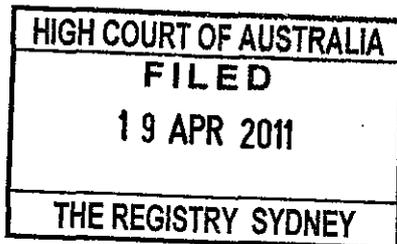


BETWEEN:

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

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

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

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

AND

COMMONWEALTH OF AUSTRALIA  
First Defendant

40 AUSTRALIAN BROADCASTING CORPORATION  
Second Defendant

COMMERCIAL RADIO AUSTRALIA LIMITED  
ACN 059 731 467  
Third Defendant

**THIRD DEFENDANT'S SUBMISSIONS**

**PART I: SUITABILITY FOR PUBLICATION**

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

---

Filed by the Third Defendant

**MINTER ELLISON**  
Lawyers  
Aurora Place  
88 Phillip Street  
SYDNEY NSW 2000

DX: 117 SYDNEY  
Telephone: (02) 9921 4826  
Facsimile: (02) 9921 8014  
Ref: CSDA:ZXA

---

## **PART II: STATEMENT OF THE ISSUES THE MATTER PRESENTS**

2. The Special Case asks whether any of the provisions of ss 109 and 152 of the *Copyright Act 1968 (Cth) (1968 Act)* are invalid by reason of s 51(xxxi) of the Constitution. It also asks consequential questions concerning reading down and costs.

## **PART III: CERTIFICATION RE SECTION 78B NOTICES**

3. The third defendant (CRA) does not consider that any further notices complying with s 78B of the *Judiciary Act 1903 (Cth)* should be served.

## **10 PART IV: STATEMENT OF FACTS**

4. The plaintiffs' statement of facts and chronology are not contested.

## **PART V: APPLICABLE CONSTITUTIONAL PROVISIONS, STATUTES AND REGULATIONS**

5. The plaintiffs' statement of applicable constitutional provisions, statutes and regulations is accepted. In addition, the Copyright (International Protection) Regulations, as made on 24 April 1969, are material.

## **PART VI: STATEMENT OF ARGUMENT**

### **Introduction**

- 20 6. The plaintiffs seek declaratory relief in relation to the validity of ss 109 and 152 of the 1968 Act,<sup>1</sup> based on their alleged effect on copyright in sound recordings which were in existence as at the date that Act commenced, and in which copyright subsisted under the *Copyright Act 1911 (UK) (1911 Act)*. These are referred to as *1911 Act Sound Recordings*. A subset of those sound recordings, in which copyright still subsists under the 1968 Act, are referred to as *Affected Sound Recordings*.
- 30 7. The provisions in question permit a broadcaster to broadcast sound recordings without infringing the copyright which subsists in them under the 1968 Act, provided the broadcaster pays or undertakes to pay to the owners of copyright in those sound recordings amounts determined by the Copyright Tribunal as equitable remuneration. The amounts which the Tribunal may determine are capped at 1% of gross revenue in the case of commercial broadcasters and 0.5 cents per head of the Australian population per annum in the case of the ABC.
8. The plaintiffs contend that, by reason of these caps, ss 109 and 152 of the 1968 Act provide for the acquisition of property otherwise than on just terms and so are invalid because they infringe the guarantee contained within s 51(xxxi) of the Constitution. The property said to be acquired is a material part of the bundle of rights held by owners and controllers of copyright in the 1911 Act Sound

---

<sup>1</sup> Special Case Book (SCB) 35 [67].

Recordings under the 1911 Act, both at the time of commencement of the 1968 Act and subsequently.<sup>2</sup>

9. CRA submits that the plaintiffs' case fails for a number of reasons:

- 10
- (a) If any acquisition of property occurred, it was effected by ss 5, 6 and 8 of the 1968 Act (by which the 1911 Act was in substance repealed). Sections 109 and 152 operate only to qualify the new rights which the 1968 Act confers. While ss 109 and 152 might be relevant to an argument about the validity of ss 5 and 6, no challenge is made to the latter provisions. On a proper analysis, the proposition that an acquisition of property occurred when the plaintiffs' rights under the 1911 Act were extinguished (even if correct) cannot lead to the invalidity of ss 109 and 152 or any part thereof. This is sufficient to require a negative answer to question 1 in the Special Case,<sup>3</sup> and to deny the plaintiffs the relief that they seek.
- (b) Even if (contrary to (a)) ss 109 and 152 are seen as qualifying pre-existing rights under the 1911 Act, these provisions are not properly characterised as laws with respect to the acquisition of property and therefore do not engage the guarantee in s 51(xxxi). (The same answer would be made to any argument that ss 5, 6 and 8 effected an acquisition of property.)
- 20 (c) Even if those provisions are properly so characterised, any acquisition of property is on just terms.

10. If the plaintiffs' case otherwise succeeds, CRA submits that it is possible to read down the provisions of the 1968 Act so that the caps on remuneration under s 152 do not apply to 1911 Act sound recordings, and thereby to avoid invalidity.

11. These submissions will address: (a) the history, relevant provisions and operation of the 1911 Act; (b) the background to the 1968 Act and its effect on copyright in sound recordings; (c) the reasons why the relevant provisions of the 1968 Act are not within the scope of s 51(xxxi); (d) the provision of just terms; and (e) reading down and severability.

**(a) Copyright in records under the 1911 Act**

30 12. This section is divided into two parts, addressing (1) copyright in records under the 1911 Act generally and (2) the performing right in records under that Act.

***Copyright in records under the 1911 Act generally***

13. The 1911 Act was enacted as an Imperial statute, declared to be in force in Australia by s 8 of the *Copyright Act 1912 (Cth) (1912 Act)*, subject to any modifications for which the latter Act provided. Prior to the 1911 Act there was no copyright in sound recordings. Such copyright had not been recognised by the common law or by any previous statute.

14. Section 19(1) of the 1911 Act provided that "[c]opyright shall subsist in records, perforated rolls, and other contrivances by means of which sounds may be

<sup>2</sup> Plaintiffs' submissions (PS), [4].

