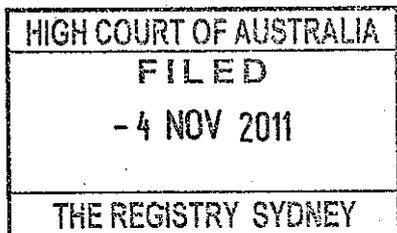


ON APPEAL FROM THE FEDERAL COURT OF AUSTRALIA

BETWEEN:



ROADSHOW FILMS PTY LTD (ACN 100 746 870)
AND THE OTHER PARTIES IN SCHEDULE 1
Appellants

iiNET LIMITED (ACN 068 628 937)
Respondent

RESPONDENT'S SUBMISSIONS IN REPLY ON NOTICE OF CONTENTION

1. The respondent (iiNet) certifies that this submission is in a form suitable for publication on the internet.

Authorisation contentions

- 20 2. iiNet replies, as follows, to the appellants' submission¹ (ASR 38) that iiNet has not demonstrated the errors identified in paragraphs 1(a) to (f) of its notice of contention.
- 30 3. *Contention 1(d) (capacity to control); 1(e) (substantial non-infringing use)*. As submitted at RS 102,² in examining whether it was correct to say that iiNet "had the capacity to control the use of its services by its customers" one must draw a distinction (as Nicholas J did) between direct or indirect control over the manner of usage: at [713]; [722].³ A direct power to control allows the infringing act to be prevented without also preventing non-infringing acts. Direct control was present in *Moorhouse* because the University could "withdraw particular books from the library" that were the subject of infringing copying: Nicholas J at [722]. The University could also (but did not) implement supervision "of an effective kind"⁴ that would have prevented infringing copying while allowing the non-infringing uses to continue. By contrast, an indirect power of control is generally effective only if there is prevented all use, including legitimate non-infringing activity. In *Adelaide* this was the preventing of all singing of any sort.⁵ In this case, it is the deprivation of internet facilities "as a whole", for any and all purposes: Nicholas J [723].⁶ This was in circumstances where it had not been established that any iiNet accounts had been used wholly or substantially for the purpose of infringing copyright: Nicholas J [725].⁷

¹ Appellants' submissions in reply on notice of appeal and in answer on notice of contention dated 21 October 2011 (ASR).

² Respondents' submissions in answer on the appeal (as corrected and filed on 10 October 2011) (RS).

³ (2011) 275 ALR 1 at 159 [713], 162 [722]. See also Birchall, "A doctrine under pressure: The need for rationalization of the doctrine of infringement of copyright in Australia" (2004) 15 AIPJ 227 at 229.8 to 232.5.

⁴ *University of New South Wales v Moorhouse* (1975) 133 CLR 1 at 16.

⁵ *Adelaide Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481 at 498 (per Higgins J).

⁶ (2011) 275 ALR 1 at 162 [723].

⁷ (2011) 275 ALR 1 at 162 [725].

