper, electronic file or other device in which sounds are embodied”).<sup>47</sup>

30 60. The above analysis reveals not only that the inherent nature of laws pertaining to copyright is that they adjust competing interests of affected persons but that the impugned laws in particular involved an attempt to resolve a competition between competing interests that arose from a

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<sup>42</sup> See *Report of the Inquiry by the Copyright Tribunal into the Royalty Payable in Respect of Records Generally* (Copyright Tribunal, 24 December 1979) at para 3.9 (referred to at SC para 261(a))

<sup>43</sup> Hansard, House of Representatives, 16 May 1958, pp 1530–1; see SC para 165

<sup>44</sup> See generally, Ricketson *The Law of Intellectual Property* (1984) at p 282 para [11.26]; at p 290 [11.50]. The justification for the compulsory licence under s 19(2) of the 1911 Act was said to be that the fledgling record industry needed protection from all-powerful music publishers (again illustrating competing interests and policy considerations): See *The British Phonographic Industry Ltd v mechanical-Copyright Protection Society Ltd & Anor* (United Kingdom Copyright Tribunal) (1991) 22 IPR 325 at 329

<sup>45</sup> See *Gramophone Co Ltd v Leo Feist Inc* (1928) 41 CLR 1 at 11 per Knox CJ, at 15-16 per Isaacs J, at 28-29 per Gavan Duffy and Starke JJ

<sup>46</sup> *US Free Trade Agreement Implementation Act 2004*, (commencing 1 January 2005)

<sup>47</sup> No 158 of 2006 (commencing 1 January 2007)

significant change in technology since the previous enactment (the rise of commercial broadcasting) and also from the impact of international changes in foreign copyright law and their potential impacts in Australia. That is, the impugned laws were a response to changing technological and potentially changing international circumstances. These features are inevitable in laws made under s 51(xviii).

61. The above analysis also reveals more particularly that the rights conferred in sound recording and other such “contrivances” were not fixed in permanent form at the date that the 1911 Act was enacted.<sup>48</sup> The statutory rights in such contrivances can appropriately be described as inherently susceptible of adjustment at least of the kind effected by the 1968 Act.<sup>49</sup> The fact that the 1968 Act replaced such rights as subsisted in physical items with a new (albeit very similar) bundle of rights subsisting in sound recordings (which bundle included a new defence to infringement) does not make one feature of that adjustment an acquisition of property.<sup>50</sup>
62. The plaintiffs contest this conclusion in a number of ways. First, they say that the existence of a controversy as to the content of rights does not support a conclusion that the rights are inherently susceptible of change.<sup>51</sup> This is no part of the Commonwealth’s argument. Secondly, the plaintiffs contend that the fact that copyright is a tradeable, valuable and registrable right is sufficient to ensure that the rights involved are not inherently susceptible to any kind of adverse adjustment. The Commonwealth accepts that copyright is valuable and tradeable but does not accept that this alone determines this current issue. The rights in *Bienke* and *WMC* were both tradeable and valuable but they were still inherently susceptible to change.<sup>52</sup> Finally, the plaintiffs contend that ss 25 and 26 of the 1911 Act, which made provision for self-governing dominions to apply the Imperial Act and to remove it subject to constraints reveals that the rights were not inherently susceptible of change. This, however, ignores that the rights under the 1911 Act were ultimately created by a Parliament not subject to a provision like s 51(xxxi). The rights were from their inception subject to amendment by the Imperial Parliament (at least until the Statute of Westminster). Not only do

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<sup>48</sup> *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [172] per Gummow and Hayne JJ; at [364] per Crennan J; *Attorney-General (NT) v Chaffey* at [18], [19], [20], [30] per Gleeson CJ, Gummow, Hayne and Crennan JJ; *Ocean Road Motel Pty Ltd v Pacific Acceptance Corp Ltd* (1963) 109 CLR 276 at 280 and 282–4 ; [1963] ALR 628 at 630 and 631–3; *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at 74 [200]