<sup>3</sup> SCB 138 [262].

mechanically reproduced, in like manner as if such contrivances were musical works”.<sup>4</sup> It seems clear from s 19(2) that the records to which s 19(1) applied were (at least) those made in the parts of the King’s Dominions to which the Act extended. The question of whether s 19(1) applied to other records was never settled.<sup>5</sup>

15. Section 19(1) fixed the term of the copyright it created in records at 50 years from the making of the “original plate” from which the record was derived. It also provided that the author of the record was deemed to be the owner of the plate when it was made.

10 16. Section 1(2) of the 1911 Act defined “copyright” for the purposes of that Act as meaning, in relation to any musical work, the sole right to (1) produce or reproduce the work or any substantial part thereof in any material form, (2) perform the work or any substantial part thereof in public, (3) make any record of the work, and (4) authorize any of these acts. Although “perform” was not defined in the 1911 Act, it plainly bore a related meaning to “performance”, which was defined in s 35(1) as meaning (relevantly) “any acoustical representation of a work ..., including such a representation made by means of any mechanical instrument”.

20 17. It was never doubted that rights (1) and (4) formed part of the copyright subsisting in records under s 19(1) of the 1911 Act while (3) seems clearly enough to have been inapplicable, but the question of whether the performing right in (2) also formed part of that copyright was untested prior to *Gramophone Co Ltd v Stephen Cawardine & Co* [1934] 1 Ch 450.<sup>6</sup> In that case, Maugham J held that s 19(1) gave the owner of copyright in a record “the sole right to use that record for a performance in public, provided that the overriding rights of the original owner [ie, the owner of copyright in the work recorded on the record] do not intervene”.<sup>7</sup> As discussed further at paragraphs 28 and 29 below, the existence of this right and aspects of its scope remained controversial following *Cawardine’s case*.

30 18. Section 2 of the 1911 Act dealt with infringement of copyright. Section 2(1) of the 1911 Act provided that copyright in a work was deemed to be infringed by any person who, without the consent of the owner of copyright, did anything the sole right to do which was by that Act conferred on the copyright owner. That provision was subject to a proviso identifying various acts, such as fair dealing with a work for certain purposes, which would not constitute copyright infringement. The proviso reflects an attempt to balance the rights and interests of copyright owners and users of copyright material by excepting certain conduct from infringing copyright.

---

<sup>4</sup> For convenience, we refer to such contrivances simply as “records” below.

<sup>5</sup> See the Gregory Committee Report, [91]: Book of Documents (BD), Tab 23, 2/720. The question does not need to be resolved in this matter because it is common ground that under s 19(1) copyright at least subsisted in the sound recordings identified at SCB, 73 [12(f)], 73 [12(g)], 74 [13(f)], 74 [14(f)], 75 [15(f)] and 76 [16(e)].

<sup>6</sup> BD, Tab 18, 1/583.

<sup>7</sup> *Cawardine’s case* [1934] 1 Ch 450 at 460.9-461.1 per Maugham J: BD, Tab 18, 1/593-4. Reference to the possible intervention of the rights of the owner of copyright in the recorded work reflected the fact that “while the original copyright [ie, copyright in the recorded work] subsists, its owner is entitled to restrain a performance in public by any of the persons who get the limited and ... subordinate copyright under s 19”: at 459.6 per Maugham J; BD, Tab 18, 1/592.

19. It should be noted that the 1911 Act was not expressed to bind the Crown. This meant that the Commonwealth could not be liable for infringement of copyright in records under the 1911 Act.
20. Section 5(2) of the Act provided that the owner of copyright could assign it, wholly or partially, and grant an interest in it by licence. Such an assignment or licence had to be in writing signed by the owner or his agent.
- 10 21. Section 6(1) of the 1911 Act provided that, where copyright in a work had been infringed, the owner of the copyright was “except as otherwise provided by this Act, ... entitled to all such remedies by way of injunction or interdict, damages, accounts, and otherwise, as are or may be conferred by law for the infringement of a right”. The section made no provision for non-compensatory additional damages in cases of flagrant infringement. Nor did it expressly confer any rights of action on a licensee, exclusive or otherwise, of copyright.
22. Section 7 of the Act gave the copyright owner the right to take proceedings for the recovery of the possession of all infringing copies of any work in which copyright subsists, or of any substantial part thereof, and all plates used or intended to be used for the production of such infringing copies, or proceedings for conversion of the same.
- 20 23. Section 10 provided that an action in respect of copyright infringement had to be commenced within 3 years of the infringement.
24. Section 19(2) is also relevant as another instance of the 1911 Act seeking to balance the rights and interests of copyright owners and users by excepting certain conduct from infringing copyright. This section provided that, notwithstanding the sole right of the owner of copyright in a musical work to make a record of the work (see right (3) above), it was not an infringement of that copyright for any person to make, within the parts of the King’s Dominions to which the Act extended, such a record provided the person proved (1) that such records had previously been made by, or with the consent or acquiescence of, the copyright owner and (2) that the person had given the prescribed notice of his intention to make the records, and had paid to the copyright owner royalties on all of the records sold by him at the prescribed (fixed) rate.
- 30 25. Section 13A of the 1912 Act, which was inserted in 1933, also bore on copyright in records under the 1911 Act. That section provided a mechanism for the voluntary arbitration of disputes between, inter alia, any record manufacturer and any person wanting to use records produced by that manufacturer regarding the rates and methods of payment for the right to use the records for public performance, or the terms and conditions under which they may be so used. As at 1959, there was no known record of the section ever having been used.<sup>8</sup>

### *The performing right in records under the 1911 Act*

- 40 26. The Commonwealth submits that *Cawardine’s case* was wrongly decided and, on a correct analysis, there was no performing right in sound recordings under the

---

<sup>8</sup> SCB, 95 [120].

1911 Act which could be infringed by a radio broadcast.<sup>9</sup> That submission is respectfully adopted and its consequences are noted below.

