

# Effective IP enforcement: strategic approaches to countering software piracy\*

*Michael Williams, Gilbert + Tobin*

Michael Williams is a partner of Gilbert + Tobin who specialises in IP and copyright enforcement for a variety of copyright industries.

## 1. Introduction

Intellectual property rights in software are usually, although not exclusively, protected by copyright. Effective strategies and tactics for protecting software from infringement therefore need to be appropriate to copyright protection. The continuing professionalism of infringers, the consistent improvement in the efficiency of their technology and the wide variety of illicit enterprises in which they participate mean that it is necessary to draw from all the available experience in other forms of copyright enforcement.

It is perhaps self-evident that any effective anti-piracy strategy needs to be appropriate for the nature of the infringements and infringers involved. This paper looks at the current challenges that software owners face in relation to infringement of their copyright and the enforcement responses available to software owners. Experience indicates that anti-piracy strategies are at their most efficient when they are flexible and are matched to the issues involved rather than in the form of packaged products offered by service providers.

### 1.1 Piracy and Infringement

The use of the term "piracy" is capable of creating confusion because it is a term usually applied to a multitude of infringements and consequences of infringing conduct. In Australia, like most countries with developed intellectual property laws, piracy is used to refer collectively to all forms of intellectual property infringement whether they involve the making of exact replicas or another form of stolen content.<sup>1</sup>

This paper will focus on only certain types of infringements with either or both of the following elements.

First, there must be a systematic infringement. The infringement does

not need to be large scale but it must be a deliberate course of conduct rather than accidental. Sometimes the largest piracy problems originate from small individual instances of piracy. A good example of this is the Napster (internet-based) system, which began from very modest beginnings and rose with increased popularity to become a great challenger to orthodox copyright protection. The alleged infringements in that case were found to be systematic in nature even though the infringements occurred over a huge network of individual computers. Systematic or entrenched activity quite often leads to the proliferation of associated illicit activity and an increasing constituency of victims, such as that which began as music file infringements, then developed into software infringements and now has developed into some of the largest, full motion picture files.<sup>2</sup>

Secondly, there must be revenue consequences for the owner of copyright that result from the infringement. Not all infringements have direct revenue consequences for infringers but almost all infringements have revenue consequences for software owners. In most cases, the copyright owner is directly deprived of revenue through loss of sales or licence fees. However, there are also indirect costs for the software owner including, among others, diminished value of the copyright involved, lost commercial opportunities as potential purchasers or adopters of the product opt for "safer" products, diminished market reputation and diminished capacity to penetrate new markets.

Even where copyrighted material seems to be exploited for reasons other than financial reasons, there are usually still some revenue consequences, albeit for the infringer. For example, political activity against a well known trademark might appear to be motivated by altruism. However, a successful challenge by a

copyright owner can have the effect of generating income for the infringer. It also builds the credibility of the infringer providing them with more commercial opportunities. Another example is where, like the Napster style infringer, the infringer apparently derives no commercial benefit. This activity can, however, be likened to venture capital compromises where disintermediation of current copyright owners and the subsequent control of the business is the commercial prize. These less transparent examples suggest the need by a copyright owner to analyse infringing activity and trends in order to determine the most effective response.

### 1.2 What is enforcement?

For the purposes of this paper, the term enforcement is used to describe any activity that is designed to prevent, detect or prosecute infringements of intellectual property rights and in particular, in this paper, copyright. Until the 1980s, enforcement activity was generally reactive, that is, copyright owners responded to identified cases of infringement. However, the 1980s saw an increase in the professionalism of anti-piracy units throughout the world and the development of their capacity to act pro-actively and to seek out infringers and potential infringers. Enforcement action has since included legal, technical and quasi-legal activities with a view to preventing, deterring or prosecuting infringers.