<sup>49</sup> That a right can be inherently susceptible to particular kinds of changes, see *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [441] per Crennan J

<sup>50</sup> *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [93] per French CJ; *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 237 per Mason CJ, Deane and Gaudron JJ, at 243–4 per Brennan J, at 256 per Toohey J

<sup>51</sup> Plaintiffs’ submission [47]

<sup>52</sup> *Bienke v Minister for Primary Industry and Energy* (1996) 63 FCR 567 at 571, 580 and *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at 13 [9] per Brennan CJ.

ss 25 and 26 of the 1911 Act not assist the plaintiffs, the fact that the Act is an Imperial statute reinforces rather than diminishes the Commonwealth's contentions on this issue.

**Fourth contention: the plaintiffs have not discharged their burden of demonstrating that s 152(8) and (11) operate to prevent "just terms" being provided**

- 10 63. It is, of course, "trite" that Parliament has a measure of latitude in determining how to meet the just terms requirement,<sup>53</sup> that in assessing just terms the standard is one of "fair dealing"<sup>54</sup> and that, provided the terms enacted by Parliament might reasonably be regarded as just, the Court will not find the terms to be unjust merely because it is of the opinion that other terms would be fairer.<sup>55</sup>
64. It is also trite that the plaintiffs bear the burden of establishing their contention that the compensation they are entitled to be paid pursuant to an order of the Tribunal under s 152 of the 1968 Act does not, in all the circumstances, rise to the standard of "fair dealing".
- 20 65. Under s 152 of the 1968 Act, the plaintiffs are entitled to be compensated for the broadcasting of their pre-1968 sound recordings in such amount as the Tribunal, acting in accordance with s 152(6) and (7), thinks to be equitable. The caps imposed by s 152(8) and (11) are not caps on the amount of compensation the Tribunal is able to determine for the broadcasting of their pre-1968 sound recordings. They are caps on the amount of compensation the Tribunal is able to determine for the broadcasting of all published sound recordings, pre-1968 and post-1968.
66. The plaintiffs have made no effort to establish that the caps have had any adverse effect on their ability to obtain fair remuneration for the broadcasting of their sound recordings. On the contrary, for reasons developed below, the material in the special case strongly indicates that the plaintiffs have in no way been disadvantaged by the existence of the caps.
- 30 67. First, the quantum of the cap in s 152(8) was set at an amount well above the amount of remuneration that had ever been negotiated between commercial broadcasters and owners/controllers of sound recordings for the broadcast right. A short history of the payments under the 1911 Act bears this out:

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<sup>53</sup> *Smith v ANL Ltd* (2000) 204 CLR 493 at 512-513 [48] per Gaudron and Gummow JJ.

<sup>54</sup> *Nelungaloo Pty Ltd v Commonwealth* (1948) 75 CLR 495 at 541 per Latham CJ, 569 Dixon J; *Grace Brothers Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 280, 285, 291

<sup>55</sup> *Grace Brothers Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 279-280 per Latham CJ, at 295 per McTiernan J; *Tasmanian Dam Case* (1983) 158 CLR 1 at 289-290 per Deane J.

67.1. Between 1933 to 1954, the Australian EMI group enjoyed a virtual monopoly on the distribution in Australia of popular records of a quality suitable for radio broadcast (SC paras 188, 190). Even with this monopoly power, the most the Australian EMI group could extract from commercial broadcasters as a percentage of gross revenue during non-war years was between 0.31 – 0.40% (SC para 181).

67.2. During the war years, as commercial broadcasters' gross revenues fell (but royalties due stayed constant) this percentage increased to a high of 0.74% (SC paras 181-182).