27. If *Cawardine's case* is correct, a number of matters regarding the origins and practical operation of the performing right in sound recordings under the 1911 Act which it established should be noted.
28. First, the possible existence of this right under the 1911 Act was not appreciated until shortly before the decision in *Cawardine*. The right did not replicate any pre-existing copyright in sound recordings because, as noted above, copyright in sound recordings had not existed prior to the 1911 Act. It was not provided for in the Berne or Berlin Conventions.<sup>10</sup> It does not appear to have been sought by any person who made submissions to the Gorrell Committee.<sup>11</sup> Indeed, before that Committee the position of the Gramophone Company (the largest manufacturer and seller of sound recordings in Great Britain at the time)<sup>12</sup> was that any purchaser of a sound recording should have the right to use it in public.<sup>13</sup> No performing right in sound recordings was proposed by the Gorrell Committee, which (relevantly) recommended only (1) that copyright should subsist in records as a means of protecting their manufacturers against piracy and (2) that public performances of *pirated* copies of records should be treated as an infringement of copyright.<sup>14</sup> Record companies did not assert any such right earlier than November 1931.<sup>15</sup> In 1933, the Report of the Royal Commission on Performing Rights (*Owen Report*) stated that the Commission was "by no means satisfied" that the right existed;<sup>16</sup> opined that legislation by the Commonwealth Parliament was necessary in order to make the legal position clear;<sup>17</sup> and recommended that, if it existed, the right be abolished.<sup>18</sup>
29. Secondly, even following *Cawardine's case*, both the existence and the scope of the performing right in sound recordings remained debatable. Doubts about the correctness of *Cawardine's case* were expressed in the 7<sup>th</sup> (1936) and 8<sup>th</sup> (1948) editions of *Copinger and Skone James on the Law of Copyright*, where it was noted (1) that the probable intention of s 19(1) of the 1911 Act was to prevent one record being copied from another, and (2) that it was difficult to see how a record, as distinct from the music it reproduced, could be performed in public.<sup>19</sup> Even if accepted as correct, *Cawardine's case* did not decide whether, under s 19(1), copyright subsisted in records made outside those parts of King's dominions to which the 1911 Act extended. Further, the extent to which broadcasting a record would infringe the performing right was also uncertain. In *Mellor v Australian Broadcasting Corporation* [1940] AC 491, the Privy Council held: (1) that a broadcast which was not received by anyone (ie, "[a] broadcast per se") was not a

<sup>9</sup> Commonwealth Submissions (CS), [21]-[28].

<sup>10</sup> BD, Tab 11, 1/289-301.

<sup>11</sup> A Departmental committee convened by the British Board of Trade to examine whether the law of the United Kingdom should be altered to give effect to the Berlin Convention: SCB, 93 [109]; BD, Tab 13, 1/328.

<sup>12</sup> SCB, 86 [66(a)].

<sup>13</sup> SCB, 93 [109]; BD, Tab 12, 1/310, 324.

<sup>14</sup> BD, Tab 13, 1/352.

<sup>15</sup> SCB, 95 [116].

<sup>16</sup> BD, Tab 3, 1/127.

<sup>17</sup> BD, Tab 3, 1/128.

<sup>18</sup> BD, Tab 3, 1/138.

<sup>19</sup> BD, Tab 21, 1/660-661; Tab 22, 1/681-682.

performance at all;<sup>20</sup> (2) that receipt of a broadcast by listeners in private might not amount to a public performance;<sup>21</sup> and (3) that receipt of a broadcast in public would amount to a public performance by the person controlling the receiving apparatus, and that the broadcaster would authorize that conduct.<sup>22</sup> In contrast with point (2) of that reasoning, the Supreme Court of Victoria had previously held that a broadcaster made or authorized the making of a public performance even if the broadcast was only received in private.<sup>23</sup>

10 30. Thirdly, the performing right was not tested in litigation between the record companies and broadcasters. Such litigation was averted by a series of commercial agreements. Between 1934 and around 1954, under various agreements, commercial radio broadcasters paid modest royalties<sup>24</sup> to the Australian EMI group, which in that period had a virtual monopoly on the distribution of popular, broadcast quality records,<sup>25</sup> for the right to broadcast records which the group distributed.<sup>26</sup> As the virtual monopoly of the Australian EMI group weakened,<sup>27</sup> commercial broadcasters terminated these agreements<sup>28</sup> and, from December 1955 to April 1956, a majority of them refused to broadcast any sound recordings for the broadcast of which the owner or controller of copyright in the recording demanded a royalty.<sup>29</sup> This stand-off was resolved by a settlement agreement of May 1956 between various record companies and commercial broadcasters.<sup>30</sup> Under that agreement, record companies were not entitled to any money payments from commercial broadcasters in return for the right to broadcast sound recordings in which they owned or controlled the copyright,<sup>31</sup> but were entitled to 15 minutes of broadcasting time per week from each station.<sup>32</sup> This agreement governed the broadcast of sound recordings by commercial broadcasters until at least May 1970 (ie, after the commencement of the 1968 Act).<sup>33</sup> The ABC also paid royalties to the Australian EMI group, but not to smaller record companies, between 1932 and 1968.<sup>34</sup>

20 30 31. Fourthly, the future of the performing right in sound recordings, if it existed, was at all times uncertain. Partly that was a result of its origins as outlined above. However, it was also due to other matters. In the mid-1930s, the ABC pressed the Commonwealth government for legislation clarifying that the right did not exist.<sup>35</sup> Support for the continued existence of the right was later found in First Report of the Parliamentary Standing Committee on Broadcasting, published in 1943,<sup>36</sup> and in the report of the United Kingdom Copyright Committee (*Gregory*

<sup>20</sup> [1940] AC 491 at 500.5 per Lord Maugham.

<sup>21</sup> [1940] AC 491 at 500.6 per Lord Maugham.

<sup>22</sup> [1940] AC 491 at 500.7-501.3 per Lord Maugham.

<sup>23</sup> *Chappell & Co Ltd v Associated Radio Co of Australia Ltd* [1925] VLR 350 at 359.9-360.4 per Cussen and Mann JJ, and Weigall A-J.

<sup>24</sup> SCB, 113 [181], 120 [201].

<sup>25</sup> SCB, 116 [188].

<sup>26</sup> SCB, 112 [179], 113 [181].

<sup>27</sup> SCB, 120 [203]-[204].

<sup>28</sup> SCB, 121 [208].

<sup>29</sup> SCB, 121 [209].