### 1.3 An introduction to effective IP enforcement

Effective IP enforcement starts with the acknowledgment that the effort being undertaken is "law enforcement," something more traditionally associated only with the police. The evolution of crime in the so-called "digital age" has highlighted the weaknesses in traditional policing

methods and has been the subject of increasing academic focus. It has also served to focus attention on the notion of legal pluralism that has developed in relation to white collar and sophisticated crime. Bardach and Kagan (1982) have noted that most regulation is already "in the hands not of government officials but of the myriad of individuals employed in the private sector."<sup>3</sup>

In contrast, Ayres and Braithwaite (1992)<sup>4</sup> envisaged a tripartite regulatory system, embracing monitoring by government agencies, self regulation by companies and industry associations, and surveillance and lobbying by public interest groups. Modern law enforcement activities are no longer the province of the police alone. Just as law enforcement agencies are increasingly relying on a "cocktail mix" of criminal, quasi-criminal and civil sanctions so too are effective industry enforcement units.

For a software owner, effective enforcement is about choosing the most appropriate combination of these solutions available to an infringement in the context of all the related issues rather than fitting a preconceivable or pre-packaged solution to an immediate problem infringement.

This approach develops a flexibility which allows copyright owners to pursue infringements in the context of an overall strategy. This may mean, for example, that legal proceedings are not commenced against a given infringer in order to deploy more resources to the development of market level responses, which may be a more important determinant of an infringer's fate.

Enforcement strategies typically have legal, non-legal and quasi-legal components to them. Non-legal components may include prepared publicity or public education (even rewards for information leading to prosecution). Quasi-legal responses can include lobbying for legislative amendments and attempting to invoke legal sanctions not available, or apparently not available, to the copyright owner but which may be available to others. A range of responses are explored below.

Measuring success and failure by reference to an overall strategy rather than the results in a specific case is something which confounds much litigation practice, except where there is highly recurrent litigation such as in highly repetitive insurance or personal injury work. Litigators, on the other hand, are usually focussed on success in the instant case and less so on the ramifications of that success on other future litigation or on the industry as a whole. This approach more often than not benefits the professional or career infringers who factor into their operations the strengths and weaknesses of the enforcement regime they face.

Effective IP enforcement is distinguished by its dependence on an overall strategy which anticipates and models responses to the range of infringements. The case being fought is rarely the last word on the legal issues and will almost never involve the only example of the particular infringement of copyright. There are frequently IP infringements in numbers which would test the resources and resolve of even the most ambitious copyright owner. Having an overall strategy against which individual responses, legal, non-legal and quasi legal are measured is important for success. Many significant amendments have been made to the *Copyright Act 1968* (Cth) ('Copyright Act'), only after cases were run and lost on the existing legal grounds.

## **2. Current challenges for IP owners**

The challenges to effective copyright enforcement in Australia are far too numerous to deal with in this article. However, a consideration of some of the challenges that software owners face today is warranted. Many of these challenges were identified in the report of the House of Representatives Standing Committee on Legal and Constitutional Affairs, entitled *Cracking Down on Copycats: Copyright Enforcement in Australia*.<sup>5</sup> In preparing its report, the Committee heard evidence of the growing problem of copyright piracy in industries such as the music, film and software industries. The committee accepted the evidence before it that:

- Piracy levels in Australia have increased across the board. Music, film and software industries all faced significant increases in piracy over the last 5 years and these increases are likely to continue.
  - The legal tools available to copyright owners have serious limitations. Presumptions in favour of copyright owners are limited and easily circumvented. Further, litigation costs are high and many, if not most, infringers are unable to pay the enforcement and legal costs of the copyright owner.
  - The overall enforcement environment in Australia represents a continuing challenge to copyright owners. Pirates are becoming more sophisticated, the costs of infringing technology are lower and the assistance given by federal agencies and law enforcement is very low in comparison with other Western countries.
- In particular, some of the most important challenges to copyright owners, which were evident in the submissions to the Committee, were:
- the new global threats of infringement from organised infringers;
  - increased geographical threats in the Asian/South East Asian region; and
  - developments in technology which have generated new opportunities for copyright infringement.

### **2.1 Organised infringers**

Increasingly, individual instances of infringements, or shipments of infringing products, are being linked to large multinational syndicates who systematically infringe copyright. These syndicates include professional or career infringers and organised crime groups. The syndicates are sophisticated. They are often split into business units which operate across borders and defy easy detection. In addition, they are able to generate a very high level of supply to meet the demand for copyright infringing products. Where enforcement action is taken against business units in one country, the remainder of the

syndicate re-routes the products through other countries or even absorbs the loss directly before re-starting the operation in the place of prosecution. The increasing professionalism of organised infringers has seen them develop into a form of competition for copyright owners, often competing directly for market share and in many ways mirroring the other operations activities. Syndicates have been identified as having sufficient funds to purchase and operate CD pressing plants where not hundreds or thousands of infringements can be produced, but millions.

