

# Reversal of the 'Optus Tv Now' Decision: Triumph for the AFL, NRL and Telstra?

Tureia Sample provides an update on the outcome of the appeal to the Full Federal Court in the Optus TV Now proceedings.

The landmark Optus TV Now proceedings<sup>1</sup> have taken a dramatic turn recently with the Full Court of the Federal Court of Australia unanimously finding in favour of the AFL, NRL and Telstra on appeal.<sup>2</sup>

The Optus TV Now litigation is an Australian first for cloud technology and the 'private and domestic' time-shifting exception under s 111 of the *Copyright Act 1968* (Cth) (the **Copyright Act**). The TV Now service is a cloud-based subscription service which allows users to record free-to-air television programs (including AFL and NRL matches) and replay them back on a compatible device (namely PCs, Apple devices, Android devices and 3G devices). At the heart of the dispute is the ongoing conflict between innovation in the consumer electronic communications industry and the protection of copyright investment by the entertainment industry.

## the TV Now system was 'designed in a way that makes Optus the main performer of the act of copying'

At first instance, Justice Rares of the Federal Court ruled in favour of Optus. He found that the TV Now service did not infringe copyright as the subscribers were the 'makers' of the copies and such copying was made within the exception in s 111 of the Copyright Act.

On appeal by the AFL, NRL and Telstra, Justices Finn, Emmett and Bennett of the Full Court considered two primary issues:

1. Who makes the copy, Optus or the subscriber or both?<sup>3</sup>
2. If Optus is the 'maker', can Optus rely on the s 111 time shifting exception?

### Who is the maker?

The question of 'who makes the copies of programs' was the pivotal issue on appeal. In essence, the Full Court held that the copies were either made by Optus or by Optus and the subscriber acting together and therefore being 'jointly and severally responsible' for the recording. It was unnecessary for the Full Court to express a definitive view.

The Full Court found that Optus utilised very sophisticated technology whereby Optus set up the system, sold the service, used the system to record the program (in four formats), stored the recording, and then streamed it on demand to subscribers. Although the TV Now system was highly automated, the Full Court found that Optus' role in the process was so pervasive that Optus could not be disregarded when the person who makes the copy needs to be identified.<sup>4</sup> In a nutshell, the TV Now system was found to be a 'service provision' analogous to a commercial photocopier which copies copyright material provided to it.

Interestingly, Justices Finn, Emmett and Bennett adopted language of a recent Japanese decision<sup>5</sup> and stated that the TV Now system was 'designed in a way that makes Optus the main performer of the act of copying'.<sup>6</sup> The Full Court rejected 'volitional conduct' concepts used in US<sup>7</sup> and Singaporean<sup>8</sup> jurisprudence (which were relied upon by Justice Rares) and expressly stated that such any adoption in Australia would require a 'gloss to be put on the word 'make' in s 86(a) and s 87(a) and (b) of the Copyright Act'.<sup>9</sup>

### Can Optus rely on the s 111 exception?

The Full Court found that Optus could not rely on the s 111 exception. Their Honours ruled that the copying by Optus was commercial in nature (in that Optus captures, copies, stores and makes programs available for later viewing for reward<sup>10</sup>) and that s 111 was not intended to cover 'commercial copying on behalf of individuals'.<sup>11</sup> Although not explicitly discussed in the judgment, this conclusion by the Full Court is further supported by the fact that the Copyright Act contains over 100 sections that expressly use the words 'on behalf of' but notably these words are absent in s 111.<sup>12</sup>

In addition, the Full Court also stated that Optus' liability was not secondary in nature (which would otherwise be dependent upon the primary liability of a subscriber). But rather, Optus itself is primarily and severally liable as the person who did the acts of copying.

### The Future

So in this second round of the TV Now dispute the AFL, NRL and Telstra have triumphed. The result has been welcomed by copyright owners. But what does it mean for future innovation and consumer access to digital services? Unsurprisingly, Optus (which has now sus-

1 *Singtel Optus Pty Ltd v National Rugby League Investments Pty Ltd (No 2)* [2012] FCA 34 (1 February 2012).

2 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012).

3 This question requires a construction of s 86(a) and s 87(a) and (b) of the Copyright Act.

4 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) [67].

5 *Rokuraku II*, First Petty Bench of the Supreme Court, Japan, 20 January 2011.

6 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) [19].

7 For example, *Cartoon Network, LP v CSC Holdings, Inc.*, 536 F 3d 121 (2nd Cir, 2008).

8 *Record TV Pte Ltd v MediaCorp TV Singapore Pte Ltd* [2011] 1 SLR 830.

9 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) [20].

10 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) [22].

11 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) [26].

12 The majority of references to 'on behalf of' are in 'Division 2 – Copying and communication of broadcasts' (particularly various forms of s135). Other sections include: computer programs (s47), archives and libraries (ss50, 51, 51AA, 110A), technological protection measures (s132), circumvention devices (s116), applications to Copyright Tribunal (s153), modifications to copyright ownership (ss179 and 196), educational purposes (s200), groundless threats (s202 and 202A) and performer's protection (s248).

pended the TV now service) lodged an appeal to the High Court of Australia on 10 May 2012.<sup>13</sup> In the course of its decision, the Full Court gave two signals on where the law may head in this area.

The first was its departure from the interpretative approach which influenced Justice Rares decision (and which were evident in the US case<sup>14</sup> and Singaporean case<sup>15</sup> upon which he relied). Rather than adopting a 'technologically neutral interpretation' and 'interpretation informed by legislative policy', Justices Finn, Emmett and Bennett approached the complex issues from a strict statutory interpretation standpoint. The Full Court indicated (or perhaps hinted) that it is up to Parliament, not the judiciary, to take account of countervailing issues and to consider any extension or amendment to s 111.

The second signal was the acknowledgement at the end of the Full Court's decision that: '[w]e accept that different relationships and differing technologies may well yield different conclusions to the 'who makes the copy' question.'<sup>16</sup>

The Full Court was clearly seeking to confine its findings to the express facts before it and was contemplating that alternative pri-

vate copying technologies or future technological advances could emerge which do not breach copyright provisions.

Given the high stakes for both sides of the litigation, the intense lobbying that has ensued followed the dispute and the explosion of media and political debate on the issue, this match is far from over.

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13 Singtel Optus Pty Ltd, 'Application for Special Leave to Appeal' S116 and S 117 of 2012, High Court of Australia, (Sydney Registry), 10 May 2012. See generally, Julian Lee, 'Optus appeals web broadcast decision', *The Age* (Melbourne), 10 May 2012.

14 *Cartoon Network, LP v CSC Holdings, Inc*, 536 F 3d 121 (2nd Cir, 2008).

15 *Record TV Pte Ltd v MediaCorp TV Singapore Pte Ltd* [2011] 1 SLR 830.

16 *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012) [29]

## TIMELINE OF OPTUS TV NOW PROCEEDINGS

