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User Generated Content and Copyright

Michael Napthali discusses the treatment of user generated content in copyright law and questions whether a 'fair use' exception should be introduced in Australia.

Web 2.0[1] is an internet topic *du jour*. Web 2.0 platforms support multi-way interactive media communications between internet users, an increasingly popular exemplar of which is 'user generated content' (***UGC***).

The purpose of UGC is to facilitate the 'using', 'generating', 'sharing'[2] and 'transforming'[3] of extant works. In such environs participants are not mere passive receivers of information.[4]

A recent KPMG Report, *The Impact of Digitalization*,[5] (***KPMG Report***) suggests that the drivers of Web 2.0 include: (a) declining costs of media production; (b) the ability to put devices and tools of increasing technological power and sophistication in users' hands; and (c) the rise of a culture of sharing (or, as Professor Benkler called it, a 'participatory culture' of 'social production,'[6] an obvious example of which is the Wikipedia online encyclopaedia).

Marking the social importance that Web 2.0 represents, *Time* magazine broke with tradition in 2006 when it announced its Person of the Year as, simply, 'You'.[7] Consequently, we find no shortage of learned legal commentary discussing the Web 2.0 phenomenon.[8]

In adding to the debate, this article takes the view that, in light of recent Australian authority, for those who promote Web 2.0 websites a tougher test for, and thus risk of, liability for copyright infringement exists in Australia when compared with the United States.

A crucial distinguishing factor is the decidedly pro-technology jurisprudence United States courts have applied to the doctrine of 'fair use.' Fair use is a concept presently alien to Australian copyright law. Recent parliamentary reviews notwithstanding, when account is taken of the social impact of Web 2.0 and similar user-empowering technology, the need for clarity in the digital age suggests that a strong case exists for a US-style fair use exception in Australian copyright law.[9]

Definitions

There is no agreed definition of UGC. A recent OECD Report[10] (***OECD Report***) says it is constituted by:[11]

1. content that is made publicly available over the internet;
2. which reflects a certain amount of creative effort; and
3. is created outside of professional routines and practices.

Another defines UGC as simply 'content filmed, edited and submitted by site users.'[12] Both are apt, and both impliedly beg questions about copyright ownership and infringement.

The following are some examples of UGC platforms noted by the OECD Report:[13]

- **Blogs** (eg BoingBoing and Engadget; Blogs on sites such as LiveJournal; MSN Spaces; CyWorld; Skyblog)
- **Wikis and Other Text-Based Collaboration Formats** (Wikipedia; Sites providing wikis such as PBWiki, JotSpot, SocialText; writing collaboration sites such as Writely)
- **Feedback Sites** encouraging commentary on written works (eg FanFiction.Net)
- **Podcasting** (eg iTunes, FeedBruner, iPodderX, WinAmp, @Podder)
- **Social Network Sites** (eg MySpace, Facebook, Friendster, Bebo, Orkut, Cyworld)

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That a legal tension exists in this space has not dulled the commercial attraction of UGC as a business model. The following are some prominent UGC acquisitions:

1. Google paid US$1.65 billion (in shares mostly) to acquire video sharing site, YouTube;
2. New Corp paid US$580 million to purchase of the social networking site MySpace;[14] and
3. AOL paid US$850 million to purchase the third largest social networking site, Bebo.[15]

Some overarching themes

It was not to be long before the liability of Web 2.0 technology for copyright infringement would be tested in court. Such is the case presently in the United Sates[16] where eyes are trained on a suit filed by Viacom against UGC video website YouTube[17] (*Viacom v YouTube*) in which Viacom is seeking $1 billion in damages for YouTube's 'brazen' copyright infringement.

In response,[18] YouTube has asserted numerous affirmative defences[19] as to why it is not liable for copyright infringement, including: (a) 'safe harbour' protection for Internet intermediaries under the *Digital Millennium Copyright Act 1998* (DMCA); (b) express and implied licenses; (c) fair use; (d) Viacom's failure to mitigate damages; (e) YouTube's innocent intent; (g) Viacom's misuse of copyright; (h) estoppel; (i) waiver; (j) Viacom's unclean hands; (k) laches; and (l) the fact that YouTube has substantial noninfringing uses.

The risk of mass copyright liability from the design and use of digital technology – of which Web 2.0 is merely a current instance - has reignited calls for new exceptions[20] in Australian copyright law.

Whereas the right to 'copy' has expanded over time from a dedicated printer's right[21] to a broad low-threshold[22] test granting copyright to any 'author'[23] of an 'original' work,[24] then in the digital age the 'greater protection of authors and rights-holders'[25] provided by the Internet Treaties[26] focuses attention once more on how the balance ought best be struck between rights owners and content users.[27] With regard to Web 2.0 technology, the issue is set in relief because of the paradox that 'in a networked society, copying is not only easy, it is a sine qua non of transmission [and] storage.'[28]

Thus, it is said, the social reality of our 'participatory culture' should now be properly recognised by way of statutory protection which places content users on a par with rights owners. This argument is often framed in terms of a US-style 'fair use' exception (practicalities surrounding the three-step test[29] notwithstanding).[30] Despite recent parliamentary examination,[31] neither Australia[32] nor Britain[33] has an analogy of America's First Amendment-informed fair use defence.[34] Rather, several more narrow and specific 'fair dealing' exceptions exist.[35]

Identifying a related aspect of this problem, Justice Kirby recently commented that in technology cases 'in default of legislation, court decisions will often draw the boundaries, effectively writing them on a blank page.'[36] In this light, for those who propose to invest in new technology such a scenario can imply substantial, if not insurmountable, commercial uncertainty.

Confronted by copyright's 'opaque'[37] and unclear historical intendment,[38] a 'fair use' exception amendable to flexible[39] application would, at least in part, help provide for citizens what is presently an arbitrary boundary. Unfortunately, the piecemeal 'policy on the run' approach to digital issues in Australian copyright law has come to resemble building an aeroplane in flight. By way of contrast, the UK's recent *Gower's Review* has recommended an exception be adopted along the line of the US doctrine of 'transformative' use.[40] As the issues raised by UGC show, Australia must also catch up.

Given the noted risks for those who promote UGC websites, protection from copyright and other liability is invariably sought through compendious warranties and indemnities.[41] Concurrently, website terms and conditions also generally purport to grant to the website promoters an irrevocable, royalty-free licence to commercially exploit any UGC users upload.

These two motivations can be a double-edged sword because, for the purposes of copyright infringement, matters of private contract law are questions distinct from claims brought by third parties. More particularly, the enjoyment of a pecuniary gain could well disentitle a UGC website from certain safe harbour protections (although, as we see, the presumptive entitlement of UGC websites to safe harbour protections is doubted by some).

The issues of copyright liability concerning UGC can be narrowed as follows:

(a) Who owns the UGC content?

(b) On whom does liability fall for the uploading and communication of UGC?

(c) In the event a UGC site is liable, what defences, if any, may apply?

In examining these questions, this article looks at recent Australian authority which has considered the scope of liability of persons who, through the provision of certain online 'facilities,' are said to 'authorise' the infringing conduct of others. The cases are *Sharman*;[42] *Cooper*,[43] and the *Cooper Appeal*.[44] Relevant United States decisions are also compared.

UGC and copyright

Substantiality

As a preliminary matter, infringement lies only when a substantial part of a work is taken.[45] Although substantiality is perhaps the most the common and difficult of all questions which arise in copyright cases,[46] it is not without significance to UGC which uses small (often *de minimis*) portions of extant works. Relevance is given by Professor Ricketson's observation that 'there are some uses and applications of copyright works which are truly *de minimis* or incidental in character, and can lead to no measurable detriment to the interests (economic and non-economic) of authors.'[47] The observation buttresses the argument in favour of a fair use defence in Australia.

Although questions of substantiality are assessed by reference to the quality and importance of that taken from the original work,[48] some query whether, as a matter or practical reality concerning how people access and use information in the networked world, tests of substantiality - which thus inform infringement - require reconsideration.[49]

With this issue merely noted, let's proceed on the basis that, as it concerns UGC, the test of substantiality has been satisfied.

An illustrative example

On February 17, 2008 the Sydney Morning Herald carried a story[50] about Hugh Atkin, a political parodist who created and uploaded to YouTube a series of short films. Unexpected celebrity greeted Atkin following the posting of two particular films involving the editing together (a so-called 'mash-up')[51] of footage from a recent Tom Cruise interview of him talking about Scientology, with that of Senator Hilary Clinton responding to questions asking 'how do you it?' (in reference to the rigours of the campaign trail).[52] In a second film Atkin edited together footage of Presidential candidates repeating the word 'change' in synchronisation with the David Bowie song *Changes*.[53]

Clever, innovative and original? Yes. An infringement of copyright? Most probably, also yes.

Direct infringement

Sections 36(1) and 101(1) of the *Copyright Act 1968* (Cth) (***Copyright Act***) deem the purported exercise of a copyright owner's exclusive rights an infringement when effected without licence or consent. The sections further deem it an infringement when a person 'authorizes' the doing in Australia of any act comprised in copyright.[54] Thus, the sections create two separate 'kinds'[55] of infringement.[56]

(A) Users' direct infringement

Let's look first at direct infringement from the content creator's perspective. Absent consent or licence and with no fair dealing defences applying,[57] in our example Mr Atkin risks liability for the direct infringement of the following exclusive rights:

- reproduction and communication of a cinematograph film[58] or television broadcast[59] (eg the footage of Cruise and Clinton);
- reproduction[60] and communication[61] of a sound recording (eg Bowie's 'Changes')
- reproduction[62] and communication[63] of underlying literary works (eg the words and music in 'Changes')

This analysis represents a relatively orthodox assessment of direct infringement, and would likely apply to most UGC containing unauthorised content.[64] For pragmatic commercial reasons noted below,[65] however, it is unlikely that rights owners will pursue direct infringers.

Unlike Australia, UGC creators in the United States would be entitled to raise the defence of fair use.[66] Although the success of the defence is often difficult to forecast, it is broad and amenable to novel contexts[67] such that a fair use is more likely to prevail if the use is *productive* than if it is merely *reproductive*.[68]

Let's consider UGC generally, having regard to the elements[69] courts must consider in determining if a 'use' is 'fair':

1. The *purpose* and *use* of UGC is often commentary, if not also as parody or satire (as in Mr Atkin's case), and thus weighs in favour of UGC demonstrating a 'transformation' of subject works; [70]
2. Where the use made of extant works in UGC is to entertain, this might weigh against fair use as the use may be too similar in purpose to the *nature* of the work taken;
3. Where the *amount* taken is small or *de minimis* relative to the original, this will weigh in favour of fair use (indeed YouTube deliberately only permits clips of a few minutes duration); and
4. Perhaps most significantly, courts would be unlikely hold that UGC represents an economic *substitute* for the original works (in the sense of being a free rider).

This assessment has practical significance when it's estimated that anywhere between 30 and 70 percent of the content on YouTube is made up of unauthorised copyright material.[71] In Australia, the 'transformative' qualities of UGC are presently an irrelevant consideration.

The internet, however, is a pan-global network of which Australia is unavoidably as much a part as any nation. Could it thus be said that to deny users (and courts) the ability to conduct a fair use assessment of the forgoing kind is inconsistent with the reality of the 'global village?' More particularly, is it not also inconsistent with the 'harmonisation'[72] process so often promoted as a uniting thread of modern copyright policy? In the event a more nuanced policy-based argument in favour of a fair use exception is desired, one lies in the measured analysis of Dr Melissa de Zwart who posits that in the digital age a fair use exception in Australia would help protect 'the pubic interest in freedom of communication.'[73] This theme is revisited below.

(B) UGC website direct liability

The *Digital Agenda Act 2000* (Cth) (***DAA***) inserted Section 22(6)[74] into the *Copyright Act.* In *Sharman,* Wilcox J endorsed Tamberlin J's reasoning in *Cooper*[75] and held that the 'communication' of an audio-visual item is made by 'a user who determines the content of the material that he or she will download from another user's computer.'[76] Thus, direct infringement of an owner's exclusive right to 'communicate' a work online will not likely attach to an intermediate website per se even if it provides hyperlinks to infringing works hosted elsewhere.

Where, however, a UGC website actually *hosts* the content, it is more likely to be characterised as having 'communicated' the works. Liability for direct infringement might similarly follow where the hosting involved the UGC website making a 'copy' of the subject work.[77]

Two further factors increasing risk of liability should also be considered. First, although section 43A of the *Copyright Act* affords protection for 'temporary reproductions made in the course of communication,' it expressly excludes reproductions made from infringing works – of which, it was noted above, those on UGC websites constitute a considerable proportion. Second, the wider meaning given in 2004 to 'material form' now encompasses storage 'whether or not the work…*or a substantial part* of the work … can be reproduced.'[78] By contrast, it is noted that a recent US decision[79] held that it may be possible to establish an implied licence for a search engine to engage in data caching.[80]

The reasoning of *Cooper* and *Sharman* concerning who is the 'communicator' finds support in US authorities. In *Perfect 10 v Google*[81] the mere provision by the 'Google Image Search' of 'in-line' hyperlinks to the plaintiff's original images was not a 'display' (ie 'communication') of those images.[82] Indeed, it was further held that although Google's reproduction of low-resolution 'thumbnails' was a direct infringement, it was a 'fair use' of the plaintiff's work because 'Google's use … is highly transformative'[83] and had a substantial 'public benefit.'[84]

Preceding the issue of who is the 'communicator,' however, is the threshold question of whether UGC websites are 'mere conduits' of data presumptively immune from copyright liability by virtute the safe harbour defences for Internet intermediaries? This is the public position of Australia's largest ISP, Telstra Bigpond.[85]

The safe harbour concept has its genesis in s 512 of the DMCA. Australia harmonised with the DMCA[86] in 2004 via Division 2AA of the *Copyright Act*[87] and Part 3A of the *Copyright Regulations 1969* (Cth). A similar scheme exists in the UK[88] to protect 'information society services'[89] which host information 'provided by a recipient of the host' where the host does not have 'actual knowledge' of unlawful activity.[90]

A key difference between Australia and US, however, is that the Australian scheme limits the protection narrowly to just 'carriage service providers'[91] (***CSP***); whereas s 512(k)(1) of the DMCA uses broad language referring to a 'service provider' the definition of which expressly includes 'online services.' Thus, it is likely that a UGC website hosted in the US would come within this definition and presumptively be immune from liability[92] (subject to the existence of other disentitling conduct).