4. While s 101(1A)(a) and authorities including *Adelaide* refer to *power to prevent*, other authorities (including *Moorhouse*) also adopt the language of control.⁸ The extent of a person's power to prevent an infringement will be influenced by the alleged authoriser's ability to control access to the copyright material and how that material is used. See, for example, *WEA v Hanimex* (where Gummow J commented that no "*direct connection or control*" had been shown⁹); *Australian Tape Manufacturers Association* (where the manufacturer had no control over how the tapes were used in the home¹⁰) and *CBS Incorporated v Ames*¹¹ (which would doubtless have been decided differently if the taping had taken place on the defendants' premises where direct control of equipment and usage – e.g. by supervision – would have been available¹²).
- 10
5. In the present case, Nicholas J recognised the distinction between direct and indirect control to prevent infringing activity. His Honour correctly held that no direct control was available to iiNet and that this was relevant to s 101(1A)(a): at [722], [723].¹³ The appellants' contrary submission that iiNet had "*control over the way the services were being used*" and "*control over the act of primary infringement at the time of the infringement*" (ASR 17; ASR 11) is not supported by the evidence and is contradicted by the primary judge's findings: RS 18. References by the appellants to "*control over the relevant connection to the internet*" or the like (ASR 10, 11, 22, 23) cannot be equated with control over the manner of usage of internet services or online copyright material.
- 20
6. In fact, iiNet had no control over the copyright material itself. It also had no control over how that material was used on the BitTorrent system: primary judgment [404]-[409].¹⁴ iiNet could not monitor its users' use of the BitTorrent system: primary judgment [403].¹⁵ It had no power over any aspect of the BitTorrent system: primary judgment at [424].¹⁶ There were also no technical measures iiNet could have taken to curtail the extent of the infringements: primary judgment [424].¹⁷ The only control iiNet had was the indirect measure of suspension or termination, which arose only after the act of primary infringement had occurred.
- 30
7. Unlike Nicholas J, both Emmett and Jagot JJ failed to draw any clear line between direct and indirect control and the relevance of that distinction to s 101(1A)(a). iiNet respectfully submits that this was an error and their Honours' findings at [193], [426], [473] and [476(3)]¹⁸ were accordingly too broad.
8. *Contentions 1(a) (sought to assure); 1(b) (tacit approval); 1(f) (attitude)*. See RS 13, 82-83, 100. In the appeal the appellants expressly abandoned any challenge to the primary judge's acceptance of the evidence of Mr Malone and Mr Dalby: Nicholas J

⁸*University of New South Wales v Moorhouse* (1975) 133 CLR 1 at 13, 14; *Australian Tape Manufacturers Association Ltd v Commonwealth of Australia* (1993) 176 CLR 480 at 497, 498; *Australasian Performing Right Association Ltd v Jain* (1990) 26 FCR 53 at 61; *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 210 ALR 244 at 251 [18], 252 [21]; *C.B.S. Songs Limited v Amstrad Consumer Electronics Plc* [1988] 1 AC 1013 at 1022.

⁹*WEA International Inc v Hanimex Corp Ltd* (1987) 17 FCR 274 at 287.

¹⁰*Australian Tape Manufacturers Association Ltd and Others v Commonwealth of Australia* (1993) 176 CLR 480 at 497, 498.

¹¹*CBS Incorporated v Ames Records and Tapes Ltd* [1982] CH 91.

¹²*WEA International Inc v Hanimex Corp Ltd* (1987) 17 FCR 274 at 286.

¹³(2011) 275 ALR 1 at 162 [722], [723].

¹⁴(2010) 263 ALR 215 at 301-302 [404]-[409].

¹⁵(2010) 263 ALR 215 at 301 [403].

¹⁶(2010) 263 ALR 215 at 301 [424].

¹⁷(2010) 263 ALR 215 at 306 [424]. See also para 10 of these submissions, regarding contention 1(c).

¹⁸(2011) 275 ALR 1 at 44 [193], 100 [426], 109 [473], 110 [476(3)].

[646].¹⁹ The primary judge accepted Mr Malone's evidence that iiNet did not approve of its users engaging in copyright infringement: primary judgment [502]-[503]; Nicholas J [771].²⁰ Correctly, Nicholas J found it was not open to him to disturb the unchallenged findings of the primary judge: at [646], [771]-[777].²¹ iiNet respectfully submits Emmett and Jagot JJ erred in taking the opposite approach.²²

9. It is also important to bear in mind the primary infringers were not privy to any of "iiNet's internal documents [or] its communications with AFACT": cf ASR 34. iiNet's alleged "conduct in response to the [allegations of] infringements" in the AFACT notices was also not known to primary infringers: cf ASR 34; as to the press release see RS 13. Noting that the statutory description of authorisation "is not satisfied until [a] person has acted upon the authority purportedly conferred",²³ any "tacit approval", "assurance" or "contumelious attitude" is irrelevant unless it was known and acted upon. This was not established by the evidence.