<sup>30</sup> SCB, 122 [212].

<sup>31</sup> SCB, 123 [214].

<sup>32</sup> SCB, 122 [213(c)]. As to the yearly value of this free broadcasting time, see SCB, [216].

<sup>33</sup> SCB, 123 [215].

<sup>34</sup> SCB, 126 [221]-[222], 128 [228]-[233].

<sup>35</sup> SCB, 127 [224].

<sup>36</sup> BD, Tab 20, 1/619.

*Committee*<sup>37</sup> and the *Copyright Act* 1956 (UK) which followed it.<sup>38</sup> But the legislation of a number of countries, most notably the United States (which by the late 1950s was the source of a large proportion of the records being released and broadcast in Australia)<sup>39</sup> did not provide for a performing right in records.<sup>40</sup> The stated position of the commercial broadcasters was that s 19(1) of the 1911 Act conferred no protection in respect of records first published in places, such as the United States, outside the area covered by that Act.<sup>41</sup> The commercial broadcasters and the ABC refused to pay any royalties in respect of the broadcasting of records made and published in the United States which had been imported into Australia, or records pressed in Australia from masters made in the United States.<sup>42</sup> Further, both the commercial radio broadcasting and sound recording industries had been in their infancy when the 1911 Act came into effect and had developed in important, unanticipated ways subsequently,<sup>43</sup> with the result that the parts of that Act which dealt with those industries inevitably required reconsideration.<sup>44</sup> Other considerations pointing to the uncertain future of the performing right in records are referred to below in connection with the origins of the 1968 Act.

### **(b) Copyright in sound recordings under the 1968 Act**

32. This section addresses (1) the origins of the 1968 Act, (2) the provisions of that Act relating to copyright in sound recordings, and (3) the effect of the Act on 1911 Act Sound Recordings.

#### **(i) The origins of the 1968 Act**

33. The 1968 Act had a lengthy gestation period, commencing with the Commonwealth Attorney-General's appointment of the Spicer Committee in 1958 to consider what alterations to Australia's copyright law were desirable in light of the enactment of the *Copyright Act* 1956 (UK)<sup>45</sup> and concluding with the 1968 Act coming into effect on 1 May 1969.<sup>46</sup>

34. Over that time, broadcasters and record companies made extensive submissions in relation to copyright in sound recordings.<sup>47</sup> Those submissions addressed two principal issues: (1) whether copyright in sound recordings should include performing rights; and (2) if so, whether such rights should apply to sound recordings made or first published in countries, like the United States, whose own laws did not give such rights in relation to sound recordings. The broadcasters argued for negative answers to (1) or at least (2), while the record companies pressed for affirmative answers to both issues.

<sup>37</sup> BD, Tab 23, 2/751-752.

<sup>38</sup> SCB, 97 [130].

<sup>39</sup> SCB, 100 [139(a)].

<sup>40</sup> SCB, 99 [133]-[136].

<sup>41</sup> SCB, 100 [139(b)].

<sup>42</sup> SCB, 100 [139(c)].

<sup>43</sup> See, generally, SCB, 76 [17]-[25] and 79 [34]-[56].

<sup>44</sup> See the second reading speech for the Copyright Bill 1968: BD, Tab 56, 3/1396.

<sup>45</sup> SCB, 102 [141].

<sup>46</sup> SCB, 111 [172].

<sup>47</sup> As to the broadcasters, see: SCB, 102 [142]-[143], 103 [146], 105 [154], 105 [156]-[157], 106 [159], 107[161], 109 [167(a)]-[167(b)], 110 [171(a)]. As to the record companies see: SCB, 102 [144], 103 [147], 107 [160].

35. The Spicer Committee Report, published in 1959, recommended affirmative answers to both issues.<sup>48</sup> However, between 1966 and 1968, Commonwealth government policy in respect of these two issues fluctuated and various Copyright Bills were introduced into the House of Representatives, the terms of which reflected those fluctuations.<sup>49</sup>
- 10 36. In May 1967, Cabinet adopted a recommendation of the then Attorney-General, the Hon N H Bowen QC MP, supporting an affirmative answer to issue (1) and an essentially negative answer to issue (2). As to (1), Cabinet decided that it should be an infringement of copyright in a record to play it in public or broadcast it without the licence or consent of the copyright owner, and without paying to the owner an equitable remuneration (to be determined by agreement between the parties or by the Copyright Tribunal).<sup>50</sup> This decision was the origin of the statutory licence to broadcast sound recordings which the plaintiffs now challenge. As to (2), Cabinet decided that performing rights should not apply to a recording first published in another country which did not itself give a performing right in records, unless those recordings were also entitled to protection under the law of another country which did grant such a right and was a member of one of the international copyright Conventions (*Convention country*).<sup>51</sup> This was referred to as a "reciprocity test".<sup>52</sup>
- 20 37. The Copyright Bill 1967 which was thereafter introduced into the House of Representatives would, if passed, have implemented these decisions in respect of all sound recordings in which copyright subsisted pursuant to cl 89 of the Bill,<sup>53</sup> including sound recordings made prior to its enactment (see cl 203).<sup>54</sup> Clause 180 of the Bill provided for the making of regulations extending the performing rights to sound recordings made or first published in other countries.<sup>55</sup> Further, by cl 28(5) the Bill adopted the principle of "simultaneous publication", which meant that a recording would be treated as first published in Australia or a Convention country which granted a performing right if it was published in that country within 30 days of being first published elsewhere.<sup>56</sup> Clause 108 of the Bill provided that copyright in a sound recording that had been published in Australia would not be infringed by a person who caused it to be heard in public or broadcast it, if the person had paid the copyright owner such amount as agreed between them or undertaken to pay him such amount as determined by the Copyright Tribunal.<sup>57</sup> Clause 149 of the Bill provided for the Tribunal to determine an equitable remuneration to be paid to the copyright owner in such cases.<sup>58</sup>
- 30

---

<sup>48</sup> BD, Tab 17, 2/562.

<sup>49</sup> SCB, 104 [148]-[152], 108 [162]-[171].

