

**IN THE HIGH COURT OF AUSTRALIA
SYDNEY REGISTRY**

No. S23 of 2010

**PHONOGRAPHIC PERFORMANCE
COMPANY OF AUSTRALIA LIMITED
ACN 000 680 704
First Plaintiff**

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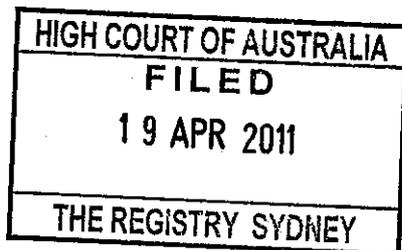
**EMI MUSIC AUSTRALIA PTY LIMITED
ACN 000 070 235
Second Plaintiff**

**SONY MUSIC ENTERTAINMENT (AUSTRALIA) PTY LIMITED
ACN 107 133 184
Third Plaintiff**

**UNIVERSAL MUSIC AUSTRALIA PTY LIMITED
ACN 000 158 592
Fourth Plaintiff**

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**WARNER MUSIC AUSTRALIA PTY LIMITED
ACN 000 815 565
Fifth Plaintiff**



**J ALBERT & SON PTY LTD
ACN 000 026 513
Sixth Plaintiff**

AND

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**COMMONWEALTH OF AUSTRALIA
First Defendant**

**AUSTRALIAN BROADCASTING CORPORATION
Second Defendant**

**COMMERCIAL RADIO AUSTRALIA LIMITED
ACN 059 731 467
Third Defendant**

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SECOND DEFENDANT'S SUBMISSIONS

Filed on behalf of the Second Defendant on 19 April 2011 by:
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Part I: Suitability for publication

1. These submissions are suitable for publication on the internet.

Part II: Statement of the issues the matter presents

2. The Special Case raises questions about the validity of ss. 109 and 152 of the *Copyright Act 1968 (Cth)* (**the 1968 Act**). The second defendant (**the ABC**) contends that those sections are wholly valid under s. 51(xviii) of the Constitution. The ABC contends in the alternative that s. 152 provides “just terms” for any acquisition of property effected with the result that the sections are wholly valid under s. 51(xxxi) of the Constitution.

10 **Part III: Certification re section 78B notices**

3. Notice has been given in compliance with s. 78B of the *Judiciary Act 1903 (Cth)*. The ABC does not consider that any further notices complying with s. 78B of the *Judiciary Act 1903 (Cth)* should be served.

Part IV: Statement of facts

4. The material facts are set out in the Special Case. The plaintiffs’ statement of facts and chronology are not contested, except for paragraph 10 of the plaintiffs’ submissions insofar as it characterises copyright as having continued before and after the commencement of the 1968 Act.

Part V: Applicable constitutional provisions, statutes and regulations

- 20 5. The plaintiffs’ statement of applicable constitutional provisions, statutes and regulations is accepted.

Part VI: Statement of the Argument

(a) Introduction

6. The plaintiffs’ case is that a law which creates (or more accurately, restores) a liberty to do an act which hitherto had been within the exclusive right of the holder of a copyright is properly characterised as a law with respect to the acquisition of property for the purposes of s.51(xxxi) of the Constitution; and secondly, that a law which sets an upper bound on compensation for an acquisition of property does not afford just terms.

7. The ABC submits, in summary, that:

- (a) the relevant provisions of the 1968 Act are not laws with respect to the acquisition of property for the purposes of s.51(xxxi); rather they are laws which define (in part) the scope of copyright created by the 1968 Act;
- (b) insofar as the relevant provisions of the 1968 Act extinguish or vary existing copyright they are not properly characterised as laws with respect to the acquisition of property, *first*, because they do not provide for an acquisition of property by any persons; *secondly*, because such laws are properly characterised as laws for the adjustment of the competing claims, rights and liabilities of creators of sound recordings and those who take advantage of their work; and *thirdly*, because the power to make laws with respect to copyright is inherently a power to legislate so as to create, extinguish and vary the rights of authors and the public, and it would be inconsistent with the grant of such power to insist that any creation, extinguishment or variation required just terms;
- (c) as for just terms, the imposition of an upper bound on compensation is not necessarily inconsistent with just terms, and the plaintiffs have not shown that these particular “caps” are so inconsistent; and
- (d) if the plaintiffs’ arguments succeed the consequences are not those for which they contend.

(b) “Laws ... with respect to ... copyrights”

8. The plaintiffs’ case concerns the interaction of ss.51(xviii) and (xxxi) of the Constitution. Three aspects of the former power, as it was understood at Federation, should be noted.

9. The first edition of Copinger’s *Law of Copyright* (1870) begins with the sentence:

“Copyright may be defined as the sole and exclusive liberty of multiplying copies of an original work or composition.”

The definition was, strictly speaking, incomplete even as at 1870, since the law had for some time recognised a performance right in dramatic and musical works.¹ But it captured the essence of the right as then understood.

10. So defined copyright can be seen as a monopoly given by the law. It operates as an abstraction from the liberty which citizens would otherwise enjoy to copy (or perform) an author’s work. The creation of a new form of copyright (e.g., the recognition of an exclusive performance right; or an addition to the types of works

¹ See *Dramatic Copyright Act 1833*; the *Copyright Act 1842*.

which might attract copyright²) creates a proprietary right in the copyright holder by a correlative reduction in the liberties of all other persons. Conversely, any reduction in the scope of copyright creates or restores liberties in others which the copyright had previously confined.