10. *Contention 1(c) (measures of blocking sites and ports available)*. The appellants bore the evidentiary onus regarding the reasonable steps that could have been taken: primary judgment [457]; Nicholas J [735]-[740], [745].²⁴ This was acknowledged by them in their pleading, which gave particulars of the steps which the appellants alleged could have been taken.²⁵ Justice Nicholas correctly held there was insufficient evidence before the Court to establish what technical measures could have been taken: Nicholas J [736]-[745].²⁶ During the appeal, the appellants abandoned their reliance on "blocking": Nicholas J [735].²⁷ The contrary finding of Emmett J at [182] accordingly was in error. The appellants' particulars also made no reference to "shaping" and "play-penning" and the evidence on this point was very slender: Nicholas J [735]-[740], [745].²⁸ Given there was only scant suggestion at trial²⁹ that shaping was a deterring mechanism available, Jagot J's reliance on it was, with respect, wrong: at [426], [431], [473], [476(3)], [497].³⁰ The appellants' recent attempt to introduce a new "reasonable step" (the taking of action in relation to a smaller number of subscribers (ASR 8)) is without particulars or evidence and too late to be entertained.

Section 112E of the Copyright Act 1968 (Cth)

11. Contrary to suggestion in ASR 39-40, the interpretation of s 112E by the members of the Full Court was not uniform: see RS 107.

12. In ASR 39, the appellants adopt Emmett J's view that s 112E does not support the proposition that the section "should necessarily be construed in favour of the provider

¹⁹ (2011) 275 ALR 1 at 146 [646]. See also T 31.23-24, 43.32-35, 44.37-38, 85.35-38, 315.27-30.

²⁰ (2010) 263 ALR 215 at 324-25 [502]-[503]; (2011) 275 ALR 1 at 171 [771].

²¹ (2011) 275 ALR 1 at 146 [646], 171-172 [771]-[777].

²² (2011) 275 ALR 1 at 96 [405]-[406], 102 [433], 103 [434], 104 [440], [445]-[446], 105 [448], 108 [468]-[469], 109 [474], 110 [476(6)], [477].

²³ *WEA International Inc v Hanimex Corp Ltd* (1987) 17 FCR 274 at 288.

²⁴ (2010) 263 ALR 215 at 315 [457]; (2011) 275 ALR 1 at 164-65 [735]-[740], 166 [745]. See also *Adelaide Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481 at 502; *Berton v Alliance Economic Investment Co* [1922] 1 KB 742 at 754.

²⁵ Applicants' Particulars to the Amended Statement of Claim, 18 March 2009, para 97.

²⁶ (2011) 275 ALR 1 at 164-66 [736]-[745].

²⁷ (2011) 275 ALR 1 at 164 [735]; T 89.40-90.16, 304.1-2; see also (2010) 263 ALR 215 at 306 [424], 315 [459].

²⁸ (2011) 275 ALR 1 at 164-65 [735]-[740], 166 [745].

²⁹ A single reference as part of one sentence of the Applicants' Closing Submissions in Chief, para 385.

³⁰ (2011) 275 ALR 1 at 100 [426], 101 [431], 109 [473], 110 [476(3)], 114 [497].

of facilities". However, it is plain from the words of s 112E that it is a provision enacted for the benefit of carriage service providers (CSP). The appellants have recognised this in other submissions: **ASR 4**. Further, the objects set out in s 3(a)-(e) of the *Copyright Amendment (Digital Agenda) Act 2000* and the extrinsic materials support iiNet's construction: see **RS 109** and the Second Reading Speech, which indicates that "*the bill limits and clarifies [ISPs] liability and makes it plain that we do not adopt the strict liability approach that some other regimes have adopted ...*"³¹