In Australia, however, a CSP is defined as an entity which 'supplies a carriage service to the public.' O'Brien and Fitzgerald conclude that it is unlikely that a UGC website in Australia would fall within this definition 'as they do not supply a carriage service to the public, unlike internet service providers.'[93] Matthew Rimmer agrees with this view.[94] The unsatisfactory state of definitional clarity in the Australian internet space is further highlighted with there being no apparent consensus about what qualifies as an 'online service'[95] – indeed the *Broadcasting Services Act 1992* (Cth) does not actually define what is a 'service.' Nonetheless, laws regulating online content do purport to limit the liability of 'carriage services.' [96]

As for the OECD's view, it simply hedges: 'whether UGC platforms can be treated as a "mere conduit" under exceptions for online intermediaries is an ongoing question.'[97]

A further notable explanation for the jurisdictional difference is the enduring affect of the First Amendment's protection of freedom of speech. As the internet has developed, early US safe harbour jurisprudence shows a clear preference to exempt those communication 'conduits' which 'merely' facilitate others to exercise their right to free speech.[98] On this basis, Web 2.0 technologies are also mere facilitators of the others' speech. For example, US cases like *Netcom*[99] (now reflected in legislation)[100] have cast the safe harbour defence widely to immunise Internet Service Providers (***ISP***) from the liability of users' defamatory speech via online 'bulletin boards' which they host. Following passage of the DMCA, the ratio of *Netcom* has been endorsed in *Loopnet*.[101]

Comparatively, a recent British case[102] involving the liability of an ISP for a user's defamatory statements invoked copyright authorisation principles[103] to hold that the defendant ISP had not, through mere hosting, 'knowingly authorised, sanctioned or participated in any of the relevant publications.'[104] Conversely, a NSW Supreme Court decision recently found an ISP liable for a user's defamatory publication.[105] Recent reform of Australian defamation legislation now provides a statutory defence of 'innocent dissemination'.[106]

For those online services which *do* come within the safe harbour defence, a crucial benefit is their express removal of the obligation to *actively* monitor and remove allegedly infringing content. Rather, the services are protected from liability so long as they delete infringing material after notification by rights owners.[107] This is precisely YouTube's position in reply in *Viacom v Youtube.*[108]

What will take one outside being a 'mere conduit' is when, in the language of *Loopnet*, 'something more' is being done: that is, when there is 'a nexus sufficiently close and causal' between the provider of services and the acts of infringing copying.[109] Evidence sustaining such a finding might include circumstances where an online service permanently archives[110] or hosts content for access at the user's convenience. It need not be added that this is what YouTube does.

In preference, then, to seeking relief against direct infringers, an alterative is to sheet home to those who provide the facilities, the responsibility for the infringing use made thereof by users. Whether 'something more' existed to suggest 'a nexus sufficiently close and causal' for such liability to follow was a key issue considered in *Sharman.*[111]

Authorisation liability

By conferring on owners the exclusive right to 'authorise' others to do an act comprised in copyright,[112] the *Copyright Act* grants a separate right distinct from direct infringement.[113] Being an exclusive right, section 101 of the *Copyright Act* will afford an owner relief where a defendant, by act or omission and without the consent or licence of the owner, purports to authorise another to infringe an owner's copyright.[114]

Of all the propositions in the authorisation authorities, principle among them is the statement that authorisation requires a putative grantee to 'sanction, approve, or countenance'[115] the conduct of the direct infringer.

Over time, this phrase has enjoyed substantial judicial gloss. For example, it has been held that 'it may also be possible to imply … permission from the surrounding circumstances.'[116] Thus, declining to interfere in infringing conduct may constitute acquiescence.[117] Although the alleged authoriser must possess the ability to *control* or *prevent* the infringing conduct,[118] this presumes that the defendant has the requisite degree of *knowledge*[119] about the acts of infringement (although for rights owners the significance of this factor in the UK has, it seems, been somewhat neutralised insofar as ISPs are concerned).[120] A sufficiency of *control* might be demonstrated by showing that a person has made a 'deliberate choice'[121] to do, or refrain from doing, something within their power that would prevent the infringing act. Crucially, knowledge of *specific acts* of infringement need not necessarily be proved, provided the circumstances invite a reasonable person to infer that infringement may occur.[122]

These principles have been held in *Sharman* to offer a continuing 'flexibility and relevance'[123] in the digital era, and have since been codified[124] in section 101 (1A)[125] of the *Copyright Act* which sets out factors against which impugned conduct must be assessed. Other relevant factors may also be taken into account such as, for example, 'the respondent's knowledge of the nature of the copyright infringement.'[126]

Cooper concerned the provision of website facilities (mp3s4free.net) via which users could obtain infringing recordings, while *Sharman* involved the provision by the respondent of the Kazaa software which enabled users to share material whether or not that material was subject to copyright. The United States Supreme traversed issues similar to those in *Sharman* in *MGM Studios v Grokster Ltd*[127] (***Grokster***).

In both *Cooper* and *Sharman*, the respondents sought the protection of sections 39B and 112E for those who provide communication facilities. Their effect is to 'qualify'[128] the scope of authorisation liability, in the sense that, like the safe harbour provisions, they are intended to 'protect the messenger.'[129] They do so by deeming a person who provides 'facilities' as not having authorised infringement 'merely because' another person uses those facilities to infringe copyright.[130]

Although the respondents in both *Cooper* and *Sharman* did provide statutory 'facilities,'[131] in both cases reliance on the defence was denied[132] because they did more than 'merely'[133] provide those facilities. In so holding, section 112E was said by Wilcox J to 'not preclude the possibility that a person who falls within the section may be held, for other reasons, to be an authoriser'.[134] Similarly, Tamberlin J held that the respondent 'has been far more involved than just providing the facility that has been used to make the communication.'[135]

Here we encounter Wilcox J's consideration of conduct which takes a defendant beyond being a 'mere' provider of facilities. It is when 'something more' is done.[136] By any measure this is an imprecise term, the precise meaning of which reasonable minds would doubtless differ. Some clarity can be found, however, in his Honour's further comment that 'something more' was, in *Sharman,* constituted by a finding that the 'predominant use'[137] of the Kazaa software was copyright infringement.

Given that (a) Australia does not enjoy a *Sony*-style bright-line rule which presumptively favours new technology possessing 'substantial non infringing uses,[138] and (b) nothing approaching a fair use defence exists, some argue a new 'design duty' gloss can be identified requiring technology to possess about it a 'predominant use' which is non-infringing.[139] The obvious problem for those who may wish to develop and market new technology is the apparent need to now divine just what, among a panoply of possible uses, fits that which is 'predominantly' non-infringing?

We can compare this test – if indeed that is what the phrase 'predominant use' represents – with the new 'inducement' test for contributory liability enunciated in *Grokster*. Focusing on the 'actual intent'[140] of the provider of technology (rather than the uses to which the technology may be put), liability attaches when each element of the test is satisfied, namely when: a person 'distributes a device' with the object of promoting its use to infringe copyright as shown by 'clear expression or affirmative steps,' and such conduct does in fact 'foster infringement.'[141]

On comparing the reasoning in *Sharman* with *Grokster*, Ginsburg and Ricketson have concluded that 'it is possible that facilitators of online infringements may now be more vulnerable in Australia than in the US'[142] because under the *Sharman* standard 'liability may arise where there is knowledge of infringing activities, coupled with a failure to take steps to prevent this occurring.'[143] Although in this respect *Grokster* conforms with the gloss added to the *Sony* rule by *Napster*[144] (to the effect that 'where there is specific knowledge and control, the *Sony* standard will not apply,')[145] *Grokster* is nonetheless a tougher test of liability than *Sharman* would appear to set in Australia.

Can it be said, then, that those who promote UGC websites are 'merely' doing so? If not, do the normal authorisation principles mean liability should then follow?

Let's consider some findings of fact which proved determinative of authorisation liability in *Cooper* and *Sharman*. First, positive exhortations to infringe and the provision of active hyperlinks to infringing works, (hosted elsewhere) constituted a *countenancing* of infringement.[146] Second, there was *knowledge* of infringing acts being committed via the 'mp3s4free' website and Kazaa software, but a disinclination to do anything about it.[147] Third, unlike in the sale of video recorders or blank tapes, the respondents were sufficiently able to control users' infringing conduct.[148] Fourth, the respondents generated a profit from the distribution of the facilities.[149] Fifth, no reasonable steps were taken to prevent infringement. [150]

Let's recall the massive sums involved in commercial transactions in the UGC space. *Cooper* and *Sharman* indicate that when courts assess the proscribed factors under section 101(1A), it will weigh strongly against a finding that the respondent had *not* authorised infringement when evidence shows they have enjoyed a commercial return. It will also be the case where no 'effective' notice-and-take down procedure is in force.[151] Reinforcing this view, whether a party is entitled to enjoy the safe harbour provisions, Div 2AA makes pointed reference to recept of any pecuniary gain.[152]

Similarly, in *Grokster,* it was held that the defendants had structured their business model to profit directly from users' infringing conduct. Thus, 'affirmative intent' was demonstrated by Grokster advertising its software's infringing uses and the way it compared itself to Napster. Also relevant was that the company's business model depended solely on advertisement revenue driven by the number of users, and that the company made no effort to filter out copyrighted works.[153] Relevantly, the OECD Report notes that 'advertising is often seen as a more likely source of revenue surrounding UGC and [is] a significant driver.'[154]

As a defensive position UGC websites tend now have strict 'notice and take down' procedures. This is sensible. For while debate might continue in Australia as to whether a UGC website is presumptively entitled to safe harbour immunity, it is notable that in the US sites like YouTube expressly assert their reliance on the defence on the basis of being a 'service provider'[155] (recall, by comparison, that Div 2AA refers to a 'CSP' and an 'information society service' in the UK).

In circumstances where YouTube has an 'ability to control' the UGC content, its ability to sustain the defence will thus be determined by reference to how much of its commercial activity constitutes a 'direct financial benefit' and what reasonable technical measures it had taken to prevent infringement.[156] In short, 'inducement' liability under the Grokster test will more likely follow when evidence shows that a UGC website has 'intentionally structured its business around infringing material.'[157] That intention is an element of proof of liability thus sets a high threshold for plaintiffs in the US; a result which may be distinguished from Australia's substantially tougher test requiring a technology's 'predominant use' be non-infringing.

Conclusions

No one knows how or if the *Viacom v YouTube* litigation will be decided. In the absence of further clarity, prudent practice would require that promoters of UGC websites:

1. cast widely the net of warranty and indemnity protection received from users;[158]
2. reserve the right to remove offending content for the purposes of demonstrating:
   (a) compliance with notice and take down provisions under the various safe harbour schemes; and
   (b) discharge of the evidential burden under s 101(1a)(c) concerning the taking of 'reasonable steps to prevent or avoid the doing of the act.'[159]
3. be conscious that a UGC website's business structure (eg how advertisements are caused to appear on the website) can provide powerful evidence from which an inference of 'authorisation' or 'inducement' might be drawn.

In overview, the forgoing has discussed a theme identified earlier by Justice Kirby, namely, how often 'in the field of computer law, we have come to realise that there is often a tension between the regulation of … technology … and competing interests in society.' [160]

Web 2.0 technology places this tension in clear relief as we wait to see the leeway[161] Australian courts will grant nascent technology and, more particularly, the degree to which they will 'take into account the need for, and ubiquity and value of, user driven distributed information sharing technologies.'[162] The matter is of significance when we note the comment in *Cooper* that 'the question remains open as to what degree of connection or control is necessary between the alleged authoriser and the primary infringer.'[163] Some flesh was added to the bones of this proposition by Justice Branson in the *Cooper Appeal* who made the curious obiter observation that the 'assumption that Google's activities in Australia do not result in infringements of the [Copyright] Act is untested.'[164] Naturally, Google has publicly rebutted such an argument.[165]

In aggregate, the absence of a fair use defence, narrow safe harbour immunity, definitional uncertainty, and a possible 'design duty' requiring advance consideration of a technology's 'predominant uses' all combine, it is submitted, to suggest that, *ex hypothesi,* copyright law in Australia is less accommodating of technology like Web 2.0 than is the case in the US. If true, this is unfortunate and regressive.

The fact is, though, that the popularity of Benkler's 'participatory culture'[166] shows little sign of abatement.[167] And, frankly, why would it? The desire to share information, communicate and interact is one of humanity's deepest urges. The means by which this is facilitated should not be burdened by arbitrary rules unaccommodating of technological development. As much has been acknowledged by the BBC which recently declared that:

> *"audiences of all ages not only want the choice of what to watch and listen to when they want, they also expect to take part, debate, create and control. Interactivity and user generated content are increasingly important stimuli for the creative process."*[168]

At the same time, few would question the obvious public interest in ensuring that creators receive a fair reward for their endeavors.[169] The argument in favour of a fair use exception for Australia, however, does not deny this proposition but rather invites recognition of the reality of a modern networked world.[170]

For example, the ongoing challenge for users and technology developers was illustrated clearly in the legislative amendments following the decision in *Sony v Stevens* which rendered it, effectively, moot.[171] A progressive approach to copyright law in the form of a fair use exception would be a practical circuit-breaker which can offer much needed clarity for all who increasingly interact – almost inevitably so - with copyrighted works in the digital environment, while also effecting protection of society's interest in 'freedom of communication.'