Anecdotal evidence suggests that these organisations are also often involved in a range of illicit enterprises, including narcotics and weapons dealing and other forms of crime<sup>6</sup>. For syndicates involved in forms of organised crime, the risks of detection of copyright crimes are low, in comparison, and the consequences of detection and even prosecution are very insignificant when compared with the offences applicable to other organised criminal activities.

## **2.2 Geographical threats**

There are also increased threats to copyright protection in the Asian/South East Asian regions. For example, one of the largest geographical threats is the excess of supply over current legitimate demand for optical disc products in neighbouring countries. This makes piracy an attractive export business for many infringers. Increasingly, countries which surround Australia are becoming the base for both legal and illegal pressing plants which are capable of producing discs with software many times in excess of the legitimate demands of software owners and purchasers. Armed with the masters used to produce the optical discs, whether containing software, music or film or a combination of them, these plants are capable of vast production runs undetected by the copyright owners. There have been many raids on both legal and illegal plants in Asia in the last 5 years which have demonstrated this threat.

In addition, border controls have been weakened. New laws have been introduced which affect the rights a copyright owner has to prevent the

importation of a pirate product. In 1998, the *Copyright Act* was amended to remove copyright packaging controls on products entering Australia<sup>7</sup>. Before that time, copyright owners were able to prevent the importation of products which contained packaging graphics and logos which the owner of copyright exclusively controlled in Australia. Given that the largest body of imported pirate product was in the form of counterfeits, products designed to look the same as the legitimate copy, pirate imported products would frequently be disguised with the same packaging as legitimate products<sup>8</sup>.

However, the amendment has made the process of preventing imports of pirate product more difficult. Now, a pirate product would only be prevented from import if the owner was capable of proving the infringement in the underlying software. This is a much more expensive and time consuming process.

The Government went one step further in the case of music copyright in 1998, removing the ability of copyright owners to prevent the importation of music protected by copyright entirely unless it was pirate product<sup>9</sup>. The removal of this geographical control, (which had been regarded by the copyright industries and the legal fraternity as axiomatic from the ownership of copyright), has led to an increase in the importation of pirate products. In the music industry this has increased piracy levels but not delivered any real savings to consumers.<sup>10</sup>

Last year, the Government attempted to enact amendments to the *Copyright Act* which would have placed software and book copyright owners in a similar position.<sup>11</sup> The bill was considered by a Senate Committee which deliver a report<sup>12</sup> which was less than favourable to the Government's position. Nevertheless, the Attorney General has announced that the bill will be reintroduced into Parliament in 2002. This means that the reforms are likely to be enacted and implemented during this year. Software owners will then be exposed to the same difficulties faced by the

music industry in relation to increased imported pirate product.

In addition to the introduction of new importation laws, there are a number of weaknesses in Australia's border protection regime which can diminish its practical and commercial value. For example, decisions need to be made within 10 days of the first notice of import often making comparative testing and the associated decision making process impractical and the secrecy provisions of the *Customs Administration Act 1985 (Cth)*<sup>13</sup> can make identifying infringements or intelligence gathering activity difficult. In addition, the general mobility to pursue strategic targets tends to reduce the efficiency of the border protection provisions.

## **2.3 Developments in technology**

A further challenge for software owners is that copyright infringement has been made easier by the development of technology. There are now a number of devices available that facilitate copyright infringement. The proliferation of devices facilitating copyright infringements is closely related to their increasing efficiency, user friendliness and diminishing cost. Amongst devices which have been seized in Australia have been multi-stack CD burners, commercial screen printing equipment for making pirated products look authentic, various anti-circumvention devices, counterfeit broadcast decoding devices and other high speed "ripping" software designed to package and bundle the illegal software on a single CD-ROM. These technological devices pose a great risk of software piracy particularly for the small or medium sized software owner/developer. This is because their software is less likely to have complex anti-copying mechanisms and are more likely to have any access control software defeated by organised infringers.