10 67.3. The plaintiffs are able to point only to two individual stations, 2AD and 2BE, in one particular year during the war as the only instances in a 57-year period where a station paid an amount which represented more than 1% of its gross revenues.<sup>56</sup> However, even then, it was acknowledged at the time that this situation was "abnormal" (being caused by the interaction of falling revenues during the war while royalty payments due stayed constant).<sup>57</sup> It is common ground that, other than these two "abnormal" instances, the parties have been unable to locate any evidence that prior to 1 May 1969 any commercial broadcaster paid royalties in excess of 1% of its gross earnings  
20 (SC para 187).

67.4. In the mid 1950s, the Australian EMI group's virtual monopoly broke down. Commercial radio broadcasters then had available to them a cheap alternative supply of records for broadcast, in particular US sound recordings for which no royalty was payable for their public performance (SC paras 202-208). The balance of bargaining power shifted significantly in favour of commercial broadcasters, which, after a 5 month period in 1955-1956 of refusing to broadcast protected sound recordings at all, eventually agreed to a new deal in 1956 (SC paras 210-213).

30 67.5. Under agreements in force between 1956 and 1970 (during which time the 1968 Act was enacted), commercial broadcasters were not required to make any cash payments for the broadcast of sound recordings but rather each station offered as contra one 15-minute slot of free radio

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<sup>56</sup> Plaintiffs' submissions at [158]

<sup>57</sup> In 1942 and 1943, 2AD made representations that its annual fee of £60 was disproportionately high given its revenues and sought relief from the Australian EMI group (SCB pp 1475-1476). On 2 March 1943, 2BE requested that the Australian EMI group reduce the annual fees payable by 2BE as its trading profit and loss account disclosed a "most unsatisfactory position" (SCB pp 1477-1478). In response, on 14 April 1943, the Australian EMI group, acknowledging that "conditions are abnormal", reduced the annual fee payable by 2AD from £60 per annum to £15 and reduced the annual fee payable by 2BE from £40 per annum to £10 commencing 1 January 1943 (SCB p 1479).

time per week (SC paras 213-214).<sup>58</sup> In the period 1956 and 1970, the value of that 15 minute slot of radio time ranged between 0.24 – 0.44 % as a percentage of gross revenue (SC para 216), and significantly, in 1968-1969 was valued at only 0.24 – 0.32 % (SC para 216).

67.6. Thus, and significantly, the amount of remuneration paid by commercial broadcasters *just prior* to the introduction of the 1968 Act was well below 1%.

10 68. It is apparent that the amount of the cap imposed on commercial broadcasters is not arbitrary.<sup>59</sup> To the contrary, it is evident that the amount of 1% was chosen as it exceeded the amounts that had ever been negotiated between the parties during the 57-year operation of the 1911 Act.

69. Secondly, the amount of remuneration negotiated between commercial broadcasters and owners/controllers of sound recordings *after* the introduction of the 1968 Act was well below 1%:

69.1. Until 1970, commercial broadcasters made no payments for the broadcast of sound recordings (and as set out above were only obliged to provide a 15-minute slot of radio time (SC paras 213-216)).

20 69.2. In May 1970, record companies sought a change in arrangements, including demanding the commencement of payment for the broadcast of sound recordings (SC para 234). Commercial broadcasters refused to make such payments and thus, between May to October 1970, refused to broadcast any sound recording for which a record company demanded a royalty (SC para 237).

30 69.3. The ban ended with the conclusion of a standard-form licensing agreement to be entered between PPCA and each commercial broadcaster (SC para 240). The consideration for the licence granted was the grant to PPCA of advertising credits for use on each station equivalent to three 30-second announcements per week scheduled in prime time (SCB pp 1651-1656; see cl 6 of agreement). The value of those advertising credits in 1970-1971 was 0.29% of gross revenues (SC para 242). These agreements remained in place until after the Copyright Tribunal's decision in *WEA Records* (SC para 243).