In 1999 Professor Ricketson made the prescient observation that 'authors should henceforth concentrate on the value that they can extract from the new relationships which the Internet brings them.'[172] It is submitted that a fair use exception would conform to the spirit of this proposition. Setting to one side the dubious strategic value of 'mega litigation' like *Viacom v YouTube,* practical market solutions (just as Ricketson encouraged) are indeed being settled. YouTube, for example, has signed licensing deals with other major rights owners like Warner Music[173] and EMI.[174] Many of the major film studios have sought a practical détente by signing on to a strategy of outreach with the UGC community through a set of published 'Principles for User Generated Content Services'[175] – effectively 'rules of the game' for UGC websites and users.

Indeed, Professor Tim Wu has suggested that the rise of YouTube has, in effect, created a new quasi-legal category of exception in copyright law - not fair use, but 'tolerated' use - use that is technically illegal, but tolerated by rights owners because they desire the valuable publicity it yields.[176] This is a clear and practical example the kind of 'use' that is 'fair' and which Australian copyright law ought also to accommodate.

These developments all reflect the simple yet powerful assessment made by *Time* magazine that, lest any doubt remains, Web 2.0 is all about 'You.' To the extent that this examination of Web 2.0 and UGC websites suggests that Australia's copyright regime fails to accommodate this modern reality, and might also risk inhibiting technological development, Parliament should reconsider legislative reform (just as the UK is doing) in the form of a fair use defence.

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Acknowledgement is made of comments provided by Justice Michael Kirby on an early draft of this paper, however the usual disclaimer applies as to all opinions expressed and any errors or omissions.

Notes for this article appear in the final pages of the Bulletin.

The New Game in Town – An Update on the Players and Deal Structures in the Video Game Industry

Nick Abrahams and Kate Hynes survey the video game industry and typical deal structures in video game production.

Overview

The interactive entertainment industry is booming, with all the key indicators for the market pointing upwards.

New hardware, such as wireless mobile phones capable of downloading games and next generation consoles, are supporting the demand for interactive entertainment. The development and availability of online software (along with the accessibility of broadband internet) is also facilitating growth.

Computer and video game software sales in the US grew six percent in 2007 to $9.5 billion – more than tripling industry software sales since 1996.

In Australia, PricewaterhouseCoopers forecasts that consumer spending on all entertainment and media content will grow by 5.3 per cent from $11.8 billion in 2006 to $15.2 billion in 2011 – with spending on the internet (up 8.1%) and interactive games (up 6.9 %) spearheading the growth.

Australia is part of the Asia/Pacific video games market – the largest in the world which spent $US11.7 billion in 2006. PricewaterhouseCoopers projects the Asia/Pacific market will maintain its leadership through to 2011 reaching US$18.8 billion, growing at 10% annually.

In Australia, spending on video and interactive games actually stalled in 2006 as consumers waited for the arrival of next generation consoles and games. Reports this year indicate Australians spent $1.3 billion on video game software and game consoles in 2007 - an increase of 43% from 2006.

In 2007, the Nintendo DS (titles include *Nintendogs* and *Brain Training*) was the highest selling console followed by the seven-year-old PlayStation 2 (*Buzz* and *SingStar*) and Nintendo's radical Wii (*Wii Sports*).

Nintendo has sold 1 million DS hand-held and 300,000 Wii consoles in Australia, while there are more than 2.2 million PS2s in Australian homes.

While outsold by Wii, Microsoft and Sony were happy with the performance of the more expensive Xbox 360 and PlayStation 3 consoles. Sales of the PS3 were higher than Xbox 360 for 2007, bringing the new machine's install base in Australia to 155,000.

Microsoft says Australians spent more money on Xbox 360 products (consoles, software and accessories) than on any other next-generation platform in 2007, and third-party publishers sold more 360 software than on Wii and PS3 combined. There are more than 300,000 Xbox 360s in Australian homes. Xbox 360 also hosted the best selling console game of 2007 - Halo 3 - which sold more than 120,000 copies.

The figures from independent market research group GfK showed that Australians bought 15.4 million games in 2007, including 6 million in the three months leading up to Christmas.

Market profile

Contrary to popular belief, most gamers are not teenage school boys. For example, the average age of players in Australia is 28 years old.

Reports in the US state:

- the average game player is 33 years old and has been playing games for 12 years;
- in 2007, 92% of computer game buyers and 80% of console game buyers were over the age of 18;
- 38% of all game players are women (women over the age of 18 represent a significantly greater portion of the game-playing population (31%) than boys age 17 or younger (20%));
- in 2007, 24% of Americans over the age of 50 played video games, an increase from nine percent in 1999.

Key market players (International)

Electronic Arts Inc.

EA is the number one video game publisher in the US, and develops games under the brand names EA Games, EA Sports and EA Mythic. Distribution of titles for third-party labels is also a part of its business and in addition EA publishes games based on Hollywood movies such as *Lord of the Rings, James Bond* and *Harry Potter*.

EA develops games for Sony's PlayStation 3, Playstation 2 and PSP (Playstation Portable) platforms, Microsoft's Xbox 360 and Xbox, Nintendo's Wii and DS (and GameCube), as well as games for PC and mobiles.

It generated revenues of $3 billion plus for the fiscal year of 2005. The company's most successful products are sports games published under their EA Sports label, games based on popular movie licenses and games from long-running franchises like *Need for Speed, Medal of Honor, The Sims, Command & Conquer* and the later games in the *Burnout* series.

In January 2008 EA acquired game makers, Bioware and Pandemic Studios. Pandemic Studios is a video game developer notable for creating destructible environments that is based in Los Angeles, California and Brisbane, Australia. Recently, their major hits have been *Full Spectrum Warrior, Star Wars: Battlefront, Star Wars: Battlefront II, Destroy All Humans!* and *Mercenaries.*

Sony Corp

Sony is one of the biggest media conglomerates in the world with revenue of $70.303 billion in 2007.

A part of its business includes developing, producing, manufacturing and marketing home-use game consoles and software.

In 1994 Sony launched the PlayStation (later PS One). This successful console was succeeded by the PlayStation 2 in 2000, itself succeeded by the PlayStation 3 in 2006. The PlayStation brand was extended to the portable games market in 2005 by the PlayStation Portable.

Due to its dominance and popularity over the years, games for the PS2 are the most available.

Games based on popular movie licenses are popular, along with long-running franchises like *Grand Turismo* and *SingStar*.

Nintendo Co Ltd

Nintendo is based in Japan and is a world leader in interactive entertainment market. Nintendo is Japan's third most valuable listed company with a market value of more than US$85 billion.

The console development of Nintendo has been the most extensive. The first Nintendo Entertainment System (NES) (titles included *Super Mario Brothers* and *Donkey Kong*) was the most successful gaming console of its time in the mid-80s and into the 90s.[1] Super Nintendo (1990) followed, and was preceded by Nintendo 64 (1996), Nintendo GameCube (2001) (which competed with PS2 and Xbox) and Wii (2006). Its portable consoles started with the Game Boy line and have moved to the Nintendo DS (2004) and DS Lite (2006).

Nintendo's main line-up of video game systems currently includes the Nintendo DS Lite and Wii. The Game Boy Advance, and GameCube are still somewhat prevalent but no longer produced.

As of 2007, the Nintendo DS and Nintendo DS Lite combined have sold 64.79 million units in Japan alone.

Activision, Inc.

Activision, Inc. is an American publisher for interactive entertainment software products. It is involved in two operating segments – publishing and distributing. Its first products were cartridges for the Atari console and it is now one of the largest third party video game publishers in the world.

Like EA, it also develops games for various consoles. The company has a focused on the action sports category and movie spin-offs. Other games include *Doom* and *Quake* sequels, *Call of Duty* and the *Tony Hawk* and *Guitar Hero* franchise.

In December 2007, it was announced that Activision would merge with Vivendi Games – the new company will be called Activision Blizzard.

Vivendi Games (or Sierra or Blizzard) has been a major developer of games for PCs (initially), including the *Half-Life, Crash Bandicoot* and *Warcraft* titles.

LucasArts Entertainment Company LLC[2]

This company is a developer and publisher of interactive entertainment for video game consoles and personal computers. Its top selling titles are based on the *Star Wars* and *Indiana Jones* films.

Sega Corporation

Sega initially rivalled Nintendo in the hardware games market (MegaDrive and Dreamcast) but is now solely concentrated in creating games for its rivals' systems.

Key market players (Australia)

Some Australian companies work with the international publishers to produce games, while others are carving out their own independent niches.

Australia's games production companies produce $100 million worth of games a year according to the Games Developers Association of Australia. Analysts say this figure is growing bigger every year.

Transmission Games (IR Gurus)

IR Gurus specialises in making games for the PC, Xbox and Playstation 2 and is developing games for PS3 and Xbox 360. It is in its tenth year of running and is located in Melbourne, Australia. It's popular titles include *AFL Premiership* and *Heroes of the Pacific*.

Atari Melbourne House

Formed in 1977, this company has undergone a few name and ownership changes. Most recently known as Infogrames Melbourne House, Atari is now its present name. The firm is part of one of the world's biggest computer games companies: Infogrames Entertainment. Titles include *Grand Prix Challenge* and *Transformers*.

Blue Tongue Entertainment Ltd

Founded in 1995 and located in Melbourne, Blue Tongue Entertainment Ltd makes games for PC and the popular consoles. Titles include Starship Troopers Terran Ascendancy, Jurassic Park Operation Genesis, and the Nicktoons series.

Krome

Brisbane based Krome Studios is Australia's largest independent games development studio. Titles include *TY the Tasmanian Tiger* (which is wholly owned by Krome Studios), *The Adventures of Jimmy Neutron Boy Genius; Barbie Beach Vacation; Barbie Sparkling Ice Show.*

Deal structures

The deal structures in the games industry are, generally speaking, comparable with deal structures in the film industry.

Games studios develop the games and the publishers (eg EA, Nintendo) distribute them. The critical question is who pays the cost of the development of the game, thereby taking the lion's share of the financial risk, and consequently, the lions share of the returns.

Whilst many publishers have their own studios (such as EA Melbourne), the publishers often acquire fully-developed titles from independent studios or source the development of games by independent studios (eg Krome Studios).

Generally speaking, there are two basic deal structures for game development:

1. Development Deal:
   (a) the studio is engaged by the publisher to develop a game;
   (b) the publisher has complete control over the development (including creative control);
   (c) the studio receives a services fee for developing the game;
   (d) the intellectual property is assigned to the publisher;
   (e) the studio, generally speaking, is not entitled to a royalty return;
   (f) in terms of intellectual property, development deals tend to fall into two categories:

       (i) existing entertainment brand (eg *Enter the Matrix, Starship Troopers, Jurassic Park*) usually based on a blockbuster movie;

       (ii) new entertainment brand (eg *Lara Croft, Doom, Quake, Guitar Hero, Warcraft, The Sims*) being a new brand first launched via the games market; and
   (g) With existing entertainment brands, negotiations occur with the original intellectual property owner to acquire/licence the copyright to develop the game.
2. Distribution Deal:
   (a) the games studio develops the concept;
   (b) the studio (or investor) pay the development cost for the game;
   (c) the studio/investor enter into a distribution arrangement with the publisher who distributes using a retail-style distribution model;
   (d) the intellectual property is retained by the studio; and
   (e) the studio gains recoupment/royalty rights.

Issues for consideration

Following is a non-exhaustive list of some considerations for entertainment-branded gaming development (ie: leveraging an existing property onto a game platform):

1. Who is paying for the development and how does the risk/return flow in relation to the investment made?
2. Who will be doing the development (eg will the publisher develop using an internal studio or will an independent studio be engaged?)? Considerations here are the skill sets of the relevant studios, the game engines the studio has and the consoles it is expert in.
3. Is the intellectual property licence for a single game or a series of games (eg consistent with a series of films)? Will there be options to acquire the rights to develop sequels and what are the financial considerations around sequels (eg are sequels more or less risky? Are there development savings in sequels?)?
4. What are the arrangements for associated merchandising and in-game advertising revenue?
5. Access to actors (for character voices, personality rights etc) and whether these rights were secured in their cast agreements. Bringing well known actors to the table is a strong bargaining position.
6. Access to sound tracks and music rights, particularly for well known theme songs will also be an issue for consideration, and access to these rights will also assist in the bargaining position.

Conclusion

The game business now exceeds the film business globally and is growing at a much faster rate. Much can be learnt from the business and legal models of the film and television industry to develop Australia's participation in the big budget game development world.

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(Endnotes)

1. See: http://en.wikipedia.org/wiki/Image:Nintendo_entertainment_system.pnghttp://en.wikipedia.org/wiki/Image:Nintendo_entertainment_system.png.

2. Lucas is a good example of how games, music and movies are starting to merge together, often under the umbrella of the big entertainment companies. Another example (not related to Lucas) is the *Enter the Matrix* game which carried on plot lines developed in the *Matrix* films.

Search Engine Marketing – Click or Trick?

Ken Shiu and Matt Vitins review some of the legal issues associated with search marketing.