## **2.4 New enforcement opportunities**

There are also enforcement opportunities which have either not been tested or are in the process of being tested. The introduction of the offences relating to commercially dealing in products to defeat technology protection measures provides software owners with

opportunities to bring actions against infringers who distribute "hot chips", lock breakers or other systems to defeat access controls<sup>14</sup>. How real the protection offered by these provisions is will depend on future cases. The Government has added conditions to the rights which may hamper prosecutions and unduly assist infringers.<sup>15</sup>

Similarly, the introduction of a civil liability (and offences) for removing rights management information is likely to offer new forms of action against infringers.<sup>16</sup> Except in the case of true counterfeit products, where the copies are made precisely according to the same specifications as the original products, there is usually some tampering with the rights information embedded in the digital file. In the case of optical discs, the process of making a copy may remove or skip the copyright ownership information, removing the name of the copyright owner and, in some digital formats, the copyright status of the file. "Ripping" music files from one format to another often has the same effect.

### **3. Elements of an enforcement model**

As outlined above, an enforcement model uses a multitude of tools and techniques to reduce the instances and the effects of infringing conduct. Typical elements of an enforcement model are described below.

#### **3.1 Legal proceedings**

The most obvious element in an enforcement model is the use of legal proceedings and the steps leading up to legal proceedings. Practitioners are most familiar with civil proceedings brought by a copyright owner in a superior court, such as the Federal Court. If an action is successful, a copyright owner may be entitled to relief by way of injunctions to prevent further infringements, damages or other orders such as delivery up of infringing products<sup>17</sup>. In addition, wilful breach of injunctions in civil proceedings may constitute civil or criminal contempt and can be punishable by fines or imprisonment, although the instances of this are relatively rare in Australia.

Relatively few copyright prosecutions occur in the local court, despite the fact that this is a jurisdiction in which criminal prosecutions have a very high success rate. The jurisdiction of the local court to hear copyright criminal prosecutions has recently been affirmed<sup>18</sup>. The music and film industries have made good use of this jurisdiction in the last 12 months with a significant number of successful prosecutions, including one copyright owner being sentenced to a custodial sentence in Victoria.

There are a multitude of copyright offences which are available in any prosecution for infringement of software copyright, ranging from commercial dealing to advertising infringing product. In addition to fines (and potentially imprisonment) the court may under s133 of the Copyright Act order the forfeiture of the equipment used in the infringing conduct. The utility of s133 of the *Copyright Act* is under recognised by enforcement practitioners as the discretion is not conviction driven and in that regard can be likened to "proceeds of crime" actions.

#### **3.2 Investigations**

In order to effectively enforce copyright infringements, software owners should not only wait for information of an infringement to arrive but should actively seek out possible infringements. There are a number of experienced investigators in Australia who are capable of obtaining information about infringers including the nature and scale of their infringements. The use of professional investigators can be a cost effective way for copyright owners to investigate and prosecute copyright infringements.

It is not usually appropriate for investigative work to be undertaken by employees. There are a number of reasons for this including issues of confidentiality and potential conflicts of interest. Employees also lack the surveillance skills and the ability to react to the actions of the infringers, such as anti-surveillance or other actions designed to disguise the infringing conduct and as infringers become increasingly more organised, it is important to address the anti-surveillance tactics used by infringers.

#### **3.3 Information capture and processing**

Employees and agents are, however, useful to assist the organisation in obtaining some forms of intelligence about potential infringements of copyright for the software owner. Employees and agents are in the field or dealing with organisations which may have information about potential infringements. However, this information is often not reported or gathered for use in a prosecution. Few organisations have established protocols for capturing, developing and utilising potential infringement information and as a consequence, suffer from delays in identifying infringements and processing that information when it is received.

Effective copyright enforcers capture information flows through the organisation and use those information flows to their advantage. They conduct regular reviews of suspicious market activities with their sales or marketing force. They identify a collection point or a person responsible for collecting and reporting information about suspected infringements. They also have easily accessible information which can be used to verify whether the certain products have infringed copyright, including necessary historical product information to prove copyright should this be necessary.