70. Thirdly, in the only application ever made under s 152 of the 1968 Act, the Tribunal determined, after a hearing of 19 days, that fair and reasonable remuneration for the broadcast of protected sound recordings by the broadcaster whose liability was the subject of that proceeding was 0.45% of

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<sup>58</sup> See *Hansard*, HR, 18 May 1967, SCB p 1231

<sup>59</sup> Cf. Plaintiffs' submissions at [153]-[155]

gross revenue – well below the 1% cap in s 152(8). This is particularly significant as the commercial broadcaster the subject of the application was an FM radio station with a music-heavy format.<sup>60</sup>

71. The Tribunal arrived at the 0.45% figure after considering all relevant factors, including [1] comparable bargains, [2] payments by broadcasters in other countries, [3] the percentage of music broadcast that was protected, [4] the allocation by broadcasters of airtime to the playing of music, [5] the benefits to record companies of publicity from airplay and [6] the effect of home recording of broadcasted music. It is evident from its reasons that the Tribunal was not influenced by the quantum of the cap imposed by s 152(8) in reaching the 0.45% figure.<sup>61</sup>
72. Since the decision of the Tribunal in *WEA Records*, agreements have been in place between the owners of sound recordings and commercial broadcasters (SC paras 249-257). Again, the amount negotiated under these agreements has never exceeded 0.4% of the combined gross earnings of the commercial broadcasters (SC para 255).
73. The applicants call in aid the case of *Re Application by MCM Networking* (1989) 25 IPR 597 where the Tribunal set a reasonable remuneration of between 4.5% and 6%.<sup>62</sup> That case is irrelevant as MCM was not a commercial broadcaster and the case involved the valuation of licence for a different exclusive right (namely the reproduction right under s 85(1)(a)).
74. In any event, in the many years since the *WEA Records* case, the relevant parties have agreed that 0.4% of gross revenues represented a fair and reasonable payment for the broadcast of sound recordings (SC para 255; SC paras 249-257) and the parties have at no point sought either to re-negotiate that amount or to make a further application to the Tribunal.<sup>63</sup> Thus, it is apparent that the existence of the caps has not overshadowed the operation of the market, contrary to the plaintiffs' suggestion (Cf. Plaintiffs' submissions at [91]).
75. Fourthly, the position in relation to the ABC is somewhat different because of the different nature of the cap imposed in respect of it. For 25 years, the payments made by the ABC fell below the cap imposed under s 152(11).<sup>64</sup> That cap, in any event, includes a formula according to which the remuneration increases with the population.

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<sup>60</sup> *WEA Records Pty Ltd & ors v Stereo FM Pty Ltd* (1983) 1 IPR 6

<sup>61</sup> *WEA Records Pty Ltd & ors v Stereo FM Pty Ltd* (1983) 1 IPR 6, 55.

<sup>62</sup> Plaintiffs' submissions at [157]

<sup>63</sup> SC para 255

<sup>64</sup> SC paras 245, 247

76. In order to establish that the cap had the effect that just terms could not be given by an order under s 152 in respect of the ABC, the plaintiff would need to establish, having regard to the amount of pre-1968 recordings in copyright that were being broadcast by the ABC when the cap was approached, that the remuneration available under s 152 was necessarily inadequate. There is simply no evidence or material to support such a conclusion. The plaintiffs rely merely upon the existence of a cap. This does not, itself, reveal that just terms have not been provided.
- 10 77. Fifthly, as discussed at paragraphs [52]-[59] above, in a number of significant respects the rights that the 1968 Act conferred in respect of sound recordings made prior to the Act's commencement were greater than those that had subsisted under the 1911 Act and balanced any detriment caused by the imposition of a new defence to infringement. The provision of an efficient mechanism for determining entitlements for use of sound recordings by broadcasters was itself an advantage conferred by the 1968 Act. This balance was very substantially increased in favour of the holders of copyright when in 2005 the term of copyright was increased from 50 to 70 years. Even if (which is denied) the 1968 Act had not provided just terms before the 2005 amendment, it has done so since then such that the Act in its current form is properly characterised as one that provides just terms.<sup>65</sup>
- 20 78. Finally, the applicants ask rhetorically, if the caps are of no practical significance, why are they there?<sup>66</sup> As discussed at paragraphs [49]-[51] above, the answer is that the caps were imposed to deal with concerns regarding the possible reforms of United States laws pertaining to sound recordings which if made could have significantly changed the status quo of the balance between the interests of holders of copyright in sound recordings with a broadcast right and the interests of broadcasters. The caps were only intended to be an effective restriction on the compensation payable if that change in United States copyright law occurred (which it did not).<sup>67</sup>
- 30 79. The fact that the cap was primarily directed towards safeguards against a change of law in the United States – which has never happened – is demonstrated by the fact that the amounts negotiated between the parties and, significantly, the amount set by the Tribunal as reasonable, have never come close to 1%.
80. The Court should conclude that, if the 1968 Act involved an acquisition of property, the law provides just terms (or has not been shown to not provide just terms).