11. A *second* matter of importance is that from the outset legislation concerning copyright was understood to operate so as to destroy as well as to create such rights. The first statute dealing with copyright was the *Copyright Act (1709)* (8 Anne c.19). It gave authors of books then printed the sole right and liberty of printing them for a term of twenty one years from April 10, 1710 and of books not then printed the sole right of printing for fourteen years with a possibility of extension for another term of fourteen years.
12. The legislation prompted the question whether any common law copyright in published³ works survived it. This question did not fall for determination until the twenty one year exclusive right for previously published works had expired. It was held in *Millar v Taylor* (1768) 4 Burr. 2303 that a common law copyright, perpetual in nature, existed in published and unpublished works and further that it survived the expiry of the remedies provided for by 8 Anne c.19. A different result was reached when the question reached the House of Lords in *Donaldson v Beckett* (1774) 2 Bro PC 129, 4 Burr. 2408. The decision of the House was given by a vote of the peers, including the lay peers. However the advice of the judges to the House is reported. Their advice, as analysed by the Supreme Court in *Wheaton v Peters* 33 US 591 (1834) at 655-6, was as follows:

Lord Mansfield, being a peer, through feelings of delicacy, declined giving any opinion. The eleven judges gave their opinions on the following points. 1st. Whether at common law an author of any book or literary composition, had the sole right of first printing, and publishing the same for sale; and might bring an action against any person who printed, published and sold the same, without his consent. On this question there were eight judges in the affirmative, and three in the negative.

2d. If the author had such right originally, did the law take it away, upon his printing and publishing such book or literary composition; and might any person, afterward, reprint and sell, for his own benefit, such book or literary composition, against the will of the author. This question was answered in the affirmative, by four judges, and in the negative by seven.

3d. If such action would have lain, at common law, is it taken away by the statute of 8 Anne; and is an author, by the said statute, precluded from every remedy, except on the foundation of the said statute, and on the terms of the

² The *Engraving Copyright Act (1734)*; the *Sculpture Copyright Act (1814)*; the *Lectures Copyright Act (1835)*; the *Fine Arts Copyright Act (1862)*.

³ The Act of 1709 had no effect on the rights of authors of unpublished works to restrain any unauthorised publication.

conditions prescribed thereby. Six of the judges, to five, decided that the remedy must be under the statute.

4th. Whether the author of any literary composition, and his assigns, had the sole right of printing and publishing the same in perpetuity, by the common law. Which question was decided in favour of the author, by seven judges to four.

5th. Whether this right is any way impeached, restrained or taken away, by the statute 8 Anne? Six, to five judges, decided that the right is taken away by the statute. And the Lord Chancellor, seconding Lord Camden's motion to reverse, the decree was reversed.

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It would appear from the points decided, that a majority of the judges were in favour of the common law right of authors, but that the same had been taken away by the statute.

13. The analysis of the Supreme Court in *Wheaton* reflected the accepted view of *Donaldson*: that the House of Lords had concluded that the pre-existing common law copyright in published works was, by the Statute of Anne, cut back to a twenty one year term, and any remedies for infringement of copyright in later works had to be found within its limits.⁴

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14. A similar result was reached in *McMillan & Co v Dent* [1907] 1 Ch 107 as regards the impact of the 1842 *Copyright Act* on copyright in unpublished works.

15. Thus the power later conferred by s.51(xviii) to make laws with respect to copyright was by the end of the 19th century understood to be inherently a power to create, extinguish and modify such rights. It was, we submit, a power of a kind inconsistent with an obligation to afford just terms as regards any creation, extinguishment or modification of such rights.

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16. The *third* matter is that laws with respect to copyright characteristically involve an adjustment of competing claims and interests. This is reflected in the preamble to the Statute of Anne, which referred, on the one hand, to the "very great detriment and too often to the Ruin" of the authors or proprietors of books caused by printing of such books without their consent (a matter of private right); as well as to "the encouragement of learned men to compose and write useful books" (a matter of

⁴ See: *Chappell v Purday* (1845) 14 M & W 303 at 316 per Pollock CB; Copinger, *The Law of Copyright*, (1st ed.) 1870, Ch 1; *Fashion Originators Guild of America Inc v Federal Trade Commission* 114 F.2d 80 (1940) at 83 per Learned Hand J; R Burrell, "Copyright Reform in the Early Twentieth Century: the View from Australia" [2006] J Leg Hist 239 at 241-2. See also Blackstone, *Commentaries on the Laws of England*, book 2, pp 405-407. On the historical question, whether the accepted view of *Donaldson* was correct, divergent views have been expressed. Compare Sir W Holdsworth, *A History of English Law*, 2nd ed. (1937) Vol 6, pp 878-9; M Rose, "The Author as Proprietor: *Donaldson v Beckett* and the Genealogy of Modern Authorship" in B Shuman and A Strowel, *Of Authors and Origins* (Oxford, 1994), 23 at 39-45; and H Abrams, "The Historical Foundations of American Copyright Law: Exploding the Myth of Common Law Copyright" (1983) 29 Wayne LR 1119; and see generally J H Baker (ed), *The Oxford History of the Laws of England*, vol XIII, pp 879 ff (W Cornish).

public interest aligned with the private right of authors). The Act went on to provide a mechanism for price restrictions on booksellers, no doubt to prevent exploitation of the monopoly conferred by the Act (a matter of public interest aligned to the private rights of book users).