The most sophisticated information capture systems include intranet reporting forms and digital rights management information. Digital storage and retrieval of key information can transform response times from weeks to days, or even hours. Slow responses to infringements risk jeopardising any opportunity for injunctions to prevent continuing conduct. This is often a result of mishandling internally available information. Some infringers have been known to take advantage of inadequate information processing by selectively revealing their activities to junior staff in the knowledge that it will not be made available to senior management until it is too late.

### **3.4 Publicity**

Publicity is often ignored as an element of an effective enforcement strategy by all but the most experienced copyright enforcers. However, publicity of the nature and outcome of infringement proceedings including fines and convictions against infringers can have a dramatic deterrent effect on others who may be tempted to infringe copyright. Further, when used in connection with other anti-piracy activities, a successful publicity campaign may avoid the need to run multiple enforcement actions against copycat infringers.

There are a number of public relations activities available to software owners to combat copyright infringement. Some of the more conventional actions include issuing press releases to publicise successful anti-piracy actions, public awareness or educational campaigns and general media coverage.

Less conventional, but often appropriate, public relations activities include engaging in public debate with those infringing copyright for the apparent, or even contrived, purposes of disintermediation or to promote political or ideological activity. Infringements justified by political or ideological arguments, such as those often used by online infringers to justify the breach of copyright in cyberspace, cannot be controlled without meeting the arguments which are used to justify them.

Publicity can deliver warnings to potential infringers. Many infringers, and in relation to some types of infringements<sup>19</sup>, most infringers, will cease infringing when they are contacted. These warnings are typically manifested in cease and desist letter programs that some copyright owners favour.

### **3.5 Building strategic relationships with stakeholders**

Copyright owners are not alone in the enforcement environment. Other stakeholders can assist copyright owners to enforce their IP rights. These include government, law enforcement agencies, industry associations and other copyright owners. However, building relationships does not mean simply joining an industry association. It

requires an analysis and identification of the individuals and organisations that may impact on a business' activities. Further, it is important to identify not only who should be engaged but how they should be engaged as not all organisations and individuals will share their views on enforcement.

## **4. Implementing an enforcement model**

An effective enforcement model combines the elements outlined above in a coherent way that is appropriate to the copyright owner's business and the typical forms of infringement that it faces. While there is no perfect or ideal model of enforcement, there are recognised models which give greater emphasis to certain elements and goals over others.

Some examples include:

- Civil litigation centred models.

In this model, civil legal proceedings are the core activity. Proceedings are undertaken on a pro-active basis rather than reactive basis and are enhanced by the use of publicity and border control with the Australian Customs Service. Given the costs of litigation, high profile cases are only run where they will have maximum direct and indirect effects.

- Civil and criminal litigation centred models.

This approach combines civil infringement proceedings with criminal prosecution. The advantage of this approach is that it allows a more flexible approach to litigation. Smaller market level infringers can be prosecuted in the local court but copyright owners also have the capacity to run larger publicised civil cases against larger scale commercial infringers. When combined with market-level surveillance, this model is particularly effective in responding to emerging threats of infringement.

- Cease and desist notice programs.

These programs are designed to respond to particularly large volume infringing activity where individual infringers are more

likely to cease infringing activity after receiving a demand than defend their activities. While there are some particular kinds of infringements of copyright which might be well suited to a volume response, such as internet infringements, this model has less utility in response to the majority of infringing conduct and has virtually no deterrent effect.

Many copyright owners find that a multi-level response, with a mixture of civil and criminal level litigation, market level surveillance and publicity is a good start to implementing an enforcement model. However, the successful implementation of an enforcement model depends on a number of factors including the extent to which a business gives priority and resources to the enforcement of IP rights and the choice of determining which infringers to pursue at the expense of others.

For IP enforcement to be successful, it must be seen as part of the core business activity not a distraction from it. Enforcement should be given a priority in the business and sufficient resources should be made available to pursue infringers. There needs to be a decision that significant targets are to be identified and pursued when they meet agreed criteria. One way of ensuring the acceptance of this by commercial personnel is to factor the cost of anti-piracy activities into the business plan.