The Australian Competition and Consumer Commission's (***ACCC***) recent action against search engine giant Google Inc. and the Trading Post for alleged breaches of section 52 and section 53 of the *Trade Practices Act 1974* (Cth)(***TPA***) has fixed a spotlight on new media's answer to print classifieds and directories – the search engine.

Throughout the evolution of the internet over the last decade, brand owners have embraced and at the same time been reticent over the power and marketing reach of new online media. The gradual migration of advertising budgets into online media has in recent times spawned an entire search engine optimisation industry dedicated to devising advertising strategies and campaigns utilising search engines. In Australia, the total annual advertising expenditure in 2007 on search and directories advertising was estimated to be around $622m with the year-on-year growth pattern for this form of advertising over the last 5 years consistently exceeding 50%.[1] The Australian industry statistics also confirm that search and directories advertising spend comprises a significant share of overall online advertising expenditure.[2]

Although much loved by internet users, the commercial services provided by search engines have raised a variety of legal issues for brand managers, advertisers (and indeed, regulators) to consider.

Keyword advertising – Trade Practices Act issues?

The majority of popular commercial search engines provide a facility for advertisers to pay for search terms and incorporate links to nominated sites within the search results returned when users search for those specific keywords. Whilst intended to allow advertisers to bid for popular search terms to link search results to their websites, this facility has not prevented online marketers and advertisers from engaging in the practice of paying for keywords attributable to their competitors' products or services in the hope of displaying links to their sites above or alongside natural search results. Does keyword advertising for paid placement in a search engine lead to misleading and deceptive conduct in breach of Australian trade practices laws?

In July 2007, the ACCC issued proceedings against the Trading Post in relation to paid search. The ACCC alleged that the Trading Post purchased 'Kloster Ford' and 'Charlestown Toyota' as keyword triggers for the publication of a Trading Post advertisement.[3] The advertisements included the words 'Kloster Ford' or 'Charlestown Toyota' as a title line, however, when users clicked on the ad it linked to the Trading Post's website. The ACCC argued this amounted to misleading and deceptive conduct and a representation that the Trading Post had a sponsorship, approval or affiliation that it did not have, in breach of sections 52 and 53(d) of the TPA respectively.[4]

The ACCC further alleged that Google similarly contravened section 52 of the TPA and is seeking injunctions restraining Google from publishing sponsored links where an association, sponsorship or affiliation does not exist and from publishing search results that do not expressly distinguish paid keyword advertisements from organic search results.[5]

Although this is not the ACCC's first dealing with complaints involving the Trading Post's use of Google Adwords[6], it is its most assertive action to date. No competition regulator in any other jurisdiction has taken formal action against a search engine on misleading commercial conduct grounds and adequate consumer disclosure. The US Fair Trade Commission (***FTC***) in July 2002 considered the merits of the adequate disclosure of paid search results by various popular search engines of the time following a letter of compliant by a US consumer advocacy group. The FTC took no formal action other than to issue a directions letter to various identified search engine providers to provide 'clear and conspicuous' labelling of paid placement listings.[7] As a result of the FTC's letter, many search engines changed the labelling of their paid search results from descriptive headings such as 'featured listings' and 'products and services' to more meaningful labels such as 'sponsored links' or 'sponsored results'. In addition, most current search engines also adopt a consistent approach to the use of shaded background (light blue or light yellow) for displaying paid search results in both the right hand sidebar and any results displayed above organic search results. Notably, the ACCC's action contends that the use of the shaded background by Google is only apparent when viewing the screen at certain angles. The FTC in its explanatory statement also recognised the nascent stage and diversity of online business models underpinning search engines and the consequential need to take a light touch approach. Since that time, as the advertising industry will readily acknowledge, the paid keyword search business model has well and truly been established.

The Federal Court's determination of the larger issue of whether Google's (or any other search engine's) display of sponsored links in these situations fails to adequately distinguish organic search results from paid search results in violation of trade practices law will depend to some extent on the behavioural evidence of search engine users.

The TPA provides certain statutory defences to section 52 and section 53 claims involving publication by information providers[8] or publication of an advertisement in the ordinary course of business.[9] These safe harbour defences are dependent on the extent to which the defendant can satisfy certain statutory definitions and overcome the awareness tests applicable to these statutory defence provisions. It will be interesting to see if the Federal Court is required to consider these TPA safe harbour defences and its approach in the context of new media enterprises.

Keyword advertising – trade mark concerns?

Aside from competition law concerns, the majority of legal attention surrounding keyword advertising has been focused on the question of potential trade mark infringement. In particular, whether it amounts to trade mark infringement when a competitor purchases another company's trade mark as a keyword. On one view, the practice merely gives consumers more relevant and informative search results.[10] Alternatively, a trade mark owner might reasonably maintain that competitors are achieving unfair mileage from their brands and goodwill as their marks are being used to direct traffic to competitive advertisements. To constitute infringement under Australian law, 'use' of a trade mark in relation to the same or similar goods or services to those in which the trade mark is registered must be established.[11] It is unclear whether an advertiser purchasing a keyword is 'using' that keyword as a trade mark.

Due to the jurisdictional nuances of national trade mark law, much of the publicised litigation in this area has to date been largely confined to US and French courts with Google as the predominant defendant. However despite available authorities on point, ambiguity persists as different courts have expressed divergent opinions.

Government Employees Insurance Company v Google, Inc.[12] (***GEICO***) is a notable early decision from a US District Court in Virginia. In this case the GEICO insurance company argued that the use of their trade mark as a search term led to related sponsored links appearing in a manner that was likely to confuse consumers as to the source, affiliation or sponsorship of those links.[13] In a bench trial over Google's motion to dismiss proceedings, Judge Brinkema from the US District Court for the Eastern District of Virginia commented: 'as a matter of law it is not trademark infringement to use trademarks as keywords to trigger advertising.'[14] However, the case proceeded on the more limited question of whether use of the mark 'GEICO' in the heading or text of rival advertisements would infringe.[15] The case was settled before this issue was decided.[16] Judge Brinkema further held the insurance company had not produced sufficient evidence to prove that mere use of their trade marks as keyword or search terms would cause a 'likelihood of confusion' – the plaintiff had therefore failed to establish sufficient evidence of infringement under the relevant legislation.[17] Subsequent commentary has noted that, although interesting, GEICO was therefore quite fact specific and of 'little predictive value'.[18]

In *Rescuecom v Google, Inc.*[19] (***Rescuecom***) the Plaintiff took the argument a step further by claiming that Google's 'Keyword Suggestion Tool' had recommended to competitors that they purchase 'Rescuecom' as a keyword which would drive traffic.[20] Here, the US District Court (Northern District of New York) granted Google's motion to dismiss on the basis that the:

> *Defendant's internal use of the plaintiff's trademark to trigger sponsored links is not a use of a trademark within the meaning of [the Act], either, because there is no allegation that defendant places plaintiff's trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public.*[21]

Most recently, a more sizeable plaintiff, American Airlines, has taken action against Google on the same argument that the sale of its trade marks as keywords constitutes trade mark infringement. Following *Rescuecom*, Google moved to dismiss on the basis that the sale of a keyword did not constitute 'use' for the purposes of US trade mark legislation.[22] In October last year, however, Judge McBryde declined to dismiss proceedings and offered little by way of explanation.[23] The American Airlines proceedings remain on foot.

Turning to Britain, in *Reed Executive v Reed Business Information* (***Reed Executive***) the defendant company used 'Reed' as a Yahoo keyword that would trigger a result for it's website 'totaljobs.com'. The Court of Appeal's decision in Reed Executive indicates that British courts may give more credit to internet users than plaintiffs asserting trade mark infringement in keyword cases. Jacob LJ commented:

> *The web-using member of the public knows that all sorts of banners appear when he or she does a search and they are or may be triggered by something in the search. He or she also knows that searches produce fuzzy results – results with much rubbish thrown in. The idea that a search under the name Reed would make anyone think there was a trade connection between a totaljobs banner making no reference to the word 'Reed' and Reed Employment is fanciful.*[24]

Reed Executive also offers a perspective on the question of use. In Reed Executive, the defendant company incorporated the plaintiff's trade mark in their website as a 'metatag' – invisible information embedded in a web page that assists search engines when compiling organic search results. The Court of Appeal suggested that 'It may be that an invisible use of this sort is not use at all for the purposes of this trade mark legislation.[25] By analogy, purchasing a keyword to trigger an advertisement could also be considered an 'invisible' use.

French courts have taken a position that contrasts sharply with any identifiable trend in the US or UK. In 2003 Louis Vuitton brought an action against Google for trade mark counterfeiting, unfair competition and misleading advertising.[26] The basis of the action was that Google had sold Louis Vuitton trade marks as keywords, and that the sponsored links (in some cases) promoted counterfeit LV products. Louis Vuitton succeeded both at first instance and on appeal.[27] Google has played down the significance of the decision, however, releasing a statement asserting proceedings were commenced prior to the implementation of Google's trade mark policy and the issues raised in the litigation had been dealt with.[28]

It is premature to draw any kind of conclusions from available international case law. The balance of authority indicates, however, that 'invisible' use of a trade mark should not amount to infringement – but that a line is crossed where the trade mark actually appears in the sponsored link. Assuming that trade mark rights have been infringed, a further question arises as to whether the breach is the responsibility of the advertiser paying for the keyword, the search engine selling the keyword or both, and in what circumstances.

Click fraud

The term 'click fraud' is an industry reference to deliberate human or machine automated clicks on paid banners and hyperlinks, with no legitimate intention of purchasing or interest in the subject of the hyperlink, resulting in the artificial increase of the advertising cost to the advertiser. Disgruntled advertisers have claimed competitors have deliberately used click fraud tactics to deplete their online marketing campaign budgets or click fraud being used by publishers to inflate their revenue and ad rates. The existence of offshore 'click farms' set up with manual operators to click online ads have been reported.[29] Click fraud is not unique to search engines and applies to any form of pay per click advertising, however most of the recent high profile legal claims in this area have been directed at search engines in the US.[30]

Unlike the independent audit bodies which exist in the print industry, there is no accepted independent auditor who is readily able to verify click fraud or the level of click fraud rates. An accepted definition of click fraud is itself subject to a lack of industry consensus.[31] The pay per click advertising model by its nature is difficult to reconcile against a measurable outcome (e.g. an actual purchase) unlike credit card chargeback or print audit circulation verification in the offline world.

The ideal online advertising model is perhaps based on 'pay per action' (***PPA***) where advertisement costs are linked to objective actions or outcomes (e.g. customer enquiry, member registration or purchase). Until PPA models are successfully implemented and adopted, online advertisers using traditional pay per click models, will need to understand that they assume a certain level of risk for click fraud and need to assess their return on their online advertising spend on that basis.

Search ranking

All current search engines have their origins in 'organic search' – put simply, the use of either automated software search algorithms or manual/selective human ranking to rank the order of relevant web sites based on a proprietary relevance. There have been several well documented attempts by hackers in the past to artificially trick search engines to elevate website relevancy in search results.[32]

This raises the interesting dilemma of the converse issue – the decreased ranking of websites or exclusion of websites from search results altogether (and the revenue impact to website publishers). In 2002, the US Western District Court of Okalahoma dismissed an action by SearchKing Inc claiming that Google had decreased and removed its pagerank on Google search.[33] In 2006, US District Court dismissed a similar action by KinderStart.com against Google on various grounds including violation of free speech, anti-trust law and defamation.[34]

Conclusion

The progress of the ACCC's action against Trading Post and Google Inc will be keenly watched by all observers in the new media and advertising industries. Irrespective of the outcome, it will be interesting to see whether search engines implement any visual or user notification changes to the screen layout or formatting of their search result pages. Google's search result layout and paid advertising link labelling is consistent with an almost universal template used by all commercial search engines. Whether the outcome will influence the design of emerging mobile search services which in some cases are constrained by the reduced screen real estate of mobile consumer devices remains to be seen.

Underlying the legal debate is the common policy thread which emerges across the large majority of infringement actions in the online industry – to what extent is the online service provider (whether ISP, search engine, social network, peer to peer network) liable for or contributory to the infringement? In the copyright sphere, courts and legislators have recognised the degree that service providers implement technology screening measures or engage in active manual policing act as relevant factors for consideration of relief from liability. It will be interesting to see whether self policing factors will come into play or be considered by the Federal Court in the ACCC proceedings.

Whatever the decision of the Australian courts, search engines will continue to play a vital role in the internet ecosystem and their role as a router for consumer internet traffic will no doubt evolve further. Where consumers go, advertisers will always follow. For advertisers, brand owners, content providers (and their marketing agencies) it would be prudent to avoid purchasing keywords which are trade marks of their competitors as part of any online campaign, and to conduct routine monitoring and registering their own trade marks on leading search engines as part of an integrated intellectual property portfolio management policy alongside similar practices for managing domain name registration.

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(Endnotes)

1 PricewaterhouseCoopers, 'IAB Online Advertising Expenditure Report – Quarter Ended December 2007' (14 February 2008).

2 *Ibid*. For the 12 months ended 30 December 2007, search and directories ad spend was $622m (46%), general online display ad spend was $367m (27%) and online classifieds ad spend was $356m (27%).

3 *ACCC v Trading Post and Google Inc.* (No 1323/2007) Statement of claim (filed 11 July 2007) paragraph 16(c).

4 *ACCC v Trading Post and Google, Inc.* (No 1323/2007) Statement of Claim (filed 11 July 2007).

5 See 'ACCC Alleges Misleading and Deceptive Conduct by Trading Post and Google' *Media Release* MR 180/07 (12 July 2007) Available at http://www.accc.gov.au/content/index.phtml/itemId/792088/fromItemId/142.