17. Hence the observation of the Supreme Court in *Twentieth Century Music Corporation v Aiken*, 422 US 151 (1974) at 156:

10 “The limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.”

(c) The operation of the 1968 Act

18. The plaintiffs’ submissions do not accurately state the effect of the 1968 Act.
19. The 1968 Act commenced on 1 May 1969. By section 6 of the 1968 Act, the 1912 Act was repealed. This repeal included the repeal of the provisions of the 1912 Act (principally section 8) which gave the 1911 Act operative force in Australia. Section 5 of the 1968 Act provides that the 1968 Act operates to the exclusion of the 1911 Act, and makes further provision deeming the 1911 Act to be an act passed by the Parliament of the Commonwealth for the purposes of section 8 of the *Acts Interpretation Act* 1901.
20. Section 8 of the 1968 provides that, subject to any prerogative right or privilege of the Crown, copyright does not subsist otherwise than by virtue of the 1968 Act or the *Designs Act* 1906.
21. Section 207 provides that, except in so far as Part XI otherwise expressly provides, the 1968 Act applies in relation to things existing at its commencement in like manner as it applies in relation to things coming into existence after the commencement of the 1968 Act.
22. The plaintiffs submit (Plaintiffs’ submissions, paragraph 44(a)) that the effect of these provisions together with other relevant provisions in Parts IV and XI of the 1968 Act was that “copyright subsisting in sound recordings under the 1911 Act as to 1 May 1969 was continued as copyright protected by s.89(1) of the 1968 Act...”. This is not correct. No provision of the 1968 Act continued rights previously existing. Rather, copyright subsisting in contrivances under the 1911 Act ceased to exist, and the provisions of Part IV of the 1968 Act, as modified in their operation by s.220, created
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new rights in the nature of copyright in sound recordings. Elsewhere in their submissions, the plaintiffs do not appear to contest this.⁵

23. Thus the effect of the 1968 Act was to create rights in the nature of copyright which are similar to, but in some respects different from, the rights which existed under the repealed legislation. The differences included, but were not limited to, the immunity created by s.109.

24. The rights created by the 1968 Act (as first made) in relation to Affected Sound Recordings were in some respects more generous than those which existed under the 1911 Act. Relevant enhancements included the following:

- 10 (a) The duration of copyright was longer – up to one year longer. Pursuant to section 220(3), copyright in a sound recording made before 1 May 1969 continued to subsist until the expiration of fifty years after the expiration of the calendar year in which the recording was made. Thus for a recording made on 1 January, the term was 51 years. Under the 1911 Act (s.19), the duration of copyright in the contrivance was fifty years from the making of the original plate from which the contrivance was directly or indirectly derived.
- (b) The copyright owner (and any exclusive licensee) had an additional remedy for infringement, being the remedy of additional damages pursuant to s.115(4).
- 20 (c) The limitation period for infringement actions was extended: to six years under the 1968 Act (s. 134) from three years under the 1911 Act (s.10).
- (d) The copyright owner could obtain an account of profits for infringement by an innocent infringer: section 115(3). Section 115(3) of the 1968 Act provides that where it is established that an infringement was committed but it is also established that, at the time of the infringement, the defendant was not aware and had no reasonable grounds for suspecting that the act constituting the infringement was an infringement of the copyright, the plaintiff is not entitled to any damages against the defendant in respect of the infringement but is entitled to an account of profits. Under the 1911 Act, s. 8 provided that if the defendant was not aware and had no reasonable grounds for suspecting that copyright subsisted in the work, then the plaintiff shall not be entitled to any
- 30 remedy other than an injunction or interdict.
- (e) The copyright owner had the benefit of the presumption in s.130 of the 1968 Act (to the effect that statements on a record label as to the identity of the maker, the year of first publication or the place of first publication are

⁵ Plaintiff's submissions, [117]

sufficient evidence of those facts unless the contrary is established). There was no equivalent under the 1911 Act.

- (f) The grant of licences of copyright was more flexible. There was no requirement for writing (s.196 required this for assignments only), in contrast to the position under the 1911 Act: s.5(2)
- (g) Exclusive licensees had an express right of action for infringement pursuant to s.119 of the 1968 Act, whereas the position under the 1911 Act was uncertain.⁶ Sections 117 – 125 of the 1968 Act made detailed provision for actions brought by exclusive licensees.

10 25. The owners of copyright in contrivances were also relieved from the application of various provisions of the 1911 Act and 1912 Act. For example:

- (a) Section 4 of the 1911 Act made provision for a compulsory licence following the death of the author of a musical work if the work was not being made available to the public in the manner set out in that section. It provided that the Judicial Committee of the Privy Council could order the owner of copyright to grant a licence “on such terms and subject to such conditions as the Judicial Committee may think fit”. Section 19 of the 1911 Act provided that copyright subsisted in contrivances “in like manner as if such contrivances were musical works”, which would pick up the application of section 4. Section 19 also
20 provided that the owner of the original plate at the time when the plate was made was deemed to be the author, and section 4 would thus have application where the owner was a natural person.
- (b) The proviso to section 3 of the 1911 Act provided that certain acts were not an infringement 25 years after the death of an author if a relevant notice is given. It is not entirely clear whether the proviso operated only in respect of copyright which had a term as set out in the first sentence of section 3 (which contrivances did not: s.19), or whether the proviso had a wider operation.
- (c) Section 5 of the 1911 Act likewise had a proviso which limited the rights which vested pursuant to an assignment or licence to a period until 25 years
30 after the death of the author.
- (d) Section 13A of the 1912 Act (inserted in 1933) provided, inter alia, that in the event of a dispute between owners of copyright in records and persons using or wishing to use the records regarding payments or other terms and conditions for the right to use such records for public performance, any party

⁶ *Jonathan Cape Ltd v Consolidated Press Ltd* [1954] 3 All ER 253 at 257; [1954] 1 WLR 1313 at 1317; Spicer Committee Report, BD 1/543, [392] (tab 17)

to the dispute “may apply in writing to the Attorney-General for the determination of the dispute by voluntary arbitration”.