It is almost impossible to prosecute all infringers who are identified by a copyright owner particularly in relation to internet infringements. Decisions will inevitably need to be made to pursue some infringers as opposed to others. These decisions can be problematic. High priority targets are typically involved in significant levels of infringements, are recidivists and are frequently non-responsive to standard threats of prosecution. They are targets worth spending the time to investigate and to prosecute. This may be measured in terms of the value of their infringements or the deterrent effect from their successful prosecution. While the two factors may coincide in some cases, in others they will be alternatives.

On the other hand, more significant infringers tend to be more entrenched in their infringing activity, are likely to defend proceedings more aggressively (often invoking more procedural tactics) and are more likely to use techniques to frustrate the execution of judgments or orders, such as by using insolvency or bankruptcy procedures. Less significant infringers are less likely to be entrenched in the infringing business (and are able to be moved on to other activities), are less likely to be determined to fight proceedings and are the more appropriate recipients of lower level responses. Understanding the difference between the value of infringers from an enforcement perspective will translate into greater cost effectiveness in anti-piracy actions.

Choosing between the alternatives after infringements and infringers have been identified, is too late. Enforcement involves planning and determining the objectives of enforcement activities, agreeing the targets to pursue and the devoting resources to pursue them up front. In addition, operational review of the enforcement strategy is critical to evaluating its effectiveness. Enforcement strategies should be regularly reviewed. Typical issues which should be canvassed in the review are:

- was the action effective according to the pre-determined objectives?
- does the strategic plan realistically deal with the instances of infringement identified, whether high or lower level?
- what adjustments are recommended, or needed, to ensure effectiveness?

Undoubtedly, an important aspect of an enforcement strategy is learning from each action taken. By reviewing the actions taken to enforce IP rights, software owners and those people who participate in the enforcement program, should develop a sound body of operational knowledge that will deliver dividends for a software owner's IP enforcement strategy.

## 5. Conclusion

While the *Copyright Act* continues to be the principal legislative protection against software piracy, the application of the Act and the development of accompanying anti-piracy strategies has changed dramatically in the past decade. There are increasing threats of infringement as a result of geographical and technological factors and the obstacles to traditional civil enforcement.

Enforcement will increasingly become a professionalised "law enforcement activity," and will occupy the traditional law enforcement space previously occupied by the police. Traditional law enforcement agencies are leaving this space as their budgets are pared back and intellectual property rights infringements are given lower priority. Software owners will increasingly have to rely on their own methods and resources for enforcement of their rights in civil and criminal jurisdictions. This is already recognised by academics and some practitioners and this capacity is reflected in the legislation.

Copyright protection has changed protection measures from a passive activity motivated by an incident of victimisation to pro-active strategies delivered by enforcement professionals who adapt solutions rather than selling a single solution product.

Software owners who recognise these changes in the enforcement environment and who implement their own enforcement strategies will be well placed to respond to the current and future threats of infringements.

\* This article is based on a paper which was presented by Michael Williams to the Software Law Forum, 10 December 2001, Sydney Marriot Hotel and has been expanded to be published in this form. The assistance of Michael Speck is gratefully acknowledged.

- 1 Specific well known forms of piracy include counterfeiting, which involves the making of exact or near exact replicas of the legitimate product, and bootlegging, which has varying meanings depending on the IP industry involved.
- 2 At a speech delivered to an Anti-piracy conference in the US last year, the head of the Motion Picture Association described this development as the "return of Banquo's ghost".