<sup>50</sup> SCB, 104 [149]-[150]; BD, Tab 37, 2/1121-1123; BD, Tab 38, 2/1129. This altered an earlier Cabinet decision that it should only be an infringement of copyright in a record to copy the record or to play it in public or broadcast it before the date on which it is released to the public: SCB, 104 [148]; BD, Tab 37, 2/1117.

<sup>51</sup> SCB, 104 [149]-[150]; BD, Tab 37, 2/1121-1123; BD, Tab 38, 2/1129. The relevant Conventions were the Berne Convention and the Universal Copyright Convention.

<sup>52</sup> BD, Tab 37, 2/1121.

<sup>53</sup> BD, Tab 39, 2/1167. See also cll 85, 101 and 108: BD, Tab 39, 2/1166, 1170, 1173.

<sup>54</sup> BD, Tab 39, 2/1212. See also cl 215: BD, Tab 39, 2/1216.

<sup>55</sup> BD, Tab 39, 2/1201.

<sup>56</sup> BD, Tab 39, 2/1143.

<sup>57</sup> BD, Tab 39, 2/1173.

<sup>58</sup> BD, Tab 39, 2/1187.

38. The broadcasters strongly opposed the enactment of legislation in this form. Their position was summarised by the Attorney-General in Confidential Cabinet Submission No. 529 of October 1967.<sup>59</sup>
39. One of the broadcasters' concerns was that the Bill would give performing rights in sound recordings made in the United States, which itself gave no performing right, provided they were published in a convention country such as Canada within 30 days of being first published in the United States.<sup>60</sup> This was significant because it was not clear that there was a performing right in such records under the 1911 Act and, as 60% of records on the Australian market were first made in the United States, that had been a point in the commercial broadcasters' favour in negotiations with the record companies in relation to royalties payable for the right to broadcast their records under that Act. Since a substantial proportion of records made in the United States were published in Canada within 30 days of their first publication, the Bill was liable to remove this bargaining point, which would be to the benefit of the record companies and to the detriment of broadcasters. The solution to this concern, which the Attorney-General recommended, was that performing rights be given only on the basis of the place where a sound recording was made, not on the basis of the place where it was first published.<sup>61</sup>
40. A second, related concern, was that even with this solution in place the bargaining point which had been in the commercial broadcasters' favour under the 1911 Act would only remain so long as there was no performing right given to sound recordings in the United States.<sup>62</sup> If such a right were conferred in that country, then the reciprocity test would mean that the recording would also be given performing rights under Australian law. If that occurred, royalties would be payable in respect of the broadcasting of practically all records in Australia. The commercial broadcasters contended that, in such circumstances, the Copyright Tribunal would not be sufficient protection against their being forced to pay very large fees to the record companies. To meet this concern, the Attorney-General recommended that the Bill should set a ceiling on the fees that the Tribunal could fix as payable by commercial broadcasters, being an amount of 1% of annual gross revenue.<sup>63</sup> This was the origin of the caps on equitable remuneration with which the plaintiffs now take issue.
41. On 6 December 1967, the General Administrative Committee of Cabinet approved the Attorney-General's recommendations in Confidential Cabinet Submission No. 529.<sup>64</sup> Although it was not referred to in this approval, in late October 1967, the ABC had also proposed a cap of 0.5 cents per head of population on the equitable remuneration the Copyright Tribunal might order it to pay to record companies for broadcasting sound recordings.<sup>65</sup>
42. On 16 May 1968, the Attorney-General introduced a revised Copyright Bill into the House of Representatives in the form of a memorandum showing alterations

<sup>59</sup> BD, Tab 51, 3/1346-1349.

<sup>60</sup> BD, Tab 51, 3/1346-1347.

<sup>61</sup> BD, Tab 51, 3/1347, 1351.

<sup>62</sup> BD, Tab 51, 3/1347-1348.

<sup>63</sup> BD, Tab 51, 3/1348, 1351-1352.

<sup>64</sup> BD, Tab 55, 3/1393.

<sup>65</sup> SCB, 109 [167(a)]-[167(b)].

made to the earlier draft.<sup>66</sup> Amongst other changes, the revised Bill implemented the above recommendations and included the ABC's proposed cap. A new cl 105 was inserted which provided that copyright subsisting in a sound recording by reason only of its place of first publication would not be infringed by causing the recording to be heard in public or by broadcasting it.<sup>67</sup> The caps applying to Copyright Tribunal orders in respect of commercial broadcasters and the ABC were provided for in new clauses 149A(8)<sup>68</sup> and 149A(11)(b)<sup>69</sup> respectively. A new clause 149B, later negatived in committee,<sup>70</sup> provided that the Attorney-General could request the Copyright Tribunal to review the caps if, after 5 or more years, it appeared that, by reason of changed circumstances, they should be varied.<sup>71</sup>

43. What emerges from this history of the 1968 Act, and particularly the provisions dealing with sound recordings, is that the legislation was directed to balancing the competing rights and interests of the record companies and broadcasters in light of the ways in which circumstances had changed since Australia's adoption of the 1911 Act, but not so as to alter radically the existing balance between them. So much is apparent from the following portion of the Second Reading Speech for the Copyright Bill 1968, given on 16 May 1968:<sup>72</sup>

Honourable members will therefore appreciate that any alteration in the existing copyright law will affect substantial economic interests which have been built up on the basis of that law. The interests affected will be the interests of both producers and users of material protected by copyright. The present Bill recognises that there are changes in the use of copyright material which have been brought about by changes in technology and the Government has been concerned to see that authors receive due payment for the use of their material. At the same time the Government recognises that existing practices and existing relationships in industries which depend upon copyright material cannot be ignored. In framing this Bill, the Government has had due regard to interests which are often conflicting interests. In many cases, it has not been possible to satisfy completely all parties. Nevertheless, I hope that this Bill will be widely accepted as a reasonable compromise in cases where there are conflicting interests.

*(ii) Provisions of the 1968 Act relating to sound recordings*

44. Section 89 of the 1968 Act provided that, subject to the other terms of that Act, copyright subsisted in sound recordings: (1) of which the maker was a "qualified person"<sup>73</sup> at the time the recording was made; (2) made in Australia; or (3) first published in Australia. The Copyright (International Protection) Regulations (*International Protection Regulations*) extended the Act's operation so that copyright also subsisted in sound recordings made or first published in a Convention country,<sup>74</sup> and to sound recordings made by citizens, nationals or

<sup>66</sup> SCB, 108 [165]; BD, Tab 52, 3/1355.