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<sup>65</sup> O P Field, *The Effect of an Unconstitutional Statute* (1935) at 274-282

<sup>66</sup> Plaintiffs' submissions at [144]

<sup>67</sup> Cf. Plaintiffs' submissions at [145]

**Final contention: if necessary to ensure “just terms” so as to preserve validity, s 152(8) and (11) can each be read down to exclude pre-1968 sound recordings from the sound recordings covered by the cap**

81. Section 15A of the *Acts Interpretation Act 1901* (Cth) directs that ss 109 and 152 be given a distributive operation by reading them down so as not to exceed the legislative power of the Commonwealth and to be a valid enactment to the extent to which it is not in excess of power.
- 10 82. In the present context, if the replacement of a performance right for records under the 1911 Act with a broadcast right for sound recordings under the 1968 Act in a form that is subject to s 109 and, through it, the caps in s 152, amount to an acquisition of property not on just terms, the references in ss 152(8) and (11) to “published sound recordings” can be read down so as to refer only to published sound recordings made after 1 May 1969. The application of a cap only in respect of recordings made after the commencement of the 1968 Act could not effect any acquisition of property created under the 1911 Act. In this way, a general expression in the 1968 Act is read down by reference to the relevant constitutional limitation of power so that all possible valid applications of the Act remain valid.<sup>68</sup>
- 20 83. The plaintiffs’ argument that such a reading down is not open does not withstand scrutiny.<sup>69</sup>
84. The plaintiffs submit that reading down the caps to apply to a narrower range of subject matter would alter the operation of the caps and points to the fact that the language used in ss 152(8) and (11) extends the caps to all “published sound recordings” broadcast in the relevant period.<sup>70</sup> The Commonwealth submits that this case presents the second type of severance problem that arises under s 15A identified by Dixon J in *R v Poole; Ex parte Henry (No 2)* (1939) 61 CLR 634 at 652. That is, a provision which, in relation to a limited subject matter, might validly have been

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<sup>68</sup> See *R v Poole; ex parte Henry [No 2]* (1939) 61 CLR 634, where Dixon J at 652-3 (in dissent) would have read down the *Air Navigation Regulations* to only apply to aerodromes used for inter-State air traffic; *Carter v Potato Marketing Board* (1951) 84 CLR 466, 485, where the Court read down the *Primary Producers’ Organisation and Marketing Acts 1926-1946* (Qld) so as to not to be inconsistent with s 92, by reading them as not applying to inter-State transactions; *Russell v Russell* (1976) 134 CLR 495, where the definition of “matrimonial cause” in the *Family Law Act 1975* (Cth) was read down so as only to apply to proceedings between parties to a marriage: 512-513 (Barwick CJ), 528-529 (Gibbs J), 542-543 (Mason J); *Bourke v State Bank of NSW* (1990) 170 CLR 276, 291-292: where ss 52 and 52A of the *Trade Practices Act 1974* (Cth) were read down so as not to apply to State banking not extending beyond the limits of a State; and the *Industrial Relations Act Case* (1996) 187 CLR 416, 503, where s 6 of the *Industrial Relations Act 1988* (Cth) was read down so as not to bind States in relation to employment of those employed at the higher levels of government.