- 10 13. **ASR 40** is wrong to suggest that iiNet seeks to import into the construction of s 112E a concept not found in its terms. The area of operation of s 112E is where another person "uses the facilities" of a CSP that "provides facilities" for communication. The nature of the "facilities so provided" is a necessary question in the interpretation and application of the section. The construction proposed by iiNet, based on that statutory text, is that the section envisages all the usual incidents of the operation of a business of a CSP, and that merely because another person uses those facilities (to infringe copyright) does not lead to a conclusion of authorisation. The references in **ASR 40** at fn 102 to the reasons for decision of Jagot J at [463]-[464] and Nicholas J at [792] do not support the appellants' submission that the Full Court rejected that submission on the ground that it imported a concept not found in the statute.
- 20 14. Section 112E declares that a CSP is not taken to have authorised an infringement "merely because" – that is, simply by virtue of the fact that – another person uses the facilities the CSP provides. It may lead to an erroneous interpretation of the section to transpose the adverb "merely" such that it is taken to describe the provision of facilities rather than the use of facilities by another person: see **RS 107** at fn 132. iiNet's proposed construction gives work to do to "merely" because actions by a CSP outside the ordinary incidents of the business of provision of facilities for communication will take the circumstances outside the area of operation of the section.

Part 13 of the Telecommunications Act 1997 (Cth)

- 30 15. The appellants' combination, in **ASR 42**, of the three relevant categories of information should not obscure the fact that if any of the information necessary to be used by iiNet fell within the s 276 prohibition, and there was no relevant exception permitting use or disclosure, the putative steps to be taken by iiNet would not be lawful.
16. Contrary to **ASR 42**, there was no "threshold issue" as to what it was that the officers of iiNet actually had in mind when responding to the AFACT correspondence. Jagot J addressed that question at [398] as a separate issue (which it is), not as a threshold issue.
- 40 17. The appellants submit that "[s]ection 276 did not apply to the AFACT information because the information did not come into iiNet's possession or knowledge in connection with its business ...": **ASR 43**. The submission is inconsistent with other submissions of the appellants: see **ASR 46**, **AS 58-59**. More significantly, the legislature has provided for controls upon a CSP that receives information in the course of its business, in statutory terms not limited to information that is confidential or private. The final sentence of **ASR 43** appeals to the policy of the statute, not its construction, and is not a reason for rejecting iiNet's construction.

³¹ Senator Alston, Victoria—Minister for Communications, Information Technology and the Arts, Second Reading Speech, *Copyright Amendment (Digital Agenda) Bill 2000*, Senate, Hansard, 17 August 2000, p 16593.

18. ASR 44 submits that iiNet's construction would render s 279 an ineffective provision. That is clearly mistaken, since that construction explicitly accepted the application of the exception to individual employees: RS 123.
19. The appellants' submissions in ASR 45 regarding the exception in s 280 are not persuasive. An ISP could take all and any steps envisaged in an industry code of practice, so long as those steps were lawful under the Telco Act. The appellants' submissions invert the proper relationship of the Telco Act and the (hypothetical) industry code of practice.
- 10 20. Contrary to ASR 46, the terms of the CRA do not amount to consent for the purposes of s 289(b)(ii): see RS 132. Another route to the same conclusion is to recognise that the exception in s 289 operates in respect of information that "*relates to the affairs or personal particulars (including any unlisted telephone number or any address)*". Even if the definition of "*Personal Information*" in the CRA is taken to cover the field of what is meant by the statutory phrase "*personal particulars (including any unlisted telephone number or any address)*", it is clear that there is a large area outside that field – other information that relates to the affairs of a person, but does not involve his or her personal particulars. The definition of "*Personal Information*" cannot be read so broadly as to provide consent to use of all information that relates to the affairs of the subscribers (rather than their identity), yet at least part of the AFACT information is of that character. Further, it is impossible to imagine that when a customer who is opening an account ticks the box indicating agreement to the terms of the CRA (see the example in the evidence of the creation of an iiNet subscriber account),³² that he or she had in contemplation a situation where iiNet would, in response to the insistence of a representative of rights owners, reveal and pursue its customers for the purpose of vindicating those rights.
- 20 21. The final sentence of ASR 46 does not address a relevant issue. The question is the application of the Telco Act in the circumstances revealed in the evidence, not under some hypothetical different contractual regime that the appellants consider (without any pleading or evidence to support it) could or should have been brought into existence.
- 30 22. There is no evidence to support the appellants' contention in ASR 47 that there were no confidentiality restrictions governing what took place during the file sharing process.