<sup>67</sup> BD, Tab 52, 3/1370.

<sup>68</sup> BD, Tab 52, 3/1377.

<sup>69</sup> BD, Tab 52, 3/1378.

<sup>70</sup> SCB, 110 [170].

<sup>71</sup> BD, Tab 52, 3/1380.

<sup>72</sup> BD, Tab 56, 3/1395-1396.

<sup>73</sup> An Australian citizen, protected person or resident, or a body corporate incorporated under Commonwealth or State law: 1968 Act, s 84.

<sup>74</sup> International Protection Regulations, reg 4(1).

residents of such countries,<sup>75</sup> or bodies corporate incorporated under their laws.<sup>76</sup> The simultaneous publication principle in s 29(5) of the 1968 Act meant that a sound recording was treated as first published in Australia or a Convention country if published there within 30 days of being first published elsewhere.

- 10
45. Section 85 of the Act provided that copyright in a sound recording comprised the exclusive rights: (a) to make a record embodying the recording, (b) to cause the recording to be heard in public; and (c) to broadcast the recording. "Broadcast" was defined in s 10 to mean "broadcast by wireless telegraphy", the term "wireless telegraphy" itself being defined to mean "the emitting or receiving, otherwise than over a path that is provided by a material substance, of electromagnetic energy". Section 27 made it clear that the performing rights in s 85(b) and (c) were separate and distinct rights. The broadcast right could be infringed, without questions of authorisation intruding, by a broadcaster whose broadcast was received whether in public or in private.<sup>77</sup>
- 20
46. Performing rights did not apply to all sound recordings in which copyright subsisted under s 89. Section 105 provided that copyright subsisting in a sound recording by virtue only by reason of s 89(3) (ie, first publication in Australia) was not infringed by causing the recording to be heard in public or by broadcasting it. Further, the reciprocity test was applied so that copyright subsisting in a sound recording only by virtue of the International Protection Regulations did not include the performing rights where the relevant Convention country did not give those rights.<sup>78</sup>
47. By s 93, the term of copyright in a sound recording was 50 years from the end of the calendar year in which the recording was first published.
48. The owner of copyright in a sound recording was the maker of the recording;<sup>79</sup> or, where the recording was made pursuant to an agreement for valuable consideration, the person for whom it was made.<sup>80</sup>
- 30
49. Remedies for copyright infringement were provided in Part V of the 1968 Act. Section 115(3) gave an entitlement to an account of profits in respect of copyright infringement by an innocent infringer. Section 115(4) provided for additional damages in cases of flagrant copyright infringement. Section 119 gave an exclusive licensee rights of action in relation to copyright infringement, and s 120 only required that the copyright owner be joined in cases where the owner and exclusive licensee had concurrent rights of action. Section 134 provided a six year limitation period for actions for infringement of copyright or in respect of conversion or detention.
- 40
50. While the 1911 Act did not bind the Crown, s 7 of the 1968 Act provided (and still provides) that the Act binds the Crown, subject to Part VII. The result was that the Commonwealth or a State could be held liable for infringing copyright in a sound recording under the 1968 Act. In addition, while section 183(1) of the

<sup>75</sup> International Protection Regulations, regs 4(3) and 4(4).

<sup>76</sup> International Protection Regulations, reg 4(5).

<sup>77</sup> See *Telstra Corporation Ltd v Australasian Performing Right Association Ltd* (1997) 191 CLR 140.

<sup>78</sup> International Protection Regulations, regs 6 and 7.

<sup>79</sup> 1968 Act, s 97(2).

<sup>80</sup> 1968 Act, s 97(3).

1968 Act provided that copyright in a sound recording was not infringed by the Commonwealth or a State by doing any act comprised in copyright if that act were done for the services of the Commonwealth or State, section 183(5) provided that the terms for the doing of the act, if not agreed with the owner of the copyright, were such as might be fixed by this Court.<sup>81</sup>

- 10 51. In similar vein to the 1911 Act, other provisions of the 1968 Act sought to balance the rights and interests of copyright owners and users of copyright material by excepting certain conduct from infringing copyright. For instance, although there was no fair dealing defence for use of a sound recording, s 104 of the 1968 Act provided that copyright subsisting in a sound recording (amongst other things) was not infringed by anything done for the purposes of a judicial proceeding or a report of a judicial proceeding. Another example is s 107 of the Act, which provided that copyright in a sound recording would not be infringed by making a record embodying the recording for the purpose of non-infringing broadcasting of the recording. The statutory licence to make records of musical works in s 19(2) of the 1911 Act was reflected in s 55 of the 1968 Act, although the new form of the licence arose in more defined circumstances.
- 20 52. Section 109, which the plaintiffs seek to impugn, is another example of this type of provision. It provided that copyright in a published sound recording was not infringed by the making of a broadcast of the recording if:
- (a) where there was not in force a Copyright Tribunal order applying to the broadcaster in relation to the time when the broadcast was made – the broadcaster had undertaken to pay the copyright owner such amounts as determined by the Tribunal in such an order in respect of the broadcasting of published sound recordings in which that owner owned copyright, including the recording broadcast; and
  - (b) where there was in force a Copyright Tribunal order applying to the broadcaster in relation to the time when the broadcast was made – the broadcaster paid the copyright owner, provided the owner was specified in the order, the amount determined by the Tribunal. If the copyright owner was not specified in the order, no payment had to be made at all.
- 30
53. Although commonly referred to as a statutory licence, s 109 is more accurately described as a conditional immunity from liability for copyright infringement. Provided the broadcaster satisfies the conditions it lays down, the section confers on it an immunity from liability for copyright infringement by reason of a relevant broadcast. There is no “licence”, in the sense of a right conferred on a specific person that is capable of being given a monetary value and (for example) mortgaged or assigned.
- 40 54. The voluntary arbitration process for disputes between record manufacturers and users of their records contained in s 13A of the 1912 Act was not replicated in the 1968 Act, but s 152, the other provision the plaintiffs challenge, provided for the Copyright Tribunal to determine the amount payable by a broadcaster to owners of copyright in sound recordings for the broadcasting of those sound recordings pursuant to s 109. The amount so determined is generally referred to as “equitable