6 Adwords is Google's paid keyword search advertising service. In 2005, Stickybeek Australia Pty Ltd alleged that the Trading Post had purchased the word 'stickybeek' on Google Adwords to ensure that a link to the Trading Post's autotrader website appeared in the sponsored links section next to Google's natural search results for 'stickybeek'. Following an ACCC warning letter that Trading Post's actions may be in breach of ss 52 and 53(d) of the TPA, the Trading Post agreed not to use competitors' names and trademarks in sponsored link advertising. See: 'Trading Post Changes its Internet Marketing After ACCC Investigation; *Media Release* MR 150/05 (17 June 2005). In 2006, Acer and Toshiba claimed Dell was registering 'acer notebook' and 'toshiba notebook' for sponsored link placement in searches on Google Australia. See: Simon Hayes 'Rivals ring the bell on Dell ads' *The Australian IT* (18 July 2006).

7 Available at http://www.ftc.gov/os/closings/staff/commercialalertletter.shtm

8 *Trade Practices Act 1974* (Cth) s65A. Section 65A excludes statements made by a 'prescribed information provider' (with special reference to media broadcasters) but do not apply to advertisements.

9 T*rade Practices Act 1974* (Cth) s85(3), Section 85 provides a defence for Part V claims (including ss.52 and 53(d)) where the defendant publishes advertisements in the ordinary course of its business and can demonstrate they were not aware or had reason to suspect that publication of the advertisement would be in breach of Part V of the TPA.

10 See Terrence J Keenan, 'American and French Perspectives on Trademark Keying: The Courts Leave Businesses Searching for Answers' (2005) 2 *Schidler J L Com Tech* 14. Also see *Rescuecom Corporation v Google, Inc.* 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

11 *Trade Marks Act 1995* (Cth) s120.

12 330 F. Supp. 2d 700 (E.D. Va. 2004) (Google's motion to dismiss); 77 U.S.P.Q.2d 1841 (E.D. Va. Aug. 8, 2005) (Google's motion for judgment).

13 Memorandum Opinion, *Government Employees Insurance Company v Google, Inc.* 77 U.S.P Q2d 1841 (E.D. Va Aug 8 2005) at 6.

14 Stefanie Olsen, 'Google wins in trademark suit with Geico' *CNet News* (15 December 2004) Available at http://www.news.com/Google-wins-in-trademark-suit-with-Greico/2100-1024 3-5491704.html. Note however that this quote is difficult to confirm. It does not appear an available transcript at http://www.linksandlaw.com/adwords-geico-benchmark-ruling.htm but instead is an indirect quote from Google's attorney, Michael Page, which was subsequently reported in the media.

15 Memorandum Opinion, *Government Employees Insurance Company v Google, Inc.* 77 U.S.P Q2d 1841 (E.D. Va Aug 8 2005) at 3.

16 'Google and GEICO Settle AdWords dispute' *The Register* (9 September 2005) available at www.theregister.co.uk/2005/09/09/google_geico_settlement.

17 Memorandum Opinion, *Government Employees Insurance Company v Google, Inc.* 77 U.S.P Q2d 1841 (E.D. Va Aug 8 2005) at paragraphs 3, 9.

18 See Terrence J Keenan, 'American and French Perspectives on Trademark Keying: The Courts Leave Businesses Searching for Answers' (2005) 2 *Schidler J L Com Tech* 14 at 20.

19 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

20 *Rescuecom Corporation v Google, Inc.* 456 F. Supp. 2d 393 (N.D.N.Y. 2006). Also see *Google Inc. v. American Blind and Wallpaper Factory, Inc.* 74 U.S.P.Q. 2d 1385 (N.D. Cal. 2007) (Google's motion to dismiss) available at http://

techlawadvisor.com/docs/google-motion-dismiss.pdf.

21 *Rescuecom Corporation v Google, Inc.* 456 F. Supp. 2d 393 (N.D.N.Y. 2006) per Mordue, Chief Judge at 14.

22 For a detailed discussion of the concept of 'use' in American trademark law see general Graeme Dinwoodie and Mark Janis 'Confusion Over Use: Contextualism in Trademark Law' (2007) *Iowa Law Review*, Vol. 92, No. 1597.

23 *American Airlines Inc v. Google Inc* No. 4:07-cv-00487 (N.D. Tex. Oct. 24, 2007)

24 *Reed Executive Plc v Reed Business Information Ltd* [2004] EWCA Civ 159 per Jacob LJ at 140.

25 *Reed Executive Plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at 142.

26 S*.A. Louis Vuitton Malletier v. Société Google, Inc. et S.A.R.L. Google France*, T.G.I. Paris, 3e ch., Feb. 4, 2005, NºRG 04/05745. Available at www.juriscom.net/documents/tgiparis20050204.pdf.

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Risk Issues for Web 2.0 – To Block or Not to Block Facebook

Nick Abrahams and Robert Rudolf look at how organisations might respond to Web 2.0 in the work place.

With the enormous surge in popularity of social networking programs such as Facebook and MySpace, employers are nervously looking at the ramifications the use of such applications at work can have on company productivity and exposure to vicarious liability for an employee's actions. Given the interactive nature and the ever expanding development and reach of Web 2.0 applications, companies must now consider how to best address such concerns, hopefully without upsetting employees in the process.

What is Web 2.0?

Web 2.0 is the general term used to describe 'second generation web-based communities and hosted services such as social-networking sites, wikis, and blogs, which aim to facilitate creativity, collaboration, and sharing among users'.[1]

This includes applications where the content is generated by the user such as MySpace, YouTube, Facebook and virtual worlds like Second Life.

MySpace is reported to be the most popular Web 2.0 application, with 100 million users worldwide, followed by Facebook with 60 million.[2] The recent uptake of Web 2.0 applications in Australia has been nothing short of phenomenal. Neilson Online statistics show that one third of all profiles created by Australians on social networking sites occurred in the past three months with close to two thirds created in the past year.[3]

Why all the fuss?

Web-based social networking applications allow users to create personal profiles, online identities and interact with friends, colleagues and other users all over the world. The reach of these applications is great, unlike the time taken to reach an audience. The now infamous *Leave Britney Alone* YouTube clip created by internet 'personality' Chris Crocker was viewed over 4 million times in the first two days after being posted by its creator.[4] The video has been viewed nearly 17 million times since being uploaded in September 2007, and has attracted over 240,000 user comments.[5]

Web 2.0 applications not only have a personal appeal. Many companies, such as Intel and IBM have cottoned on to the power of Web 2.0 applications and have established presences in the virtual world of *Second Life* to conduct cost effective meetings with employees in different countries and to demonstrate products to customers.[6] Telstra's Bigpond is in fact the largest global brand in *Second Life*.[7]

Why the cause for concern?

There are legal risk issues for an organisation allowing the use of Web 2.0 applications in the workplace. Key areas of concern include:

Copyright: under Australian copyright law, an organisation may be liable for copyright infringement by directly infringing a copyright owner's rights, or by authorising the infringing acts of an internet user's activities.[8] If a Court determines that an organisation had the power to prevent the infringing activities of its employees and failed to take reasonable steps to avoid such infringement, the organisation may be considered liable.

Defamation: an organisation may decide to monitor the activities of its employees' use of Web 2.0 applications. An employer may be liable for the defamatory content of an employee's work related Web 2.0 applications if it becomes aware of defamatory content and fails to take measures to take down the content or address the issues. Furthermore, if an organisation is seen as the 'publisher' of defamatory material, it will generally be held liable for such defamatory content.

Privacy: a user's personal pages of their MySpace or Facebook sites should be treated carefully by employers. An organisation should never use Web 2.0 applications such as Facebook or MySpace to 'screen' potential employees by reference to their personal sites. Such pre-employment checking may open the company up to the risk of being sued for breach of privacy or discrimination. It should also be noted that the use of Facebook by an organisation for this purpose is a breach of Facebook's terms and conditions which allow only personal, non-commercial use. Termination of employment due to an employee's personal activity on social networking sites must be carefully considered as the activities may not be sufficiently associated with the individual's work performance.

Vicarious legal liability for an employee's actions is not the only concern organisations have with Web 2.0 applications. There have been several recent reports of employee productivity being affected by social-networking site use in the workplace during business hours. It has been estimated that if an employee spends an hour each day on Facebook, it could cost a company more than $6200 a year and Australian business as a whole $5 billion annually.[9] Another major factor to consider is the drain on network performance by employees viewing video content.

What can we do about it?

To block or not to block? This is likely to be a familiar concern for any organisation when it comes to identifying ways in which to minimise potential liability for employee's Web 2.0 activities or to address productivity or network performance issues in the workplace. Indeed, the trend of blocking or limiting employee access to Web 2.0 applications in the workplace seems to be increasing, with 36 per cent of Australian and New Zealand social networking users reporting that access to sites at work is limited in some way.[10] Latest figures indicate 15 per cent of Australian organisations have blocked Facebook.

Short of blocking or restricting access to Web 2.0 applications in the workplace, organisations should at the very least implement employee policies and procedures for use of these applications at work.

Suggested employee policy terms include:

- allow employees to use Web 2.0 applications through the organisation's internet network in a limited reasonable way, but caution that such use should not interfere with the business functions or processes or hinder the fulfilment of an employee's workplace obligations;
- employees should be instructed to ensure that the disclosure of the Company's intellectual property and confidential information does not occur;
- employees should never purport to speak on behalf of an organisation via social-networking sites without prior approval by the organisation. Policies should indicate that use of all Web 2.0 applications is use by an employee in their individual capacities and that the individual employee is personally liable for his/her own activities;
- organisations should advise employees to always use Web 2.0 applications in a lawful manner, which includes complying with the terms and conditions of the relevant Web 2.0 application; and

- policies should state that the organisation may monitor use of Web 2.0 applications at work and, if access to Web 2.0 applications impacts negatively on the organisation's business or processes, or if employee productivity is seen to be adversely affected by use of such applications at work, access to such programs may be terminated at the discretion of the organisation.

Policies should make it clear that failure to follow the policy can result in termination of employment.

Conclusion

Web 2.0 is here to stay and it is generally poorly received by employees when employers block access to sites. Global law firm Allen & Overy had to do a backflip recently. Due to network performance impact, Allen & Overy blocked Facebook, but were forced to unblock the site after massive complaints from staff. In order to maintain relationships with employees, organisations need to consider the alternative of reasonable use policies rather than blanket bans.

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Are You With Us or What? The Use of Personal Images Online

Pam Foo considers whether Australian law protects against the unauthorised use of personal images on the internet.

The popularity of sites dedicated to user generated content such as YouTube, Flickr and MySpace has resulted in a vast proliferation of unmonitored material being uploaded online. Conversely, the limitless boundaries to transmitting information facilitate the ability for users internationally to be informed of material uploaded, particularly where material is personal. The Virgin Mobile case, discussed below, is a prime example. Jurisdictional issues aside, this article considers the relevant legal areas pertaining to this case in the context of Australian law and considers the applicability of privacy, defamation, trade practices and copyright law. In addition, options for creating a relationship of responsibility between downloaders and the repositories of user generated material will be discussed. The increased visibility of online content exacerbates the need for legal reform to provide protection to internet users and the public against unauthorised use of their personal images. In lieu of reform, repositories should contemplate what responsibility they have towards persons featured on their sites.

The 'Are you with us or what?' campaign

The Australian team of the multinational company Virgin Mobile attracted considerable controversy recently for using Flickr photographs in an extensive advertising campaign without obtaining permission from the photographer or the person featured in the photographs. The 'areyouwithusorwhat' campaign appeared online and was advertised across billboards throughout Australia. The campaign used royalty-free photographs from the online repository Flickr accompanied with disparaging comments, often about the subject of the photograph. In one, the photograph of a minor appeared with the tagline 'Dump your pen friend'. Internet users alerted the minor's family to the situation on various online forums. A lawsuit has since been filed on behalf of the minor in a Texas court where the plaintiff resides. Consequently the action will be determined under US law. It is also worth considering the applicable law from an Australian perspective.

Privacy

Federal privacy law protects 'personal information', defined under the *Privacy Act 1988* (Cth) (***Privacy Act***) as any information from which a person's identity is reasonably ascertainable, such as a photograph. The Privacy Act requires businesses with over 50 employees to comply with the National Privacy Principles (***NPPs***). The NPPs outline policies that businesses must follow when collecting and disclosing personal information. For instance, when collecting personal information, an organisation must obtain a person's consent to disclosure for certain stated purposes. However the NPPs are designed mainly for entities collecting personal information and envisage the situation where the agency collecting personal information is responsible for the disclosure.

Presuming Virgin Mobile is subject to the NPPs, they would have been obliged to take reasonable steps to inform the individual that they were in possession of their personal information and obtain the consent of the individual concerned before making any disclosure. In this case the photograph was already public. Any cause of action would be for the lack of consent to the use of the photograph in a derogatory advertising campaign. In this situation privacy law provides little protection. The remedies available to complainants are also limited. Complainants must initially address their complaint to the disclosing entity. Only after no satisfactory outcome has been reached between these two parties, can a complaint to the federal Privacy Commissioner be made to assist in conciliation.

The law in Australia does not provide an absolute right to privacy. However, the case of *ABC v Lenah Game Meats* left open the possibility for the development of a common law privacy tort. The relevant test expressed in this case for whether an action under tort would exist was where 'disclosure or observation of information or conduct would be highly offensive to a reasonable person of ordinary sensibilities'. Essentially, the tort would apply where the information disclosed is of a private nature. As the Virgin Mobile case concerned a publicly available photograph it is difficult to argue that the mere fact of disclosure caused harm to the plaintiff. The action would be more likely to concern the unauthorised use made of the photograph which would not necessarily be protected under privacy law.