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4 November 2011

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³² Malone #1, paras 82-100.

SCHEDULE 1

SECOND TO THIRTY-FOURTH APPELLANTS

UNIVERSAL CITY STUDIOS LLLP

Second Applicant

PARAMOUNT PICTURES
CORPORATION

Third Applicant

WARNER BROS. ENTERTAINMENT
INC

Fourth Applicant

DISNEY ENTERPRISES, INC

Fifth Applicant

COLUMBIA PICTURES INDUSTRIES,
INC

Sixth Applicant

TWENTIETH CENTURY FOX FILM
CORPORATION

Seventh Applicant

PARAMOUNT HOME
ENTERTAINMENT (AUSTRALASIA)

Eighth Applicant

BUENA VISTA HOME
ENTERTAINMENT, INC.

Ninth Applicant

TWENTIETH CENTURY FOX FILM
CORPORATION (AUSTRALIA)
PTY LIMITED

Tenth Applicant

UNIVERSAL PICTURES
(AUSTRALASIA) PTY LTD

Eleventh Applicant

VILLAGE ROADSHOW
FILMS(BVI) LTD

Twelfth Applicant

UNIVERSAL PICTURES
INTERNATIONAL B.V

Thirteenth Applicant

UNIVERSAL CITY STUDIOS
PRODUCTIONS LLLP

Fourteenth Applicant

RINGERIKE GMBH
& CO KG

Fifteenth Applicant

INTERNATIONALE
FILMPRODUKTION BLACKBIRD
VIERTE GMBH & CO KG

Sixteenth Applicant

MDBF ZWEITE FILMGESELLSCHAFT
MBH & CO KG

Seventeenth Applicant

INTERNATIONALE
FILMPRODUKTION RICHTER GMBH
& CO KG

Eighteenth Applicant

NBC STUDIOS, INC

Nineteenth Applicant

DREAMWORKS FILMS L.L.C.

Twentieth Applicant

TWENTIETH CENTURY FOX HOME
ENTERTAINMENT INTERNATIONAL
CORPORATION

Twenty-second Applicant

PATALEX III PRODUCTIONS LIMITED

Twenty-fourth Applicant

SONY PICTURES ANIMATION INC

Twenty-sixth Applicant

SONY PICTURES HOME
ENTERTAINMENT PTY LTD

Twenty-eighth Applicant

GH THREE LLC

Thirtieth Applicant

WARNER BROS ENTERTAINMENT
AUSTRALIA PTY LTD

Thirty-second Applicant

SEVEN NETWORK (OPERATIONS)
LIMITED

Thirty-fourth Applicant

WARNER BROS INTERNATIONAL
TELEVISION DISTRIBUTION INC

Twenty-first Applicant

WARNER HOME VIDEO
PTY LTD

Twenty-third Applicant

LONELY FILM PRODUCTIONS
GMBH & CO KG

Twenty-fifth Applicant

UNIVERSAL STUDIOS
INTERNATIONAL B.V.

Twenty-seventh Applicant

GH ONE LLC

Twenty-ninth Applicant

BEVERLY BLVD LLC

Thirty-first Applicant

TWENTIETH CENTURY FOX HOME
ENTERTAINMENT LLC

Thirty-third Applicant