<sup>69</sup> Plaintiffs’ submissions at [164]

<sup>70</sup> Plaintiffs’ submissions at [164(b)]

enacted, is expressed to apply to a larger subject matter than the power allows.

85. Here, it is common ground that ss 109 and 152 could have been validly enacted in relation to post-1968 Act sound recordings. It is only the extension of the caps in ss 152(8) and (11) to the additional subject matter of sound recordings made before the 1968 Act that gives rise to s 51(xxxi) considerations.
- 10 86. Reading the caps in ss 152(8) and (11) as extending only to the narrower subject matter of sound recordings made after 1 May 1969 would allow the parts of ss 109 and 152 which are constitutionally unobjectionable to be carried into effect independently of those which fail: *Bank of New South Wales v The Commonwealth* (1948) 76 CLR 1 at 371 per Dixon J. This is consistent with the legislative intention revealed by s 15A of the *Acts Interpretation Act*.
87. Sections 109 and 152 would then operate as follows, using a commercial broadcaster by way of example:
- 20 87.1. an application would still be made for determination of the amount payable by a broadcaster in respect of all published sound recordings (s 152(2)) and such an application could be made by an owner of copyright in any published sound recording (s 152(3));
- 87.2. the Tribunal would still determine and make an order as to the amount payable by a broadcaster in respect of all published sound recordings (s 152(6)), taking into account all relevant matters (s 152(7)), but in respect of post-1968 Act sound recordings, it would be prohibited from making an order which, in respect of that narrower class of sound recordings, required a broadcaster to pay in respect of those recordings, an amount exceeding 1% of the gross revenues of the broadcaster;
- 30 87.3. s 109 would operate in the same way; namely as a defence to infringement which extends to all published sound recordings.
88. The plaintiffs point to the fact that because of s 109(1)(b)(ii), the defence operates where a Tribunal order is in force even if the relevant owner of copyright was not a beneficiary of that order (and to the fact that s 152(12) allows such a copyright owner not specified in a Tribunal order to apply to be included for the purpose of prospectively being included among the persons whom the amount payable by the broadcaster is divided).<sup>71</sup> These provisions do not indicate that reading down the caps is not properly open; to the

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<sup>71</sup> Plaintiffs' submissions at [164(a)]

contrary, s 109(1)(b)(ii) and s 152(12) would operate in exactly the same way.

89. If the Court rejects the Commonwealth's submission that the caps be read down as only applying to post-1968 Act sound recordings, the Commonwealth submits that the caps in ss 152(8) and (11) (and the ancillary provisions in ss 152(9)-(10) and (19)-(21)) should be severed (this being the second alternative contended for by the plaintiffs<sup>72</sup>).

### Orders

90. The questions asked in the Special Case should be answered:

- 10 (1) No.
- (2) Does not arise.
- (3) The plaintiffs should pay the defendants' costs of the special case.

91. If Question (1) is answered "Yes", Question (2) should be answered "Section 152(8) and (11) should be read down so as not to apply in respect of the broadcasting of published sound recordings in respect of which copyright subsisted under the 1911 Act."

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Stephen Gageler SC  
Solicitor General of the Commonwealth  
Telephone: 02 9230 8903  
Facsimile: 02 9230 8920  
Email: Stephen.Gageler@ag.gov.au



Stephen Lloyd SC  
Telephone: 02 9235 3753  
Facsimile: 02 9221 5604  
Email: stephen.lloyd@sixthfloor.com.au



Katherine Richardson  
Telephone: 02 8239 0226  
Facsimile: 02 9210 0649  
Email: kate.richardson@banco.net.au

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<sup>72</sup> Plaintiffs' submissions at [165]