The Australian Law Reform Commission (***ALRC***) is currently conducting a review of privacy law and has put forward various proposals, including whether a right to privacy should exist under Australian law.[1] In particular, the ALRC notes the issues associated with privacy in the electronic environment. One mechanism proposed is a take-down notice scheme, such as that under the *Broadcasting Services Act 1992* (Cth). This would operate for instance where the personal information is displayed on a website hosted by an Australian internet service provider. A complainant could issue a notice for the removal of such information. Even if enacted, such a mechanism would only be available where the offensive disclosure has already occurred and not necessarily prevent an organisation from using an individual's personal information.

A separate review conducted by the Standing Committee of Attorneys-General (***SCAG***) in 2005 considered: 'Unauthorised photographs on the internet and ancillary privacy issues'. A major issue noted in the discussion paper was balancing the ability of people to take photographs in public places with prohibiting offensive uses of such photographs. While this review acknowledged that the main concern was the consequential use to be made of photographs rather than the initial capturing of the image, the main focus was on indecent uses of images, particularly in relation to minors. Although still an ongoing issue on the SCAG agenda, Victoria's response to the review and the tacit view taken by other states was that existing state and commonwealth criminal law was adequate to cover improper use. Criminal offences protecting persons against inappropriate use of their photographs in sexual contexts would not apply to the innocuous use of the photographs in the Virgin Mobile case.

Despite the limitations of domestic privacy law, as a party to the International Covenant on Civil and Political Rights, under Article 17 Australia should provide protection against unlawful interference with privacy. Substantial reform of privacy law in Australia is consequently forthcoming. The lack of a right against invasion of privacy distinguishes any action under Australian law from that of US law. The plaintiff in the Virgin Mobile case relies heavily on the implied right in the US Constitution of a right to privacy as determined under a number of cases. As an absolute privacy right does not exist under Australian law, plaintiffs in situations similar to that in the Virgin Mobile case may have to rely on common law tort doctrines.

Defamation

Defamation law in Australia has been the subject of national reform to achieve general consistency across the states and territories. Under the common law a plaintiff must show that the publication of defamatory matter by the defendant is likely to:

- injure the personal reputation of the plaintiff by exposing them to ridicule;
- tend to cause the plaintiff to be shunned or avoided; or
- lower the regard of the plaintiff in the estimation of others.

Where publication occurs online, an action can be taken in any jurisdiction where the material can be fully downloaded. Depending on where the action is brought, relevant state or territory legislation applies.

As Virgin Mobile advertised the campaign on their website, an action could be brought against them in any forum where the material had been accessed. The plaintiff must show that the publication contained an innuendo from which a defamatory imputation may be inferred or implied. For instance, it can be argued that the photograph together with the derogatory slogan 'Dump your pen friend' suggests that the plaintiff was a geeky teenager far below the social status of Virgin Mobile users. Arguments could be made that this imputation is defamatory and damages the plaintiff's esteem in the mind of the ordinary person. Although mere words that cause the plaintiff annoyance will not necessarily be defamatory, it is arguable that being a minor the plaintiff is of a sensitive age and more susceptible to embarrassment. The plaintiff's petition in the Virgin Mobile case states that the minor suffers daily humiliation from her classmates and youth group members. The extent of the publication's audience will also be considered. Although the campaign was advertised in Australia, the highly visible nature of the internet and the Flickr community gave the publication widespread exposure.

The Plaintiff may not have actually been defamed, however. The statement in the advertisement was not necessarily made about the plaintiff, being more a general slogan designed to promote the product. This does not necessarily lower the plaintiff's reputation. It would be difficult for the plaintiff to satisfy the test for defamation. Defamation actions are also notoriously complex and procedurally burdensome. Ordinary people would generally not have the resources to proceed with a defamation action, particularly against an organisation as large as Virgin Mobile. The ability for the plaintiff to succeed against Virgin Mobile under defamation law is highly questionable.

Trade practices

Certain provisions of the *Trade Practices Act 1974* (Cth) (***TPA***) are designed to provide protection against unethical commercial practices by corporations. For instance, section 52 provides that a corporation must not engage in misleading or deceptive conduct. In *Talmax Pty Ltd v Telstra Corporation Limited* Kieran Perkins successfully claimed that by using his name and photograph in an advertisement, Telstra had misrepresented to the public that he endorsed their company. Consequently the false use of a person's

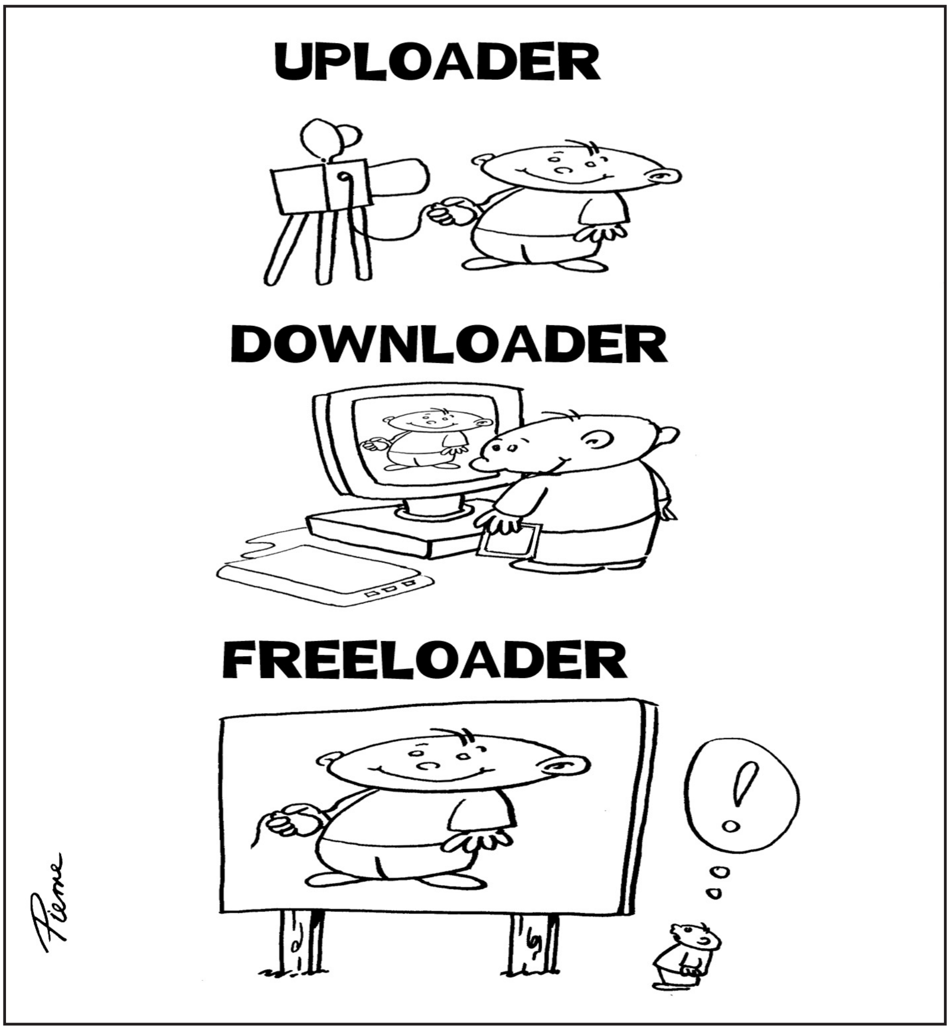

image to signify endorsement is misleading conduct. The plaintiff might make the argument that by using her photograph, Virgin Mobile were representing that she had been engaged by them to appear in the advertisements when in fact she was unaware that her photograph was being used. However such a case would need to demonstrate that this erroneous assumption is likely in the mind of the ordinary consumer. A misleading and deceptive conduct argument is difficult where the defendant has not represented that the plaintiff is associated with their products.

Alternatively false representations are prohibited under section 53(c) of the TPA which provides that a corporation must not 'represent that goods or services have sponsorship, approval, performance characteristics, accessories uses or benefits they do not have'. The photograph does not picture the plaintiff endorsing Virgin Mobile. In fact, to the contrary, the advertisement distinguishes the plaintiff from the image being created by Virgin Mobile. While actions under the TPA do not necessarily require that the plaintiff have a certain reputation, the protection provided envisages a situation where deceptive conduct by the defendant regarding plaintiff endorsement deceives the consumer. Trade practices law would be unhelpful to the Plaintiff in the Virgin Mobile case.

Copyright

The photograph database Flickr allows users to apply a Creative Commons (***CC***) licence to their material should they choose. The plaintiff's photograph was provided under a CC 'attribution' only licence effectively allowing Virgin Mobile to use the photograph commercially. By applying this licence, the copyright owner, being the photographer, had assigned their rights under copyright law, requiring only that anyone reproducing the photograph attribute it under the terms of the licence. The petition in the Virgin Mobile case joins the photographer as a plaintiff and alleges that Virgin Mobile breached the terms of the Attribution 2.0 licence by failing to attribute the photograph to him. The advertisements featured only a link to the Flickr page where the photographs were hosted and did not personally acknowledge the photographer. The photographer is also taking action against CC (the organisation) by alleging that CC failed to properly educate him about the legal effect of the licence, in particular, the meaning of commercial use and ramifications and effects of entering into a licence allowing such use.

Under the *Copyright Act 1968* (Cth) a copyright owner has certain exclusive rights in relation to their material, including the right of reproduction and communication to the public. Copyright is infringed where another person performs those exclusive rights in relation to protected material without the permission of the copyright owner. Virgin Mobile was able to use the photograph without infringing copyright law due to the application of the CC licence on the photograph. This licence represented the copyright owner's permission for users to exploit the material in any manner, providing the copyright owner was attributed. No action is available against Virgin Mobile under copyright law. Whether the photographer has grounds for arguing that Virgin Mobile breached the terms of the licence by failing to attribute it is a separate contractual matter.

If a CC licence had not been applied to the material, the photographer would have been able to assert that Virgin Mobile should have obtained permission to reproduce their material, particularly commercially in an advertising campaign. Asserting copyright is an effective method of ensuring that permission is granted to use material. To protect against unauthorised use, reserving such a right in the digital age is crucial due to the ease with which technology allows such material to be reproduced. In a similar case involving Flickr photographs, a copyright claim allowed Rebekka Guðleifsdóttir to take action against print-selling company OnlyDreemin for misappropriating and commercially benefiting from her photographs. The absence of a CC licence on the photographs meant that the owner retained their rights. However, the right to deny reproduction belongs to the copyright owner, not the subject of the photograph. While the copyright owner may take action in protest on behalf of the subject, the subject of the photograph has no rights under copyright law. Copyright law is consequently an ineffectual mechanism by which to prevent unauthorised use of a person's image.

Other options

Discussions on the relevant law above demonstrate that it is unlikely an action will be successful against Virgin Mobile in an Australian court. The legal areas of privacy, defamation, trade practices and copyright are not necessarily appropriate for a situation such as this, which has great potential to occur more frequently due to the convenient accessibility of online material. It appears that where use of personal images is not blatantly obscene or defamatory its use is not necessarily unlawful, despite its commercial application. Unless impending privacy law reforms address this issue, everyday internet users face the risk of having their personal information misappropriated.

An alternative to legal reform would be to consider what responsibility internet archives should have towards protecting the public's personal images. Online repositories benefit greatly from online traffic on their sites, generating goodwill and advertising revenue. Most digital repositories have terms and conditions that must be accepted by account holders before uploading material. For instance, the Flickr Terms of Service impose contractual obligations on account holders not to upload material that would be unlawful. Users downloading material are not subject to stringent obligations towards either the repository or the account holder. Imposing equally compelling conditions on users extracting material from online repositories will create a contractual relationship between the user and the repository and also possibly the account holder. Such conditions do not necessarily need to exclude all use of the content but may require that the account holder's consent is obtained for any commercial use. Asserting a right under contract provides a firmer basis under which a claim against unauthorised use of material can be made, providing that conditions of use are clearly specified. This avoids resorting to nebulous areas of law in favour of relying on contractual terms which dictate a clearly defined legal relationship.

Where a person featured does not necessarily have a relationship with the account holder placing their material online, they may be unaware that their image has been uploaded. This places even greater importance on repositories to act on behalf of these people. Although user-generated repositories would be disinclined to place themselves in a position of legal responsibility, lack of action may potentially give rise to an action in negligence. Arguably user-generated repositories have a duty towards persons featured on their sites. While proximity would certainly exist between repositories and account-holders, it is possible this would extend to persons who appear in content. In a situation such as the Virgin Mobile case, the argument is possible that unauthorised use of Flickr photographs is reasonably foreseeable. The possibility of a negligence argument entails that repositories should ensure they take all reasonable care to prevent use that could result in damage. The creation of a contractual relationship with downloaders can assist in avoiding a negligence claim against repositories by ensuring that steps were taken to define authorised uses of content.

Such legal developments should parallel growing awareness of how technological advances can assist to protect against unauthorised use of material. Applying digital rights management or technological protection measures to content can physically prevent unauthorised reproduction of material. Until a definitive legal basis is settled, wary internet users may have to utilise technological measures to prevent subsequent use of their material.

Conclusion

The lack of an authoritative basis in Australian law upon which a person can prevent unauthorised use of their personal information is disconcerting due to the increasing prevalence of communications technology. Current Australian law does not ensure adequate protection against unauthorised use of personal images. Despite whatever reforms are made, legal action is costly for the average person. User-generated repositories can substitute legal reform by instituting clearly defined terms and conditions between uploaders and downloaders. Ensuring contractual agreement to such obligations will place the onus on repositories to assist against unauthorised use of personal images.

