

# New Zealand Law Society

## Submission on Copyright (Infringing File Sharing) Amendment Bill

### Introduction

1. The New Zealand Law Society (Society) welcomes the opportunity to present submissions on this Bill. The Society sets out a number of comments on the Bill, intended to enhance the workability of the legislation.

### Section 122B: Overview of infringing file sharing regime

2. This section and others refer to “copyright owners”. This is not, however, a defined term. It would not extend, say, to a copyright owner’s authorised agent or exclusive licensee (each of whom is a party capable of sending out notices and bringing an action on behalf of a copyright owner). It may be that collecting societies – who have responsibility for enforcing copyright in New Zealand – should have standing to bring an action under the relevant provisions and that they should also be able to do so for multiple works/multiple infringements.
3. The Society understands the importance of keeping the regime relatively simple, and avoiding a potentially confusing situation for Internet Service Providers (ISPs) if copyright owners and exclusive licensees were both able to require the issue of notices. There are merits in having a system whereby an ISP is not concerned with sorting out whether someone claiming to be an exclusive licensee in fact holds such a licence.
4. It is noted that there is a limitation of the damages procedure to copyright owners (s8 of the Bill, which amends s123 of the Copyright Act 1994 giving exclusive licensee standing to seek a suspension order under s122O). That would be consistent with an intention to keep the infringement notice/application to the Copyright Tribunal (Tribunal) procedure simple, and avoid issues such as apportionment as between copyright owner and exclusive licensee (where concurrent rights exist) – see s124. Such issues do not arise with the suspension issue.
5. However, no additional administrative/checking burden would be placed on ISPs if any exclusive licensee or agent issuing infringement notices were required to provide current written authority from the copyright owner. This would permit the ISP to rely on such an authority and not require any further administrative checks.

***Recommendation***

6. That consideration be given to permitting the giving of notices by exclusive licensees and agents of copyright owners, where written authority of the copyright owner is provided.

**Section 122C: ISPs to send infringement notices**

7. An ISP in New Zealand should not be able deliberately to decline to take any of the steps set out in s122C to s122F, without being potentially liable for having authorised the direct infringing activities of its subscribers. It appears that that proposition has been accepted in the proposed new s92B(2A), under which it appears that an ISP will be deemed guilty of authorising copyright infringement if it fails to comply with its obligations under s122A to s122R. That is, s92B(2A) will operate as a “deemed authorisation” provision, so that an ISP will be liable as a primary copyright infringer (by “authorising” under s29(1) and s16(1)(i)) if it does not comply with its obligations under the proposed s122A-s122R.
8. The proposed new s92B(2A) is not easy to read. It contains double negatives and the wording could be improved.

***Recommendation***

9. Section s92B(2A) should be reworded as follows:

“Where –

- (a) the Internet service provider knows of A’s infringement from information received as a result of anything done under sections 122A – 122R; and
- (b) the Internet service provider fails to comply with its obligations under those sections or under any regulations made under section 234 (eb) to (eh) in relation to that infringement
- (c) the Internet service provider shall be deemed for the purposes of section 16(1)(i) and 29(1) of this Act to have authorised the infringement.”

**Section 122G: Challenging infringement notices**

10. The provision allowing the challenge of infringement notices is useful and provides a valuable balancing mechanism within the Bill. Section 122G(3) states “An ISP that receives a valid challenge to an infringement notice must immediately forward it to the relevant copyright owner if the challenge raises an issue that should be addressed by the copyright owner rather than by the ISP”. This provision is unclear. It is not apparent as to how and based on what criteria the ISP is to determine who is responsible to deal with these issues. This may prove problematic particularly if the ISP and the copyright holder cannot agree.

11. Given that it is the copyright owner who serves notice that it intends to enforce its copyright it should be the primary responsibility of the copyright owner (rather than the ISP) to deal with issues raised in a challenge. In practice the only relevant issues that a copyright owner might not be able to address would be as to identity and whether or not the user was connected to the internet at the time of the alleged infringement. The copyright owner should be required to consult with the ISP in an appropriate case, for example, the challenge might simply be that the account holder never downloaded the copyright work as alleged. In such a case the ISP will presumably have all the necessary technical information available and be able to assist.
12. Apart from the above the primary role of the ISP should be as a notice server. However, as s122G(3) currently stands the default position appears to be that the ISP is obliged to deal with challenges. ISPs are required by s122G(3) to send valid challenges to copyright owners. However, this requirement seems to overlook the need for privacy and in some cases the desire for anonymity. On this basis, anything in a challenge that would tend to identify the account holder should first be redacted by the ISP. Regulations should prescribe a form of challenge with space for the account holder name and address to be written on a separate page or area, which would not be sent on to the copyright owner.
13. Section 122G(4) goes on to state “The ISP or copyright owner (as appropriate) must consider every valid challenge ...”. It is unclear what the criteria are for deciding what is “appropriate”.