26. The rights created by the 1968 Act also had certain limitations. Section 109 is one such limitation. Section 109 provides that copyright in a published sound recording is not infringed by the making of a broadcast of that recording if certain conditions are satisfied.

27. What follows from the above is that the 1968 Act is properly characterised as one which extinguished all copyright existing by virtue of the 1912 Act and created new rights similar in kind but different in important respects from those extinguished. Two things follow from this. The *first* is that the 1968 Act is not properly to be characterised as a law with respect to the *acquisition* of property:

“To bring the Constitution provision [s.51(xxxi)] into play it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his property; there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial it may be.”

The Commonwealth v Tasmania (1983) 158 CLR 1 at 145 per Mason J⁷.

28. In the case of copyright, as noted earlier in these submissions, any diminution in the rights necessarily reflected a correlative enhancement or restoration of the liberty of action of others. But it is a misnomer to treat such enhancement or restoration as an acquisition of property by them. Their enhanced liberty of action is in no sense property. It cannot be assigned or sold. It is not exclusive to them. It is not permanent in character but rather arises only on the occasions when relevant broadcasts are made. It is not proprietary.⁸

29. *Secondly*, any question of just terms should allow for all the enhancements to the rights of the copyright holder. The effect of the legislation was to create a copyright in sound recordings with the scope, incidents and limitations provided for by the Act. It would distort the analysis to focus simply on a particular limitation and its immediate incidents to determine whether there was an acquisition of property otherwise than on just terms.

⁷ See also *ICM Agriculture Pty Limited v The Commonwealth* (2009) 240 CLR 140 at [82] and 196, [132], 179, 201 [147].

⁸ Compare *Australian Tape Manufacturers Limited v The Commonwealth* (1993) 176 CLR 480 at 528 per Dawson and Toohey JJ.

(d) **Tape Manufacturers**

30. Even if attention is focussed on ss.109 and 152 of the 1968 Act, the answer is the same – they do not provide for an acquisition of property. Section 109 provides that copyright is not infringed in certain circumstances. This is the form of legislation which was considered in *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480. Section 135ZZM of the 1968 Act (in the form it was in at the time of that decision) relevantly provided:

10 135ZZM(1) Copyright subsisting in a published sound recording, or in any work included in a published sound recording, is not infringed by making on private premises a copy of the sound recording if the copy is made on or after the proclaimed day on a blank tape for the private and domestic use of the person who makes it.

Dawson and Toohey J (with whom McHugh J agreed) concluded that the section was not a law with respect to the acquisition of property since it conferred nothing on any person which could be described as being proprietary in nature:

20 Section 135ZZM(1) provides that copyright is not infringed by the copying of a sound recording on to a blank tape for private and domestic use. The effect of that section is to diminish the exclusive rights conferred elsewhere in the Act by way of copyright but it does not result in the acquisition of property by any person. All that the section does is to confer a freedom generally to do something which previously constituted an infringement of another's proprietary right.

31. Mason CJ, Brennan, Deane and Gaudron JJ also agreed with the analysis of Dawson and Toohey JJ. They went on (at 499) to observe that sub-s. 135ZZM(1):

30 does not acquire from the copyright owners the whole or part of the exclusive right conferred by s.31(1)(a) of the Act to reproduce the copyright work in material form. Instead, s.135ZZM(1) provides that something which was formerly an infringement of copyright is not an infringement. To that extent, the Act reduces the content of the exclusive right conferred by s.31(1)(a). It does not, however, effect an "acquisition" of property for the purposes of s.51(xxxi) of the Constitution.

32. In *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [185], Gummow J summarised the effect of this decision by saying:

40 a law which reduces the content of the exclusive rights created by these statutes, for example, by providing that certain acts henceforth will not infringe those rights, will not attract s 51(xxxi). Thus, as *Tape Manufacturers* decided, the immunity which the law in question conferred upon those who otherwise would have been infringers could not be described as proprietary in nature. For s 51(xxxi) to apply, it would be necessary to identify an acquisition, whether by the Commonwealth or a third party, of something proprietary in nature.

33. The plaintiffs' reliance on the observations of four members of the Court in *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [24] (in para 95 of their submissions) is misplaced. The passage quoted is in a context where the question was, explicitly, not whether the law effected an "acquisition". Rather the issue was to identify the "property" to which s.50 of the *Northern Territory (Self-Government) Act 1978* was to apply (231 CLR at 663 [21]).

34. It was in that context that judges referred to the capacity of statutory rights to be property and said:

10 "Again, reducing the content of subsisting statutory exclusive rights, such as those of copyright and patent owners, would attract the operation of s.51(xxxi)".