---

<sup>81</sup> This provision was amended by the *Jurisdiction of Courts (Miscellaneous Amendments) Act 1979* so as to confer the relevant function on the Copyright Tribunal.

remuneration". Section 152(7) of the Act required the Tribunal, in determining that amount, to take into account all relevant matters. Section 152(8) provided that the Tribunal could not make an order that would require a commercial broadcaster to pay an amount more than 1% of its gross revenue for a period equal in duration to that covered by the order but ending on the 30 June immediately prior to the period so covered. Section 152(11)(b) provided that the Tribunal could not make an order that would require the ABC to pay an amount greater than 0.5 cents per head of Australia's population in respect of a one year period (or a proportional amount for a period of less than one year).

- 10 55. The provisions reviewed above were in the 1968 Act as enacted. Subsequent amendments have altered the position in various respects. For present purposes, it is sufficient in this regard to note that the term for copyright in sound recordings was extended from 50 to 70 years by the *US Free Trade Agreement Implementation Act 2004* (Cth), and that the exclusive rights comprising copyright in sound recordings have been supplemented.<sup>82</sup>

*(iii) The effect of the 1968 Act on 1911 Act Sound Recordings*

56. Section 6 of the 1968 Act repealed the 1912 Act, which had declared the 1911 Act to be in force in Australia (and subsequent amending Acts). By s 8, copyright was not to subsist otherwise than under the 1968 Act or the *Designs Act 1906*.
- 20 57. Section 5 of the 1968 Act dealt with the 1911 Act itself. Section 5(1) provided that it operated to the exclusion of the 1911 Act. Section 5(2) deemed the 1911 Act to be a repealed Act for the purposes of s 8 of the *Acts Interpretation Act 1901* (Cth), and provided that Part XI (which contains transitional provisions) was not to be taken to affect the operation of s 8 in relation to matters to which that Part did not apply.
58. In Part XI itself, s 207 provided that, except so far as that Part otherwise expressly provided, the 1968 Act applied in relation to things existing at the commencement of that Act in like manner as it applied in relation to things coming into existence after its commencement. Accordingly, save as Part XI otherwise expressly provided, the 1968 Act applied to sound recordings in existence as at the commencement of that Act, including the 1911 Act Sound Recordings.
- 30 59. Section 220(1) widened s 89(1) of the 1968 Act so that copyright subsisted in a sound recording made before the commencement of the Act if, at the time the recording was made, the maker was a British subject or a person domiciled in any part of the Queen's dominions to which the 1911 Act extended.<sup>83</sup>
60. Section 220(2) provided that s 89(2) of the 1968 Act did not apply in relation to a sound recording made before the commencement of that Act. The effect of this

---

<sup>82</sup> See PS, [35], [42].

<sup>83</sup> If, copyright only subsisted under the 1911 Act in records made in those parts of the King's Dominions to which the Act extended, then there was (and remains) a potential disconformity between those records and the sound recordings in which copyright subsists under the 1968 Act by virtue of ss 89(1) and 220(1) (eg, copyright would not have subsisted under the 1911 Act in a record made by a British subject outside the King's Dominions, but would subsist under the 1968 Act). That issue does not need to be resolved in this case because it is common ground that under the 1911 Act copyright subsisted in at least the sound recordings identified in SCB, 73 [12(f)], 73 [12(g)], 74 [13(f)], 74 [14(f)], 75 [15(f)] and 76 [16(e)], and that copyright presently subsists in those sound recordings under the 1968 Act.

was that copyright would not subsist in a sound recording made before the commencement of the 1968 Act merely because it had been made in Australia.

61. Section 220(3) provided that s 93 of the 1968 Act, which prescribed the term for copyright in sound recordings, did not apply to a sound recording made before the commencement of that Act. Instead, it provided that copyright subsisting in such a sound recording by virtue of s 89(1) or s 89(3) would continue to subsist until the end of 50 years from the end of the calendar year in which the recording was made.

10 62. The provisions of Division 4 of Part XI (ss 226-242) ensured that the 1968 Act had only a prospective operation, including so far as 1911 Act Sound Recordings were concerned. For example, s 226 provided that s 115 of the 1968 Act did not apply to an infringement of copyright under the 1911 Act and s 230 provided that s 134 of the 1968 Act did not apply in relation to copyright infringement under the 1911 Act.

63. The position of 1911 Act Sound Recordings under the 1968 Act can be summarised as follows:

(a) any copyright which subsisted in those sound recordings under the 1911 Act was extinguished by the repeal of the 1912 Act and the deemed repeal of the 1911 Act;

20 (b) copyright under the 1968 Act subsisted in the 1911 Act Sound Recordings by virtue of ss 207 and 89 of the 1968 Act, as modified by ss 220(1) and 220(2) of that Act;

(c) the term of copyright in the 1911 Act Sound Recordings changed from 50 years from the date of making the original plate from which the recording was derived<sup>84</sup> to 50 years from the end of the calendar year in which the recording was made<sup>85</sup> (as noted above, the term has since been extended to 70 years);

30 (d) the exclusive right of the owner of copyright to “perform the work in public” under the 1911 Act was replaced by the dual rights of causing the sound recording to be heard in public and of broadcasting it;

(e) the rights of a copyright owner in relation to copyright infringement were enhanced by the new entitlement to an account of profits from an innocent infringer, by the new right to claim additional damages in cases of flagrant infringement, and by an extension of the limitation period for infringement actions from 3 years to 6 years;

(f) unlike the 1911 Act, the 1968 Act binds the Crown so that the Commonwealth or a State could be held liable for infringing copyright in 1911 Act Sound Recordings;

40 (g) the 1968 Act made provision for exclusive licensees of copyright and conferred on them express rights of action in relation to copyright

---

<sup>84</sup> Under s 19(1) of the 1911 Act.