### ***Recommendation***

14. Section 122(G) should be clarified by deleting the words, “if the challenge raises an issue that should be addressed by the copyright owner rather than by the ISP” from s122G(3); and by amending s122G(4) to read “The copyright owner (in consultation with the ISP if the challenge raises an issue that should be addressed by the ISP) must consider every valid challenge, and, if the copyright owner decides to reject the challenge, the ISP must notify the account holder of that fact and the reason for the rejection”.
15. Alternatively, criteria should be specified for identifying what steps are “appropriate” and whether the copyright owner or ISP is responsible in the event of uncertainty, disagreement or a deadlock.
16. Anything in a challenge that would tend to identify the account holder should first be redacted by the ISP and the Regulations should prescribe the proper form for doing so.

**Section 122G: Challenging infringement notices and Section 122H: Effect of challenge to, and cancellation of, infringement notice**

17. Section 122G(2) gives a subscriber 7 days to challenge a notice issued by the ISP. However, the sections requiring notices to be issued do not specify how this is to be done. If it were done by ordinary mail they might not be received in time. Sections 122D, 122E and 122F should specify that the notices may be sent electronically by email to the subscriber's last known e-mail address and that this constitutes adequate service. This should be in addition to notifying by post where the postal service is used for the billing arrangements between the ISP and the account holder.
18. Section 122H(1) states that "a challenge is deemed to be accepted if it has not been rejected ...". Given that the Bill deals specifically with online infringement and caters for an online environment there should be provisions not just covering email communication but also permitting any necessary attachments to be provided in PDF or other equivalent document transfer format.
19. Regulations will be made prescribing the "form, content, procedures, requirements, and any other matters relating to infringement notices" (proposed s234(eb)), and these matters are best left to be dealt with in the Regulations. If email communications are acceptable for challenges and rejections, attachments to emails should be automatically included.
20. Section 9 of the Electronic Transactions Act 2002 provides for certain default rules (in s10 to s13 - time and place of dispatch and receipt) unless the parties to the communication otherwise agree or the relevant enactment provides otherwise. It appears that these default rules would apply to the proposed online file-sharing regime.

***Recommendation***

21. The Regulations should confirm that the default rules in the Electronic Transactions Act 2002 apply and if any uncertainty remains some sort of "deemed delivery" regime should be prescribed.

**Section 122M: If hearing is held**

22. Section 122M(4) excludes lawyers from being a representative of a party before the Tribunal, unless the Tribunal directs otherwise. It is unclear why in principle a decision has been made to exclude only lawyers as representatives (as the default setting). The area is complex and specialised. It is also anticipated that, in reality, large copyright owners will be represented by their own in-house lawyers. Parties should not be disadvantaged by having to either (i)

represent themselves, or (ii) draw from a pool of representatives from which only lawyers are excluded. As to (ii), the distinction between lawyers and other types of representatives is not rational and appears to lack any principled basis. If there is a policy reason against representation *simpliciter*, then it should be neutral as amongst all representatives, i.e. a blanket prohibition on all representatives as a default setting.

23. The Tribunal has power to allow a lawyer to appear, but it does not have power to exclude a representative who could have an advantage over an unrepresented party, which is presumably the purpose of the exclusion. The Disputes Tribunal Act 1988 (DTA) deals with the same issue of fairness by providing in s38(2) that no party is entitled to be represented by a representative, unless it appears proper in all the circumstances to so allow. If the starting point must be that all representatives are to be excluded unless allowed by the Tribunal, then a provision modelled on s38 of the DTA would appear to be more appropriate.

### ***Recommendation***

24. The default position in section 122M(4) should be that the parties are free to choose their representation, unless the Tribunal expressly directs otherwise. Alternatively, no party should be entitled to be represented unless it appears proper in all the circumstances to so allow.
25. If the Committee concludes that representatives should be permitted but (contrary to this submission) that lawyers should be excluded, the expression “lawyer” should at least be defined and restricted to persons holding a current practising certificate under the Lawyers and Conveyancers Act 2006

### **Section 122N: Tribunal order requiring payment to copyright owner**

26. Section 122N(6) restricts the award of costs to situations where a party has engaged in conduct intended to impede the prompt determination of the proceedings. It is unclear why the jurisdiction of the Tribunal is restricted in that way. There are other situations – beyond impeding prompt determination – that might be thought as meriting costs awards. For example, one of the parties may have deliberately misled the Tribunal or introduced perjured evidence that has put the other party to undue trouble and expense. In that situation it seems that costs should be awarded in accordance with established principles and that the discretion of the Tribunal should not be unduly restricted.
27. A broader costs provision might be considered. In this regard it is noted that s91 of the Weathertight Homes Resolution Services Act 2006 provides that there will be no orders for costs unless a party has been put to unnecessary expense by the other party’s:

- (a) bad faith; or
  - (b) allegations or objections that are without substantial merit.
28. Lawyers have rights of appearance in the Weathertight Homes Tribunal, so there is some sense in a provision, which renders a party potentially liable to costs if it runs a case devoid of substantial merit. With Tribunal hearings under the Bill as presently drafted, it is likely that it will be relatively common for unmeritorious arguments to be run by unrepresented parties. This suggests that it would be preferable to avoid any costs provision that was dependent on the merits of a party's allegations or objections. However, an alternative would be to add at least "acting in bad faith" as a basis for a costs award, in which case it would be necessary to add the words "or has otherwise acted in bad faith" to the end of s122N((6).
29. An additional point that might be tidied up in s122N is whether, if costs are awarded, they are to be included in the upper award limit of \$15,000. It seems that the positioning of the \$15,000 limit in s122N(4), after the provisions for damages and other monetary sums but before any mention of costs, suggests that costs may be awarded over and above the \$15,000. However, that could easily be made clear.