35. This sentence must be understood as an indication only that such a reduction of the content of rights affects property and not as affirming that it involves an acquisition of property. The quoted sentence is supported by a reference to the judgment of Gummow J in *The Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at 70-71 [182]-[187]. In that passage Gummow J, having made the point that statutory intellectual property rights constitute property to which s.51(xxxi) applies, went on to say what we have quoted just above – a proposition directly contrary to a suggestion that laws which reduce the scope of conduct amounting to an infringement of
20 copyright will effect an acquisition of property.

36. The plaintiffs submit that *Tape Manufacturers* should be distinguished. However, the reasoning set out above does not depend in any way on the matters said to constitute the distinguishing features. The first alleged distinguishing feature is that pursuant to s.109, broadcasters receive a "conditional legal right", rather than an unconditional right.⁹ This is not a relevant distinction. The reasoning in *Tape Manufacturers* did not depend upon the absence of any condition. The second alleged distinguishing feature is that the broadcasters receive an exclusive property interest, being the copyright in the broadcast made using (inter alia) the sound recording.¹⁰ However, that conferral of a right is not linked in any way to the immunity created by s. 109.
30 Moreover, the fact that somebody with a relevant freedom might (or might not) go on to create a piece of property or a valuable right does not mean that there has been an "acquisition of property" by that person by the creation of the freedom. The domestic user of the blank tape likewise may proceed to create a property interest, being a tape with recorded music on it, but that property is not acquired by being relieved of liability for infringement.

⁹ Plaintiffs' submissions, [103]

¹⁰ Plaintiffs' submissions, [104]

37. The plaintiffs go on to submit that if *Tape Manufacturers* is viewed as requiring a conclusion that the present scheme involves a mere extinguishment, then it should not be followed. They refer to a number of cases said to be inconsistent with the conclusion reached in *Tape Manufacturers*. None of them is inconsistent. Thus:

10 (a) In *Mutual Pools*, the passage relied upon does not say that it is sufficient for there to be an acquisition of property that there is “a transfer of identifiable and measurable advantage”¹¹. Rather, Deane and Gaudron JJ stated that there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property, and also that it was “possible to envisage” circumstances in which an extinguishment, modification or deprivation of the proprietary rights of one person would involve an acquisition of property by another by reason of some identifiable and measurable countervailing benefit or advantage accruing to that other person as a result, such as might arise in certain circumstances from the extinguishment of a chose in action.

20 (b) *Georgiadis* concerned the extinguishment of a special kind of chose in action, being a cause of action. Mason CJ, Deane and Gaudron JJ observe (at 305) that the extinguishment of a vested cause of action (such as for the payment of goods received) would leave the other party with the goods but no liability to pay and may amount to an acquisition. The right of an employee to damages for injury at work was likewise able to be treated as part of the price for his or her labour.

30 38. These passages were discussed in *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140 at [82] – [83] per French CJ, Gummow and Crennan JJ. Their Honours’ observations do not assist the plaintiffs here. Their Honours concluded (at [84]) that it could not be shown that the extinguishment of the relevant water allocations involved an acquisition in the relevant sense by other licensees or prospective licensees. They did not acquire any rights, but merely (at best) the prospect of greater entitlements. Likewise, in the joint judgment of Hayne, Kiefel and Bell JJ, their Honours observed that it is now well established that to bring s.51(xxxi) into play, it is not enough that legislation adversely affects or terminates a pre-existing right that an owner enjoys in relation to his or her property: there must be an acquisition whereby the Commonwealth or another acquires an interest in property, however slight or insubstantial.

39. Both joint judgments distinguished the case of *Newcrest Mining*, relied upon by the plaintiffs (at paragraph 107(c)). As French CJ, Gummow and Crennan JJ observe, *Newcrest* was a case where the mining tenements were interests carved out of the

¹¹ As the plaintiffs assert in [107](a)

radical title of the Commonwealth to the land in question, and the radical title was augmented by acquisition of the minerals released from the rights of another party to mine them. The property of the Commonwealth was enhanced because it was no longer liable to suffer the extraction of minerals from its land in exercise of the rights previously held by Newcrest. In other words, the beginning and end points for analysis were the *property* of the Commonwealth. There is no similar circumstance in the present case: there is no pre-existing “property” of the broadcasters which is “enhanced” by the extinction of rights of others.

(e) An adjustment of competing claims

10 40. If, contrary to submissions thus far, the relevant provisions are taken to effect an acquisition of property, they should nevertheless not be characterised as a law “directed towards the acquisition of property as such” but rather as concerned with “the adjustment of competing rights, claims or obligations of persons in particular relationships or areas of activity” (*Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134 at 161).

41. In *Airservices Australia v Canadian Airlines International Ltd* (2001) 202 CLR 133 Gummow J held that the provision for statutory liens for aviation charges in the *Civil Aviation Act 1988* (Cth) was not a law to which s.51(xxxi) applied, based on this line of reasoning. He said (at 298-9, [497]):

20 It was said in their joint judgment in *Australian Tape Manufacturers* by Mason CJ, Brennan, Deane and Gaudron JJ, that a law may be supported by a head of power outside the operation of s.51(xxxi) if it imposes an obligation that involves “a genuine adjustment of the competing rights, claims or obligations of persons in a particular relationship”. If that relationship “need[s] to be regulated in the common interest”, the law is likely to fall outside s.51(xxxi) because it is unlikely that any “acquisition of property” which is an incident of the operation of that law will be capable of imparting to the law the character which attracts s.51(xxxi).