This essay won the 2007 Communications and Media Law Association Essay Prize.

(Endnotes)

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25 Sam Ricketson, *WIPO Study On Exceptions & Limitations To Copyright In The Digital Environment* (WIPO Document Number SCCR/9/7, April 5, 2003), 78 (**WIPO Study**)

26 *WIPO Copyright Treaty 1996* (**WCT**); *WIPO Performances and Phonograms Treaty 1996* (**WPPT**)

27 See, for example, Sir Hugh Laddie, 'Copyright: Over-strength, Over Regulated, Over Rated?' [1996] 5 EIPR 253, 253; Julie E Cohen, 'The Place of the User in Copyright Law' (2005) 74 *Fordham Law Review* 347 <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=814664>; Brian Fitzgerald, 'Copyright 2010: The Future of Copyright' (2008) 30(2) *European Intellectual Property Review* 43; Yochai Benkler, 'From Consumers to Users: Shifting the Deeper Structures of Regulation Toward Sustainable Commons and User Access' (2000) 52 *Federal Communications Law Journal* 561 <http://www.law.indiana.edu/fclj/pubs/v52/no3/benkler1.pdf>; Niva Elkin-Koren, 'Making Room for Consumers Under the DMCA' (2007) 22(3) *Berkley Technology Law Journal* <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1024566>; Jessica Litman, 'Sharing and Stealing' (2004) 27 *Hastings Communications and Entertainment Law Journal* <http://ssrn.com/abstract=621261>.

28 James Boyle, 'The Second Enclosure Movement and the Construction of the Public Domain' (2003) 66 *Law & Contemporary Problems* 33, 40 <http://www.law.duke.edu/pd/papers/boyle.pdf>

29 Sam Ricketson, *WIPO Study On Exceptions & Limitations To Copyright In The Digital Environment* (WIPO Document Number SCCR/9/7, April 5, 2003), 78 (**WIPO Study**) who believes that a proposed exception on the basis of their now existing a new 'digital environment' (or even a less precise 'public interest') would not withstand scrutiny against each of the three steps.

30 See Andrew F. Christie and Emma Caine 'Intellectual Property Law and Policy-Making in Australia: A Review and a Proposal for Action,' Intellectual Property Research Institute of Australia (Occasional Paper No. 205, 2005), 11, that faced with IP law and policy-making 'of increasing volume and complexity,... we need to actively choose another approach….: 'IP reform' should itself be reformed.'

31 See, Australian Attorney General's Department, 'Fair Use and Other Copyright Exceptions: An examination of fair use, fair dealing and other exceptions in the Digital Age' (Issues Paper, May 2005) < http://www.ag.gov.au/www/agd/rwpattach.nsf/VAP/(CFD7369FCAE9B8F32F341DBE097801FF)~FairUseIssuesPaper050505.pdf/$file/FairUseIssuesPaper050505.pdf>

32 Melissa de Zwart, 'A Historical Analysis Of The Birth Of Fair Dealing And Fair Use: Lessons For The Digital Age' (2007) 1 *Intellectual Property Quarterly* 60, 167 (**de Zwart, Digital Age**)

33 Copinger and Skone-James, [9-19]

34 17 U.S.C. § 107 <http://www.copyright.gov/title17/>

35 *Copyright Act 1968* (Cth) ss 40, 41, 41A, 42, 43, 103, 103A, 103AA, 103B, 103C, 104, 104A; de Zwart, Digital Age, 90; Mary Wong, 'User-Generated Content & The Open Source/Creative Commons Movements: Has The Time Come For Users' Rights?' (Fordham-IPA 4th Annual Asian IP Law & Policy Day, April 2007).

36 Justice Michael Kirby AC CMG, 'Computers & Law: The First Quarter Century', (Speech delivered at the New South Wales Society for Computers and the Law, Sydney, Tuesday, 9 October 2007), 12 <http://www.highcourt.gov.au/speeches/kirbyj/kirbyj_9oct07.pdf> (**Computers and the Law**)

37 Kim Weatherall, 'On Technology Locks and the Proper Scope of Digital Copyright Laws - *Sony* in the High Court,'(2004) 26 *Sydney Law Review* 613, 637

38 See, for example, ***Stevens v Kabushiki Kaisha Sony Computer Entertainment*** [2005] HCA 58, [125] Gleeson CJ, Gummow, Hayne and Heydon JJ who said, with regard to copyright law, that 'what emerges from the legislative process is frequently not a law motivated solely by the public interest. It reflects wholly or partly a compromise that is the product of intensive lobbying'; [168] – [169], [213], [216] Kirby J; see also ***The Grain Pool of WA v The Commonwealth*** [2000] HCA 14, [133] – [134] Kirby J, who said, with regard to Parliament's power to enact laws in respect of copyright under the ***Australian Constitution*** s 51(xviii), that 'whether in particular contexts special and even new forms of … protection are desirable is a matter for argument and dispute'; see also B Fitzgerald et al ***Internet and E-Commerce Law*** (2007) 213-214 (Internet and E-Commerce Law)

39 *Perfect 10 v Google* 487 F.3d 701 (9th Cir. 2007) (**Perfect 10**) where the Court noted 'the importance of analyzing fair use flexibly in light of new circumstances. *Sony*, 464 U.S. at 431-32.'

40 HM Treasury, *Gowers Review of Intellectual Property*, (December 2006), [4.88], Recommendation 11: Propose that Directive 2001/29/EC be amended to allow for an exception for creative, transformative or derivative works, within the parameters of the Berne Three-Step Test (**Gowers Review**); Nick Rose 'An Overview Of The Proposed Introduction Of A Private Copying Exception Into UK Copyright Law' (2008) 19(4) *Entertainment Law Review* 75.

41 See, for example, Sydney Morning Herald, *Fairfax Digital Conditions of Use* <http://www.fairfax.com.au/conditions.ac;jsessionid=a62PEIDvKc0e#Usersubmissions>; CNN International.com, *CNN Interactive Service Agreement* (2005) <http://edition.cnn.com/interactive_legal.html>; Walt Disney Internet Group, *Terms of Use* (November 2006) <http://disney.go.com/corporate/legal/terms.html>

42 *Universal Music Australia Pty Ltd v Sharman Licence Holdings Ltd* [2005] FCA 1242 Wilcox J (**Sharman**)

43 *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972 Tamberlin J (**Cooper**)

44 *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187 French, Branson and Kenny JJ (**Cooper Appeal**)

45 *Copyright Act 1968* (Cth) s 14(1)(a)

46 Kevin Garnett et al, *Copinger and Skone James on Copyright* (14th ed, 1999) [7-27] (**Copinger and Skone-James**)

47 Sam Ricketson, 'The Boundaries Of Copyright: Proper Limitations And Exceptions: International Conventions And Treaties', (1999) 1 *Intellectual Property Quarterly* 56 (**Boundaries Of Copyright**); in the United States a *de minimis* 'transformative' use of a copyright work for purposes of parody is likely to be a fair use: *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994) (**Campbell**); see further William Landes and Richard Posner, *The Economic Structure of Intellectual Property Law* (2003), 153, who characterise *de minimis* usage as fair use on the basis that it 'is more likely to increase than to reduce demand for the original; it is a teaser, a come on – a form of free advertising.' (**Landes and Posner**).

48 *Network Ten Pty Ltd v TCN Channel Nine* [2004] HCA 14 [29] McHugh ACJ, Gummow and Hayne JJ (**Panel**) where their Honours concluded 'there is no indication, as Nine would have it, that, with respect to television broadcasting, the interest for which legislative protection was to be provided was that in **each and every image** discernible by the viewer of such programmes.' (emphasis added)

49 Fitzgerald., 46

50 Miki Perkins 'Satirist mashes US icons', *Sydney Morning Herald* (Sydney), 17 February 2008 <http://www.smh.com.au/news/us-election/satirist-mashes-us-icons/2008/02/16/1202760662839.html>

51 See 'Mash-Up (Digital)', Wikipedia, <http://en.wikipedia.org/wiki/Mashup_%28digital%29> 'a digital media file containing any or all of text, graphics, audio, video and animation drawn from pre-existing sources, to create a new derivative work.'

52 Hugh Atkin 'Clinton and Cruise - On the campaign trail', YouTube (26 January 2008) <http://www.youtube.com/watch?v=I3enFIPvnFg>

53 Hugh Atkin 'Changes - Presidential Candidates feat. Bowie', YouTube (17 January 2008) <http://www.youtube.com/watch?v=gEaS-K3j3M8>

54 *Copyright Act 1968* (Cth) s 13(2)

55 *Cooper Appeal* [134] Kenny J; see also Jane Ginsburg and Sam Ricketson 'Inducers and Authorisers: A Comparison of the US Supreme Court's Grokster Decision and the Australian Federal Court's KaZaa Ruling' (2006) 11 *Media & Arts Law Review* 1, 10-11 (**Ginsburg and Ricketson**)

56 Interestingly, the question of whether *direct* acts of infringement need *first* be proven for authorisation to be found was a question in *Sharman* that Justice Wilcox did not 'not [find] it necessary to reach a conclusion about:' [365]. The issue thus appears to remain at large.

57 Although unfortunately beyond the scope of this article, consideration should be given to the degree to which the new fair dealing exceptions for the purposes of parody and satire (ss 41A and 103AA) might assist persons similarly disposed as Mr Atkin – especially given the sections are not drafted so as preclude reliance thereon merely because a commercial again is effected by the taking, although it could be that its 'commercial' nature sufficiently colours the taking as pima facie not 'fair': *Hubbard v Vosper* [1972] 2 QB 84 (CA) (Denning LJ); see further Melissa de Zwart 'Australia's Fair Dealing Exceptions' in Andrew T Kenyon (ed), *TV Futures: Digital Television Policy in Australia* (2007) 166 (**de Zwart, Fair Dealing**); note, also, that questions of infringement notwithstanding, as a consequence of Atkin's publicity he has since been retained by the ABC to produce further satirical 'mash-ups' for its own Unleashed website <http://www.abc.net.au/unleashed/>

58 *Copyright Act 1968* (Cth) s 86(c)

59 *Copyright Act 1968* (Cth) s 87(c); *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* [2002] FCAFC 146 [10] – [13]

60 *Copyright Act 1968* (Cth) s 85(1)(a)

61 *Copyright Act 1968* (Cth) s 85(1)(c)

62 *Copyright Act 1968* (Cth) s 31(1)(a)(i)

63 *Copyright Act 1968* (Cth) s 31(1)(a)(iv)

64 See, for example, the Fan Fiction website <http://www.fanfiction.net/> where fans of popular authors, their stories and characters reinterpret them into new and novel plots and adventures. A popular source of fan faction has been, unsurprisingly, the tales and characters in J.K. Rowling's Harry Potter novels: see <www.fictionalley.org>.

65 see text surrounding note clxxvi

66 17 U.S.C. § 107 (2000)

67 *Campbell*, 577-78, the doctrine of fair use 'is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis.'

68 William F. Patry and Richard A. Posner, '*Fair Use and Statutory Reform in the Wake of* Eldred' (2004) 92 *California Law Review* 1639, 1649 (**Patry and Posner**)

69 (i) the purpose and character of the use (ie whether the use is 'transformative'), (ii) the nature of the original copyright work, (iii) the amount and substantiality of the portion used, and (iv) effect of the taking on the market for the original work: 17 U.S.C. § 107 (2000)

70 *Campbell*, 579, the more 'transformative' the new work is, 'the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.'

71 Laura Holson, 'Hollywood Asks YouTube: Friend or Foe?,' *New York Times* (New York), 15 January 2007 < http://www.nytimes.com/2007/01/15/technology/15youtube.html?ei=5088&en=cf8bfb13b379a286&ex=1326517200&partner=rssnyt&emc=rss&pagewanted=all>

72 see, for example, *EC Directive on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society* (2001)

73 de Zwart, Digital Age, 91

74 *Copyright Act 1968* (Cth.), s 22(6), 'a communication other than a broadcast is taken to have been made by the person responsible for determining the content of the communication.'

75 *Cooper* [74] who said it is 'artificial in the extreme to suggest that the person or body who facilitates access from the website to a remote site and provides a trigger which enables sound recordings to be downloaded from that remote site is responsible for the content of the communication from the remote website.'

76 *Sharman* [362]

77 *Cooper* [49], [56]; see *Copyright Act 1968* (Cth) s 85(1)

78 *Copyright Act 1968* (Cth.), s 10(1) (emphasis added); see also, *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2002] FCA 906, [137] Sackville J

79 *Field v. Google, Inc.*, 412 F. Supp 2d. 1106 (D. Nev. 2006)

80 Internet and E-Commerce Law, 194-195

81 *Perfect 10* affirming *Kelly v Arriba Soft Corp.* 336 F.3d 811 (9th Cir. 2003)

82 *Perfect 10*, 15462, that 'a computer owner does not display a copy of an image when it communicates only the HTML address'.

83 *Perfect 10*, 15468 [11]

84 *Perfect 10*, 15471 [12]

85 Asher Moses, 'Music industry opens new front on piracy,' *Sydney Morning Herald* (25 April 2008) who quotes Telstra BigPond as saying 'we are a mere conduit and are protected as such under the Copyright Act.'