### ***Recommendation***

30. Costs should be awarded under section 122N(6) in accordance with established principles and at the discretion of the Tribunal.
31. In the alternative, costs should be awarded where a party has been put to unnecessary expense by the other party's bad faith (by adding the words "or has otherwise acted in bad faith" to the end of s122N(6)).
32. Section 122N should make clear whether costs are included in the upper award limit of \$15,000 in s122N(4).

### **Section 122O: Court order suspending account holder's account**

33. Section 122O(2) allows the Court to consider the seriousness of the infringing conduct, including infringement notices sent to the account holder. While it is unlikely that any restriction was intended to be placed on the kind of evidence that may be adduced to prove the seriousness of the infringing, ideally the District Court should not only consider "any evidence put before it by the copyright owner" but by any of the parties. The wording should be changed to "any evidence put before it by the copyright owner or the account holder." It would also be desirable to make it clear that such evidence will not be restricted to the activities of just the

account holder, but will also cover any relevant conduct of the account holder's associates (particularly as the potential exists for account holders to use pseudonyms, proxy accounts etc., and generally take steps to obfuscate and avoid detection).

34. The maximum penalty that the District Court can order under s122O is a six-month suspension of an ISP account. During this period a subscriber can easily open an account with another ISP and immediately continue illegal file sharing. There should be a power to allow the Court to order that the account holder cannot open an account with another ISP during the period of the suspension.

***Recommendation***

35. Section 122O(2) should be amended to cover any evidence put before the Court by the copyright owner or the account holder, such evidence including the activities of the account holder and relevant conduct of the account holder's associates.
36. Section 122O should be amended to provide the Court with the power to order that the account holder may not open an account with another ISP during the period of any suspension.

**Section 122P: Order requiring ISP to disclose account holder details**

37. Section 122P(2)(c) states that the copyright owner can only use the account holder's details obtained under this subsection for the purposes of seeking an order suspending the account holder's account. This provision should apply equally where a monetary payment is sought before the Tribunal under s122N, or additional relief is sought in a court.
38. It seems to be expected that most applications to the Tribunal will be dealt with on the papers, and that only when an order is made against the account holder will the identity and contact details of the account holder be disclosed to the copyright owner (s122L(4)). But it is unclear how the procedure is supposed to work if one of the parties has requested a hearing. It seems that the attempt to keep account holders' identities hidden from copyright owners until they have actually obtained Tribunal orders is likely to be unworkable, and needs re-visiting.
39. Presumably, if a hearing is requested by the defendant/respondent, the Tribunal will "order otherwise" under s122L(4), but it is less clear what the position will be if it is the copyright owner who requests the hearing. Will the Tribunal have to address the alleged infringing file sharer as "Mr/Ms X", or something of the sort? Section 122L(4) lacks practical utility in circumstances where there is a hearing attended by both parties. In that situation, the copyright

owner will presumably find out at the hearing the identity of the account holder, even if its claims fail.

40. The intent and effect of the undertaking required by s122P(2)(c) is unclear. The proposed s122I(2) allows a copyright owner to seek additional relief beyond that available under the Bill. The copyright owner might wish, for example, to seek both a suspension order in the District Court under the proposed s122O and substantial damages in a separate claim in the High Court. If the copyright owner does not know the name of the intended defendant, it will have to avail itself of the procedure under the proposed s122P in order to get the suspension order. However, in so doing it will be compelled to provide an undertaking which will prevent it from pursuing the High Court relief using any information about the account holder's details obtained under the s122P procedure.
41. It may be that the rationale for requiring the s122P(2)(c) undertaking is to prevent copyright owners using this regime simply as a procedural device for identifying the identity of the account holder. However, the very worst cases, which will be the ones most likely to justify suspension orders, will also be the ones where copyright owners will have claims in excess of the Tribunal's \$15,000 limit, and where the account holder has succeeded in keeping his or her identity secret. They will be the cases where a suspension order under the proposed s122P will be most necessary.

### ***Recommendation***

42. If s122I(2) reflects the intention of allowing copyright holders to obtain effective relief in addition to a suspension order, then s122P(2)(c) should either be deleted, or amended so that it does not defeat the intention of s122I(2).

### **Conclusion**

43. The Society wishes to be heard in support of its submissions.

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18 June 2010