30 Having referred to criticisms made of a related principle in United States jurisprudence, he went on (at 299-300, [500]-[501]):

Moreover, it may be said that many laws which affect property rights are in some sense made by the legislature in an attempt to resolve competing claims with respect to that property and its use. As a result, it may not be easy to draw a line between a law to which s.51(xxxi) applies and one which resolves competing claims or specifies criteria for some general regulation of conduct which is “needed” in the sense used in *Australian Tape Manufacturers*.

However, the line drawn in *Australian Tape Manufacturers* is to be drawn in the present case.

40 42. In this case, the history described in the special case at SCB pp 94-130, paragraphs [113] to [233] demonstrates that as a matter of substance as well as form the treatment

of copyright in sound recordings in the 1968 Act is properly to be characterised as an adjustment of competing rights and claims, referable to the public interest. In summary, by 1968:

- (a) no appellate court had ruled on whether copyright in sound recordings entailed an exclusive right to broadcast;
 - (b) the laws of the United States conferred no such right (SCB p 99, paragraphs [135]-[137]) and many popular recordings originated there (SCB p 100 and paragraph [139], and p 108 paragraph [162]);
 - 10 (c) partly as a consequence of this the broadcasters were not without negotiating power, as their “bans” indicated (SCB pp 111-2, paragraphs [173]-177], pp 120-126, [202]-[220]);
 - (d) competing submissions were made by the affected parties to both commissions of inquiry and legislators (e.g., SCB pp 102-3, paragraphs [142]-[144], p 103, [146]-[147], p 105, [154], and p 107, [160];
 - (e) views within the Government shifted on the question whether to recognise broadcast rights in sound recordings (see SCB p 104, paragraphs [148], [149]);
 - (f) a feature of the various debates was the recognition that while broadcasting might tend to reduce demand for sound recordings (because some consumers would opt to do without the records themselves), it was also a powerful and
20 valuable advertising medium for sound recordings (see, e.g., The Report of the Owen Commission, BD Tab 3, page 89 at pp 108-9, and SCB p125, [218]-[219]);
 - (g) the satisfactory resolution of the competing claims of record manufacturers and broadcasters was regarded as a matter of “public interest” (Report of the Owen Commission, BD Tab 3, page 89 at paragraph 131 at (g).
43. Against that background the character of the legislation so far as it concerns the right to broadcast from sound recordings can be seen to fit the descriptions employed in *Nintendo* and *Tape Manufacturers*. The relevant provisions are not laws directed at the acquisition of property.
- 30 (f) **Incompatibility between ss.51(xviii) and 51(xxxi)**
44. It is clear that s.51(xxxi) might apply to some laws with respect to copyright. An obvious case would be laws which purported to vest existing copyright in the Commonwealth, or to nullify existing causes of action for infringement of copyright.

45. Nevertheless, some exercises of the legislative power conferred by s.51(xviii) are necessarily outside the possible application of s.51(xxxi). The applicable reasoning here was described in *Nintendo*¹². Section 51(xxxi) confines the operation of other heads of power by virtue of a rule of construction that prevents general powers being relied on where a narrower power to the same end is conferred, but subject to a qualification. However that rule of construction must itself yield to any contrary intention expressed or manifest in the first grant of power.

46. In *Nintendo* the court held that the power to make laws with respect to copyright manifested such a contrary intention at least insofar as the creation of new rights was concerned (at 160-161):

It is of the nature of such laws that they confer such rights on authors, inventors and designers, other originators and assignees and that they conversely limit and detract from the proprietary rights which would otherwise be enjoyed by the owners of affected property. Inevitably, such laws may, at their commencement, impact upon existing proprietary rights. To the extent that such laws involve an acquisition of property from those adversely affected by the intellectual property rights which they create and confer, the grant of legislative power contained in s.51(xviii) manifests a contrary intention which precludes the operation of s.51(xxxi).

47. The ABC submits that the power to make laws which extinguish or modify existing copyrights is also an inherent aspect of the legislative power. This is shown by the pre-Federation history of copyright legislation described earlier in these submissions. It is also suggested by the nature of copyright as a species of economic regulation which has been from the outset closely connected to changes in technology. That connection between copyright and technology means, and has meant, that the law must be constantly revised, extended, and remodelled. This is not a post-Federation insight¹³. It would be incongruous were such a power to be constrained by s.51(xxxi), apart from cases where the particular legislation was truly directed at an acquisition of property.

(g) Just terms

48. In these submissions, we confine ourselves to the cap applicable to the ABC.

49. The ABC has at all relevant times since the commencement of the 1968 Act obtained a licence from PPCA pursuant to licence agreements negotiated between the ABC and PPCA.¹⁴ Thus the licence fees paid by the ABC in respect of the broadcast of sound recordings have at all times been the outcome of commercial negotiations. By virtue

¹² 181 CLR 134 at 160 per Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ.

¹³ See, e.g., L Bentley, "Copyright and the Victorian Internet: Telegraphic Property Laws in Colonial Australia", (2004) 38 *Loyola of L.A. Law Rev.* 71.

¹⁴ Special Case, pp 132 – 135, [245] – [248]

of sub-s.109(2), sub-s.109(1) and the relevant provisions of s. 152 have never operated in respect of the ABC:

50. It is relevant that the ABC, through the outcome of its commercial negotiations, paid less than the amount of the cap in the period leading up to the commencement of the 1968 Act¹⁵, and for many years after that.¹⁶ Indeed, in the years 1992 and 1993 the ABC was still paying an annual amount of \$52,080, which was not only substantially less than the then cap of \$86,800 but also less than the 1969 cap of \$62,036. The history of dealings suggests that the amount of the cap was, at that time, consistent with just terms. The plaintiffs do not appear to submit otherwise.