86 *Digital Millennium Copyright Act 1998* Pub. L. No. 105-304, 112 Stat. 2860 (1998) (DMCA) inserted § 512 'Limitations on liability relating to material online' into the *United States Copyright Act* <http://www.law.cornell.edu/uscode/17/512.html>;

87 Enacted by the *US Free Trade Agreement Implementation Act 2004* (Cth) to harmonise with DMCA § 512 and requires that CSPs have effective 'notice and take-down' procedures and also abide by certain other qualifying conduct

88 *Electronic Commerce (EC Directive) Regulations 2002*, Regulation 19 and 22 < http://www.opsi.gov.uk/si/si2002/20022013.htm>

89 *Electronic Commerce (EC Directive) Regulations 2002*, Regulation 2(1) defines a 'service' as 'any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.'

90 Copinger and Skone-James, [2-104]

91 A CSP is defined by reference to the meaning prescribed by *Telecommunications Act 1997* (Cth.) s 87 as being a person who 'supplies a carriage service to the public'. A UGC website would not ordinarily answer this definition.

92 *Perfect 10, Inc. v. CCBill* 481 F.3d 751 (9th Cir. 2007), [56] that 'Service providers are immune for transmitting all digital online communications, not just those that directly infringe.'

93 O'Brien and Fitzgerald, 5

94 See Matthew Rimmer, 'Copyright laws caught in the web Viacom International v. YouTube', ABC News Opinion (Friday, May 4, 2007) < http://papers.ssrn.com/sol3/papers.cfm?abstract_id=998706> who says that 'there is a pressing urgency revise Australia's anachronistic copyright laws. At present, the safe harbours regime is limited to telecommunications carriers and Internet service providers; search engines and Web 2.0 sites cannot benefit from such immunities.'

95 Lexis-Nexis, *Communications Law and Policy in Australia*, (2007) [46,890] and [46,700]; *Foxtel Management Pty Ltd v ACCC* [2000] FCA 589 held that a 'service' may simultaneously be a 'listed carriage service' and a 'content service' for the purposes of regulation under the *Telecommunications Act*.

96 *Broadcasting Services Act*, Schedule 5, Cl 91 provides certain 'safe-harbour' indemnities against liability under state or territory laws on the basis of their being 'mere conduits'. ISPs and 'internet content hosts' are not required to 'monitor, make inquiries about, or keep records of' internet content to the extent they are unaware of the content transmitted; *Broadcasting Services Act*, Schedule 7, Cl 5 provides a 'safe-harbour' in the following terms: 'a person does not provide a content service merely because the person supplies a carriage service that enables content to be delivered or accessed;' see also ss 85ZE(b) *Crimes Act 1914* (Cth) which removes any obligation on ISPs and ICHs to proactively screen for criminally 'offensive' uses.

97 OECD Report, 50

98 *Cubby, Inc. v. Compuserve, Inc.*, 776 F. Supp. 135, 138-41 (S.D.N.Y. 1991); *Religious Tech. Ctr. v. Netcom On-line Communication Services*, Inc., 907 F. Supp. 1361, 1372 (N.D. Cal. 1995) where it was held that an ISP was not a direct infringer because it 'did not take any affirmative action that directly resulted in copying plaintiff's works other than by installing and maintaining a system whereby software automatically forwards messages received from subscribers . . . and temporarily store copies on its system.'

99 907 F. Supp. 1361, 1372 (N.D. Cal. 1995)

100 § 47 U. S C. passed as part of the *Communication Decency Act 1996* which provides that 'no provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.'

101 *Costar Group, Inc. v. Loopnet, Inc.* 373 F.3d 544 (4th Cir. 2004) (**Loopnet**)

102 *Bunt v Tilley* [2006] EWHC 407 (QB) Eady J (**Bunt**)< http://www.bailii.org/ew/cases/EWHC/QB/2006/407.html>

103 *CBS Songs Ltd* v *Amstrad Consumer Electronics plc* [1988] 1 AC 1013, 1058

104 *Bunt* [35]

105 *Frawley v State of New South Wales* [2006] NSWSC 248 where it was held that the liability of an ISP 'could be inferred from the fact … that the [ISP] has control over the matter complained of but fails to take any steps to prevent the publication;' Peter Bartlett 'Differing Trends Towards Internet Defamation Liability: Australia and the United States', (2007) 3(1) *Convergence* 49, 50-51

106 See, for example, *Uniform Defamation Act 2005* (NSW), s 32 affords a statutory defence of 'innocent dissemination' for 'subordinate distributors' who provide a 'communications system that transmits the material of another person and the operator or provider has no effective control;' UK *Defamation Act 1996* s 1 - defence of 'innocent dissemination'.

107 *Copyright Act 1968* (Cth) s 116 AF - Category D activity; s 116AH(1), Item 5, Condition 2A, which states that 'the carriage service provider does *not*, in an action relating to this Division, bear any onus of proving' that copyright material is infringing (emphasis added); 17 U.S. C. § 512(c)(1); as to position in the UK see Copinger and Skone-James, [2-114]

108 See Viacom v YouTube Defendant's Answer, where YouTube claims that 'Google and YouTube respect the importance of intellectual property rights, and not only comply with their safe harbor obligations under the DMCA, but go well above and beyond what the law requires.'

109 *Loopnet*, 550, where it was held that to establish direct liability 'something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.'

110 *Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp.*, 478 F. Supp. 2d 607 (S.D.N.Y. 2007) which distinguished the defendant from the role played by a 'mere conduit' ISP when it held that the permanent storage of copies of unauthorized copyrighted work on the defendant's server constituted direct infringement.

111 *Sharman* [401]

112 *Copyright Act 1968* (Cth) s 101

113 *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274, 281 (Gummow J) (**Hanimex**)

114 Copinger and Skone-James, [7-132]

115 *University of New South Wales v Moorhouse* (1975) 133 CLR 1, 12 (Gibbs J) (**Moorehouse**)

116 Ginsburg and Ricketson, 11

117 *City of Adelaide v Australasian Performing Right Association Ltd* (1928) 40 CLR 481, 490-491 (Isaacs J) (**Adelaide**)

118 *Moorehouse*, 12 (Gibbs J)

119 *Australasian Performing Right Association Ltd v Jain* (1990) 18 IPR 663, 667 (**Jain**) noting 'it could not be inferred that a person had, by mere inactivity, authorised something to be done if he neither knew nor had reason to suspect that the act might be done.'

120 *Copyright Design and Patent Act 1988*, s 97A and 191JA allow the UK High Court to grant an injunction against a service provider which has 'actual knowledge' of copyright infringement; see Tania Aplin, 'Copyright Law in the Digital Society: The Challenges of Multimedia,' (2005) 156; Copinger and Skone-James, [2-109]

121 *Cooper Appeal* [41] Branson J

122 *Adelaide*, 487

123 Ricketson and Creswell, [9.605]

124 Explanatory Memorandum to *Copyright Amendment (Digital Agenda) Act 2000*, Item 39

125 *Copyright Act 1968* (Cth.) s101(1A): (a) the extent (if any) of the person's power to prevent the doing of the act concerned; (b) the nature of any relationship existing between the person and the person who did the act concerned; (c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

126 *Cooper* [81]

127 545 US 913 (**Grokster**)

128 *Sharman* [395]; *Cooper Appeal* [19]

129 *Sharman* [416]

130 Explanatory Memorandum, *Digital Agenda Act* explained that the 'new clause 112E has the effect of expressly limiting the authorisation liability of persons who provide facilities for the making of, or facilitating the making of, communications.'

131 *Sharman* [394]

132 *Sharman* [418]; *Cooper* [99] ; *Cooper Appeal* [31] and [152]

133 *Sharman* [399]

134 *Shaman* [399]; *Cooper* [403] where his Honour explained *that* 'although s 112E provides that the provision of facilities is not enough to constitute authorisation, such provision is a matter relevant to 'the nature of [the] relationship';' the phrase 'nature of [the] relationship' referring to paragraph (b) in s 101(1A).

135 *Cooper* [99]

136 *Shaman* [401]

137 *Sharman* [194]

138 *Sony Corp. v Universal City Studios* 464 U.S. 417, 418

139 Jeffrey Lee 'The ongoing design duty in Universal Music Australia Pty Ltd v Sharman License Holdings Ltd – Casting the scope of copyright infringement even wider' (2007) 15(3) *International Journal of Law and Information Technology* 275, 284

140 Ginsburg and Ricketson, 23

141 *Grokster* 934-5

142 Ginsburg and Ricketson, 23

143 Ginsburg and Ricketson, 15

144 *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001)

145 Buckley, 258

146 *Sharman* [405]; *Cooper Appeal* [152] Kenny J

147 *Sharman* [406]

148 *Sharman* [411] and [414]

149 *Sharman* [404]; *Cooper Appeal* [48] Branson J; [170] Kenny J

150 *Sharman* [407]; *Cooper Appeal* [51] Branson J; [151] Kenny J

151 *Cooper* [107] Tamberlin J said that even if the 'safe harbour' scheme had been in force at the time, the respondent CSP would not have been be entitled to its protection because'despite the respondents' awareness that copyright material was likely to be infringed, they [had] not taken any steps to implement … a policy' that provides for termination, in appropriate circumstances, of the accounts of repeated infringers.

152 *Copyright Act* s 116AH(1), Category C, Condition 1, which provides that protection under Division 2AA only arises if a CSP does 'not receive a financial benefit that is directly attributable to the infringing activity.'

153 *Grokster*, 937-940

154 OECD Report, 25

155 Buckley, 240; Kelly Tickle, 'The Vicarious Liability of Electronic Bulletin Board Operators for the Copyright Infringement Occurring on Their Bulletin Boards,' (1995) 80 *Iowa Law Review* 391, 393-98

156 Alan Friel 'Harnessing Creativity Or Creating Liability?' (2007) 5(11) Internet Law & Strategy

157 Buckley, 259

158 for example, the terms and conditions of a new *Sydney Morning Herald* website – the Vine < http://www.thevine.com.au/> - makes explicit reference to the holding in *Sharman* and *Cooper* with regard to 'communication' when it states, *inter alia*, 'we will not be taken to have uploaded, posted, transmitted or otherwise made Material available on the Site simply by facilitating others to post, transmit or other make Material available.' Such contractual agreement notwithstanding, the extent to which such language is able, as a matter of law, to exculpate the website from the authorisation claims of third parties is a matter of conjecture.

159 See, for example: CNN International. com, *CNN Interactive Service Agreement* (2005) <http://edition.cnn.com/interactive_legal.html> [7] Monitoring: 'CNN shall have the right in its sole discretion to edit, refuse to post or remove any material submitted to or posted on CNN Interactive'; Walt Disney Internet Group, Terms of Use (November 2006) <http://disney.go.com/corporate/legal/terms.html> [6] Public Forums and Communications: 'we reserve the right to screen, refuse to post, remove or edit User-Generated Content at any time and for any or no reason in our absolute and sole discretion without prior notice, although we have no duty to do so or to monitor any Public Forum.'

160 Justice Kirby, Computers and the Law, 12

161 see Julius Stone, *Precedent and Law: Dynamics of Common Law Growth* (1985)

162 Internet and E-Commerce Law, 214

163 *Cooper*, [80] citing Gummow J in *Hanimex*, [48]

164 *Cooper Appeal* [40] Branson J

165 Submission to Senate Legal and Constitutional Affairs Committee, *Provisions of the Copyright Amendment Bill 2006*, Parliament of Australia, Canberra, 30 October 2006 (Google), 7, in which Google submitted that 'given the vast size of the Internet it is impossible for a search engine to contact personally each owner of a web page to determine whether the owner desires its web page to be searched, indexed or cached.' Furthermore, 'If such advanced permission was required, the Internet would promptly grind to a halt.'<http://www.aph.gov.au/senate/committee/legcon_ctte/copyright06/submissions/sub12.pdf>

166 See generally, Yochai Benkler, *Wealth of Networks* (2006)

167 OECD Report, 12, which states that YouTube is now ranked the number four web site in the world. A study by Nielsen NetRating shows that in the UK UGC platforms for photo sharing, video sharing and blogging are among the fastest growing Web sites. In the US, UGC sites comprised five out of the top 10 fastest growing Web sites in July 2006 to 46 million unique visitors in July 2006

168 British Broadcasting Corporation, 'Creative Future - BBC addresses creative challenges of on-demand' (Press Release, 25 May 2006) < http://www.bbc.co.uk/pressoffice/pressreleases/stories/2006/04_april/25/creative.shtml>

169 William Fisher, 'The Growth of Intellectual Property: A History of the Ownership of Ideas in the United States, in *Eigentum im internationalen Vergleich* (1999), 17; Landes and Posner, 64

170 See text surrounding note xxv; see also Lawrence Lessig 'Is Google Book Search 'Fair Use'?,' YouTube (January 15, 2006) <http://www.youtube.com/watch?v=5l2nrbmBQXg>

171 Kimberly Weatherall, 'Fudging the question: the FTA and the future of digital copyright in Australia' (Paper presented at the 18th Annual IPSANZ Conference, Noosa, Australia, 10-12 September 2004)

172 Ricketson, Boundaries Of Copyright, 94

173 'The Deal with Warner', YouTube Blog, Press Release, (18 September 2006) <http://www.youtube.com/blog?entry=3xDEdJmPDI0>

174 'EMI Music, Google and YouTube Strike Milestone Partnership', YouTube, Press Release (31 May 2007) <http://youtube.com/press_room_entry?entry=InX2vpoSGOM>

175 CBS Corp., Dailymotion, Fox Entertainment Group, Microsoft Corp., MySpace, NBC Universal, Veoh Networks Inc., Viacom Inc. and The Walt Disney Company, 'Principles for User Generated Content Services', (Press Release, 18 October 2007) <http://www.ugcprinciples.com/>

176 Tim Wu, 'Does YouTube Really Have Legal Problems?' *Slate* (October 26, 2006) < http://www.slate.com/id/2152264 >

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