- 3 Bardach E and Kagan R, *Going by the Book: the Problem of Regulatory Unreasonables*, (1982) Temple University Press, Philadelphia.
- 4 Agnes I and Braithwaite J, *Responsive Regulation: Transcending the Deregulation Debate*, (1992) New York, Oxford University Press.
- 5 "Cracking down on copycats: enforcement of copyright in Australia". Standing Committee on Legal and Constitutional Affairs, House of Representatives, November 2000. The report, rather than industry summaries of the report, is required reading for any software owner or developer. It was the most extensive survey of copyright enforcement ever undertaken in Australia and it generated a very extensive number of recommendations for reforms and government action. Sadly for copyright owners, not only have none of those reforms been implemented, the government has indicated that none of the reforms will be adopted in the future. <<http://www.aph.gov.au/house/committee/laca/copyrightenforcement/contents.htm>>, accessed: 19 February 2002.
- 6 Report of the International Federation of Phonographic Industries, *Piracy Report June 2001*.
- 7 *Copyright Amendment Act* (No. 1) 1998.
- 8 The government justified this move on the basis that copyright owners were using this right to prevent the importation of legitimate product in competition with authorised supply channels. See *Explanatory Memorandum to Copyright Amendment (No. 2) Bill* (1998), 104.
- 9 *Copyright Amendment Act* (No. 2) 1998
- 10 The average price of top 40 CDs has increased from around \$25 to \$30 and piracy has increased because the process of detection has become that much more difficult without effective copyright border controls. See evidence given to Senate Legal and Constitutional Legislation Committee by Music Industry Piracy Investigations.
- 11 Any detailed discussion of the proposed amendments and their likely effect in practice for software owners is outside the scope of this article. However, the provisions that were inserted in relation to the music industry are unusual and may provide little comfort for importers. Section 112D operates as a defence to an infringement action brought by the copyright owner. All the owner has to establish to prove the secondary infringement under s101 of the *Copyright Act* is the knowledge of the importer of hypothetical infringement if the products were made in Australia. This can be contrasted with the more difficult proof required by the importer that the products were in fact legal, this test having no reference to knowledge. Therefore, knowledge, or the absence of knowledge or even whether reasonable enquires were made to established authenticity are irrelevant and would not assist the importer to defend an infringement action.
- 12 "Inquiry into the Provisions of the Copyright Amendment (Parallel Importation) Bill 2001", Senate Legal and

- Constitutional Legislation Committee, the Parliament of the Commonwealth of Australia, May 2001.  
<[http://www.aph.gov.au/Senate/committee/legcon\\_ctte/copyright2001/Copyright%20\(Parallel%20Imports\)%202001.pdf](http://www.aph.gov.au/Senate/committee/legcon_ctte/copyright2001/Copyright%20(Parallel%20Imports)%202001.pdf)>, accessed 19 February 2001.
- 13 Section 16 of the *Customs Administration Act*.
- 14 Section 132(5A) & (5B) of the *Copyright Act*.
- 15 An example is the requirement that the mechanism used to illegally access the system, the circumvention device, have no substantially non-infringing purpose. This leads to the unusual result that the infringer could, by attempting to legitimise the illicit business and applying it to other non-infringing uses, shield the illicit business
- from liability under these provisions. This was surely not envisaged by the legislator.
- 16 Sections 116B and 132(5C) of the *Copyright Act*.
- 17 Sections 115 and 116 of *Copyright Act*.
- 18 *Ly v Jenkins* [2001] FCA 1640 (26 November 2001).
- 19 For example high volume low commercial impact infringements.

## Hong Kong - Parallel Imports of Computer Software

*Intellectual Property News, Linklaters and Alliance*

**Hong Kong:** The Copyright (Amendment) Bill will amend the Copyright Ordinance to exclude from the class of “infringing copies” any copy of a computer program which has been brought into Hong Kong as a parallel import.

The *Copyright (Amendment) Bill 2001* was published on 7 December. This is intended to liberalise the parallel importation of computer software. It will amend the Copyright Ordinance to exclude from the class of “infringing copies” any copy of a computer program which has been brought into Hong Kong as a parallel import.

A “parallel import” in this context means a copy of a computer program

that was lawfully made outside Hong Kong but was imported into Hong Kong without the permission of the copyright owner. The exclusion also applies to a “copy of an associated work” i.e. a copy of any other work that was embodied in the same article as the computer program at the time of its importation.

However, the Bill carves out from the definition of an associated work: a feature film or part of a feature film

whose duration (as embodied in the article) is more than 20 minutes; or a musical sound recording or musical visual recording, where the economic value of the article is substantially attributable to the economic value of the copy.

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- the internet, content regulation, jurisdictional and conflict of law issues;
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- e-commerce and related subjects such as financial services and securities dealing on the web;
- privacy, consumer protection and security issues concerning the use of computer technology.

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