10 51. The plaintiffs submit (at [154]) that the ABC's cap is arbitrary, and that this arbitrariness is illustrated by the fact that there is no provision for indexation to take account of inflation and its value has thus "substantially diminished over time". In essence, the plaintiffs submit that the failure to index the cap for inflation has the consequence that it is inconsistent with the provision of just terms. The argument however overlooks the fact that the cap is imposed on royalties payable in respect of *all* copyright sound recordings from time to time, that is, those made before the Act and those made subsequently. On the plaintiffs' own case, the requirement to provide just terms could only apply in respect of pre-1 May 1969 recordings. Any recordings made after 1 May 1969 came into existence after the commencement of the 1968 Act, and any rights acquired in respect of those recordings were always subject to ss.109 and 152.

20 52. Of course the ABC's cap was indexed by reference to population. More importantly however there is no reason to conclude that indexation beyond that was necessary to preserve the real value of the right to broadcast pre-1 May 1969 recordings. It was reasonably to be expected that such recordings would become progressively less valuable over time, apart from anything else because there would be an ever-increasing number of new recordings from which radio broadcasters could choose in deciding what to play. And currency would likely be an important consideration for many consumers. There is therefore no basis for concluding that a lack of indexation other than by reference to population renders the cap inconsistent with just terms for pre-existing rights, or that in 1969 it would reasonably have been apprehended as likely to have that effect.

30 53. The commercial negotiations did see the cap reached in 1993. However, the sound recordings which were the subject of the relevant agreements after 1969 included

¹⁵ Special Case, pp. 129 – 130, 132 – 134, [230], [232], [233], [245], [247] – first entry in the table

¹⁶ Special Case, pp. 133 – 134, [247] (until at least 1983, and most likely 1994. The figures for 1983 – 1991 are missing, but the figure in 1992 was still less than the cap).

sound recordings which were made after the commencement of the 1968 Act.¹⁷ There is no way of ascertaining what part of the figure paid since 1993 represents the perceived value of pre-1 May 1969 recordings.

54. The plaintiffs also rely upon what they say is the *intention* of the caps. However, this history does not point in the direction which the plaintiffs suggest. On the contrary. The clearest explanation of the purpose of the caps is contained in the Cabinet Submission no. 529, being the October 1967 submission of the Attorney-General.¹⁸ In that submission, the Attorney-General:

- 10 (a) noted (at [5]) the extensive discussions with interested parties, and noted that it had been put to him that the proposed Bill would disturb the basis of existing agreements between the record manufacturers and the commercial broadcasting stations, as it would make clear what was previously said to be unclear, being whether protection under the existing law was accorded to recordings first made in the USA and published within the requisite period in Canada, in circumstances where approximately 60% of the records on the Australian market were first made in the USA, and approximately 80 – 85% of recordings made in the USA are published within 30 days in Canada;
- 20 (b) stated (at [6]) that the issue referred to in (a) could be addressed by denying a broadcasting right in Australia to a sound recording first made in the USA, which would confer on broadcasters the negotiating position recorded in paragraph 6 of the submission, and that in formal terms this proposal meant that a broadcasting right would be given on the basis of place of making, not of first publication;
- (c) noted (at [7]) that this bargaining point would remain only so long as there was no broadcasting right for sound recordings under the law of the USA, and that if the law there was changed the bargaining point would be lost, which could potentially lead to the broadcasters being forced to pay very large amounts of royalty;
- 30 (d) stated (at [7]) that this threat of substantial change resulting from an amendment to US law could be addressed by setting a ceiling on the amount of royalty which the Tribunal could fix; and
- (e) adopted these matters in the recommendation made in paragraph [16] of the submission.

¹⁷ Special Case, p68, [248]

¹⁸ BD 3/1345 (tab 51)

55. This recommendation was adopted in the Cabinet decision of 6 December 1967.¹⁹ The matter discussed in paragraph (b) above was implemented by the enactment of ss.105 and 184(1)(a) of the 1968 Act. No challenge is made by the plaintiffs to these provisions. It is apparent from the submission that the caps were not designed to limit the value of existing rights, but rather to hedge against very significant claims for royalties being made in the future in respect of future recordings made in the USA, or future rights arising under the new Act in respect of recordings made in the USA, following a change to US law so as to create a broadcast right in respect of copyright in sound recordings. Claims for royalties in respect of future recordings or future rights do not relate to any property rights in existence at the commencement of the 1968 Act, and cannot support any claim for invalidity under s.51(xxxi). Therefore, the caps were inserted to deal with the possible impact of future changes to foreign law, and the creation in the future of new broadcast rights in sound recordings. The cap was not imposed having regard to perceptions of the value or future value of any sound recordings in which copyright existed at the date of commencement of the 1968 Act.
56. Before concluding that the operation of the cap in the present case prevented the provision of just terms, it would be necessary to consider a number of matters relevant to what would be an appropriate amount to pay pursuant to s.152. It would be necessary to consider the division between music and speech on ABC stations, the extent to which pre-1 May 1969 recordings were played at all, the extent to which the ABC could switch to other recordings or types of content if it wished, and (as a result of these matters) the bargaining power of PPCA in relation to pre-1 May 1969 recordings and the value of those recordings. The plaintiffs' case proceeds on the footing that the caps self-evidently fail to provide just terms and no value analysis of this type is necessary. Their case fails if that contention is unsound.
57. The position is further complicated because, for the reasons set out above, the 1968 Act did not merely enact ss.109 and 152. The 1968 Act conferred additional rights on the owners of copyright in Affected Sound Recordings, including an extension of the term of copyright and the other matters mentioned in [24] above. By the 1968 Act copyright owners received a new package of rights, of which s.109 formed part. The plaintiffs have not sought to impugn the grant of the entire package of new rights as an acquisition of property otherwise than on just terms – indeed they want other aspects of the package – but rather seek to impugn a part of that package.

