The APRA case

Carriers liable on IP

Telstra Corporation Ltd v Australian Performing Rights Association Ltd (APRA), High Court of Australia, Full Court, 97/035, 14 August 1997
Dawson, Toohey, Gaudron, McHugh & Kirby JJ

Liability of service providers for infringement of intellectual property rights

The High Court has indicated that carriers will be held liable for infringing transmissions, even when the only facility provided is the transmission facility.

Facts

APRA is a collecting society which owns copyright in various songs' music and lyrics. Telstra supplied music on hold from prerecorded tapes or compact discs, or radio broadcasts to users of fixed and mobile telephones as:

- music played by a machine service when calls were made to Telstra service centres
- music provided to callers by various business and government organisations and where Telstra provided transmission facilities only
- music provided to callers to Telstra customers who had subscribed to a special service (CustomNet).

The judge at first instance rejected APRA's contention that this infringed the exclusive rights granted by s31(1)(a) (iii), (iv) and (v) of the Copyright Act (Cth) 1968. (Section 31 provides that copyright in relation to a literary, dramatic or musical work is the exclusive right to: (iii) perform the work in public; (iv) broadcast the work; (v) cause the work to be transmitted to the subscribers to a diffusion service.)

On appeal to the Full Court of the Federal Court, it was held unanimously that Telstra had broadcast the works within the meaning of sub par (iv) and by a 2:1 majority that there had been a transmission within the meaning of sub par (v). No reliance was placed on sub par (iii) in that appeal.

With respect to 31(1)(v), Telstra had argued that the premises to which music on hold were transmitted were not those of subscribers as required by s26(1), and that, for CustomNet and the Telstra transmission facility, the business or organisation was the subscriber, while for calls to a Telstra service centre, there were no subscribers at all. It further contended that music on hold was not a service to callers because they were compelled to hear it while waiting for a connection whether they wanted to or not.

Decision

By a 3:2 majority, the High Court disallowed the appeal on the diffusion right issue, holding that it had been breached by transmissions to fixed telephones. The critical question was whether there was a 'service of distributing broadcast or other matter'. Dawson and Gaudron JJ (Kirby J concluding for similar reasons) held that music on hold was a service to callers, even if some might not want it, because it involved the conveyance of music from a common source over wires to various destinations. The existence of a system or organisation for providing the service and for the purpose of distributing matter was important. Mere transmission of a copyright work from one telephone user to another (for example by whistling a tune) would not constitute a service.

The majority also concluded that the primary function of a telephone service is to facilitate communications between persons and not the distribution of matter. Therefore they did not accept that subscribers to the telephone service were also subscribers to the diffusion service. However, it was possible for APRA to rely on s26(5), as the diffusion service was clearly incidental to the telephone service. The works were transmitted to premises of telephone subscribers, who would be deemed under this section to be subscribers to the diffusion service.

Section 26(5) meant that as Telstra would be deemed to have agreed to provide telephone service subscribers with the diffusion service, under s26(4) it was the operator, and the only operator, of the diffusion service by which the works were transmitted and had therefore caused the works to be transmitted. Toohey and McHugh JJ did not accept that s 26(5) could be used to deem an agreement with a deemed subscriber and allowed the appeal.

It was held unanimously that Telstra broadcast the works to mobile telephones within the meaning of s31(1)(a)(iv) because the transmissions were sent and received by wireless telegraphy. The real issue was whether the transmission could be said to be "to the public". The most important consideration for Dawson, Gaudron and Toohey JJ was the nature of the audience receiving music on hold. Callers on hold were the copyright owners' public, not because of their own readiness to pay, but because others were prepared to pay for the cost of the service.

Future directions

APRA has also commenced proceedings in the Federal Court against an ISP, Ozemail Ltd, on the basis that APRA's diffusion right is infringed by Ozemail when broadcast and other matter are transmitted by cable to Ozemail subscribers. It is primarily relying on s 26 of the Copyright Act 1968, particularly s 26(4). This matter is still at the interlocutory stage.

Carriers, service providers and copyright owners are awaiting the outcomes of a number of government inquiries into copyright, especially relating to convergence and the digital agenda. Despite the Court's decision, it seems that this will continue to be a contentious and volatile area.

In *Telstra v APRA*, the key parts of the Copyright Act were:

s 26. (1) A reference in this Act to the transmission of a work or other subject-matter to subscribers to a diffusion service shall be read as a reference to the transmission of the work or other subject-matter in the course of a service of distributing broadcast or other matter (whether provided by the person operating the service or by other persons) over wires, or over other paths provided by a material substance, to the premises of subscribers to the service.

(2) For the purposes of this Act, where a work or other subject-matter is so transmitted:

(a) the person operating the service shall be deemed to be the person causing the work or other subject-matter to be so transmitted; and

(b) no person other than the person operating the service shall be deemed to be causing the work or other subject-matter to be so transmitted, whether or not he or she provides any facilities for the transmission.

(3) For the purposes of the application of this section, a service of distributing broadcast or other matter shall be disregarded where the service is only incidental to a business of keeping or letting premises at which persons reside or sleep, and is operated as part of the amenities provided exclusively for residents or inmates of the premises or for those residents or inmates and their guests.

(4) A reference in this section to the person operating a service of distributing broadcast or other matter shall be read as a reference to the person who, in the agreements with subscribers to the service, undertakes to provide them with the service, whether he is the person who transmits the broadcast or other matter or not.

(5) Where a service of distributing matter over wires or over other paths provided by a material substance is only incidental to, or part of, a service of transmitting telegraphic or telephonic communications, a subscriber to the last-mentioned service shall be taken, for the purposes of this section, to be a subscriber to the first-mentioned service

s 199(4): A person who, by the reception of an authorized television broadcast or sound broadcast, causes a literary, dramatic or musical work or an adaptation of such a work, an artistic work or a cinematograph film to be transmitted to subscribers to a diffusion service shall be treated, in any proceedings for infringement of the copyright, if any, in the work or film, as if the person had been the holder of a licence granted by the owner of that copyright to cause the work, adaptation or film to be transmitted by the person to subscribers to that service by the reception of the broadcast.

Communications Law Centre and CAMLA

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