¹⁹ BD 3/1393 (tab 56)

(h) Reading down and severance

58. In the event that the ABC's submissions as to acquisition and just terms are not accepted, then the ABC makes the following submissions in relation to reading down and severance.

59. For the reasons set out earlier, if the Court concludes that the 1968 Act involves an acquisition of property, then the plaintiffs have failed to plead or otherwise identify the provisions which effect that acquisition. The relevant acquisition (if it exists) arises from ss. 5, 6, 8 and 207 of the 1968 Act, which extinguish the rights held under the 1911 Act. If this Court finds an acquisition otherwise than on just terms, then
10 ss.5, 6, 8 and 207 of the 1968 Act are invalid to the extent (and only to the extent) that they extinguish copyright in contrivances in which copyright existed as at 1 May 1969. Those sections are invalid because they purport to extinguish property that could not be validly extinguished in that manner.

60. The consequences would be that the 1911 Act and 1912 Act would continue to operate insofar as they concerned pre-1 May 1969 contrivances.

61. No such claim is made by the plaintiffs. Nevertheless this approach avoids an obvious difficulty with the plaintiffs' claim. The plaintiffs seek to take advantage of new rights *currently* offered under the 1968 Act. The 1968 Act has been amended in substantial respects since enactment. In the main, these amendments have conferred
20 significant additional rights on the owners of sound recordings. For example, the owners of copyright in sound recordings have been granted:

(a) the exclusive right to communicate the recording to the public (s.85(1)(c), which includes the right to communicate along wires (such as the internet), whereas the comparable right at the time of enactment of the 1968 Act was the right to "broadcast" which involved wireless telegraphy;

(b) the exclusive right to enter into a commercial rental agreement (s.85(1)(d); and

(c) an extension of the term of copyright²⁰, to 70 years after the end of the calendar year in which the sound recording is first published (s.93, and s.220(3) has been repealed), which is an extension of at least 20 years, but
30 possibly much longer.

62. Each of these additional rights comprises a right in the nature of property within the scope of s.51(xxxi) of the Constitution.²¹ For example, the copyright owner obtained a new exclusive right to communicate the recording to the public, and to prevent others from doing so, and a new right to prevent others from doing various acts in

²⁰ By the *US Free Trade Agreement Implementation Act 2004*.

²¹ *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480 at 527

relation to the recording more than 51 years after the making of the original recording or plate. However, the grant of each additional right was not unconditional. It was subject to a statutory scheme containing, inter alia, ss.109 and 152: cf. *Telstra Corporation Limited v Commonwealth* (2008) 234 CLR 210 at [51]-[54]. Put another way, ss.109 and 152, in their application to these additional items of property, cannot amount to an acquisition of property – rather, the limitations imposed by those sections formed part of the terms on which the rights were granted. Indeed, this is so for all of the new rights in the nature of copyright obtained under the 1968 Act from its enactment.

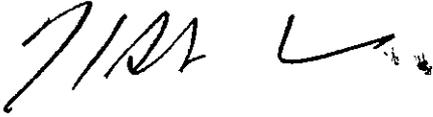
- 10 63. Pursuant to the answers proposed by the plaintiffs to the questions of law stated for the opinion of the Full Court, the plaintiffs seek to obtain the full benefit of the additional rights shorn of the caps in s.152. The plaintiffs thus seek new rights of greater amplitude than were granted to them. This cannot follow from the application of s.51(xxxi) to the 1968 Act or the subsequent amending legislation.
64. The plaintiffs propose three alternatives for severance. The ABC agrees that the first alternative discussed at para [164](a) of the plaintiffs' submissions is not appropriate, for the reasons they give.
65. However the second alternative (severing the caps altogether) is impermissible for similar reasons. There was no legislative inhibition on imposing caps on payments regarding future sound recordings. Such an imposition was clearly intended. There is no basis, consistently with s.15A of the *Acts Interpretation Act*, for bringing about such an outcome.
- 20 66. The third alternative is that the whole of ss.109 and 152 are invalid. As the plaintiffs point out, this involves a relatively major change to the operation of the legislative scheme. In circumstances where the legislative scheme involved other concessions to the holders of copyright and the legislation as a whole can be taken to reflect a careful balancing of competing interests, this solution is inappropriate.

(i) Conclusion

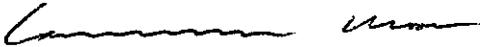
- 30 67. For the reasons given above, the ABC submits that the questions of law stated for the opinion of the Full Court should be answered:
- (1) No.
 - (2) Does not arise.
 - (3) The plaintiffs are to pay the defendants' costs in respect of the Special Case.

68. If question (1) is answered "Yes", question (2) should be answered "sections 5, 6, 8 and 207 do not apply in respect of the broadcasting of records, perforated rolls and other contrivances by means of which sounds may be mechanically reproduced in which copyright subsisted under the 1911 Act".

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