<sup>85</sup> 1968 Act s 220(3).

infringement. Although the relevant sections of the Act did not apply in relation to licences granted before its commencement,<sup>86</sup> they at least provided greater clarity as to the rights of licensees and so made exclusive licences more valuable to the benefit of copyright owners, including owners of copyright in 1911 Act Sound Recordings, who could expect to receive greater licence fees for new exclusive licences; and

- 10 (h) the 1968 Act also adjusted in relatively minor ways the balance between the rights and interests of owners of copyright in 1911 Act Sound Recordings and users of those recordings, including by the introduction of ss 109 and 152.

**(c) The relevant provisions of the 1968 Act are not properly characterised as laws with respect to the acquisition of property for the purposes of s 51(xxxi)**

64. Before coming to the plaintiffs' argument, it is necessary to deal with two threshold issues.

65. First, as noted above, CRA respectfully adopts the submission of the Commonwealth that *Cawardine's case* was wrongly decided. If that be correct, it follows that the conduct which is expressly authorised by s 109 is not conduct that would have amounted to an infringement of copyright under the 1911 Act. In other words, the provisions about which the plaintiffs complain did not in any way diminish the content of their rights and there is no substance to the argument that they are invalid.

66. Secondly, as has also been noted above, the extinguishment of such rights as the plaintiffs did enjoy under the 1911 Act was effected by ss 5, 6 and 8 of the 1968 Act. Sections 207 and 220 applied the provisions of the 1968 Act to 1911 Act sound recordings; and ss 109 and 152 qualify the rights that were thereby conferred. Properly understood, therefore, ss 109 and 152 took away nothing. If there were an argument leading to invalidity, the argument would be that ss 5 and 6 were invalid because they effected an acquisition of the plaintiff's rights under the 1911 Act, and the 1968 Act taken as a whole fails to provide just terms for that acquisition. However, that is not the argument that the plaintiffs advance.

67. The remainder of this section of the submissions will address the argument that the plaintiffs do advance (notwithstanding that, for reasons just explained, that argument as presently formulated is hopeless). It will be submitted that, adopting the premises of that argument, ss 109 and 152 are not within the scope of s 51(xxxi) for two broad reasons: first, they do not provide for any acquisition of property; and second, even if they do provide incidentally for some acquisition of property, they nevertheless fall outside s 51(xxxi). This latter argument has two aspects: first, that the creation and modification of intellectual property rights is a subject outside ss 51(xxxi); and second, that the present provisions are principally directed to the adjustment of competing rights, claims or obligations of owners of copyright in sound recordings and broadcasters and do not have the character of laws "with respect to" the acquisition of property.

---

<sup>86</sup> 1968 Act, s 228.

### *No acquisition of property*

68. Central to the construction of s 51(xxxi), and this Court's decisions on its operation, is the distinction between the *acquisition* of property and its mere *extinguishment or diminution*.<sup>87</sup> To bring the constitutional guarantee into play, there must be an acquisition whereby the Commonwealth or some other person acquires an interest in property, or at least some right or interest that justifies the characterisation of what has occurred as an "acquisition of property".
69. The 1968 Act did not effect any transfer of copyright holders' rights, or any aspect of those rights, to any other person. Those rights were extinguished altogether by s 6 of the 1968 Act, which repealed the pre-existing legislation. They were replaced by newly-created rights under the 1968 Act which were in some respects more attractive to copyright holders than those conferred by the 1911 Act, and in other respects less so. The aspect of that new dispensation about which the plaintiffs now complain is that which conditionally exempts from liability for infringement of copyright a person who broadcasts a sound recording.
70. Decisions of this Court beginning with *Mutual Pools and Staff Pty Ltd v Commonwealth* (1993) 179 CLR 155 have accepted that, in certain circumstances, the extinguishment of a property right may bring about an "acquisition of property" in the relevant sense. This is not a departure from the central distinction referred to above, but rather a recognition that in some cases the extinguishment of a right enjoyed by A against B will of itself enhance the rights of B in a way that amounts in substance to an acquisition of property. The classic case is where A has an accrued cause of action against B, which is extinguished.<sup>88</sup> Reasons of members of the Court have referred to such circumstances in terms of the conferral of "some identifiable and measurable *countervailing* benefit or advantage to that other person";<sup>89</sup> "a benefit precisely *corresponding with* the plaintiff's loss of its property";<sup>90</sup> "a *corresponding* benefit of commensurate value";<sup>91</sup> release from a liability that "was the *correlative* of the plaintiff's claim";<sup>92</sup> "the benefit of relief from the burden [on the Commonwealth's estate in certain land and minerals] of Newcrest's rights to carry on 'operations for the recovery of minerals'";<sup>93</sup> "some identifiable benefit or advantage *relating to the ownership or use of property*";<sup>94</sup> and "contraction in what would otherwise be the measure of *liability* in respect of a cause of action or other right"<sup>95</sup> (emphasis added in each case).
71. What is common to all of these formulations is that there must be an identifiable enhancement of B's rights (or contraction of its liabilities) which mirrors or

<sup>87</sup> Eg *Commonwealth v Tasmania* (the *Tasmanian Dam case*) (1983) 158 CLR 1 at 144-145 per Mason J.

<sup>88</sup> As in *Georgiadis v Australian and Overseas Telecommunications Corporation* (1994) 179 CLR 297.

<sup>89</sup> *Mutual Pools and Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 at 185 per Deane and Gaudron JJ (and see also at 173 per Mason CJ).

<sup>90</sup> Cf *Mutual Pools* 179 CLR at 176 per Brennan J.

<sup>91</sup> Cf *Mutual Pools* 179 CLR at 222-223 per McHugh J.

<sup>92</sup> Cf *Georgiadis* 179 CLR at 311 per Brennan J.

<sup>93</sup> *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513 at 530 per Brennan CJ (also see 634-635 per Gummow J, and also Brennan CJ's later explanation in Cf *WMC Resources* (1998) 194 CLR 1 at 17 [17]).

<sup>94</sup> Cf *WMC Resources* (1998) 194 CLR 1 at 30 [56] per Toohey J.

<sup>95</sup> *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651, 663 [21] per Gleeson CJ, Gummow, Hayne and Crennan JJ.

corresponds to the property right lost by A. That enhancement is not present when all that occurs is the extinguishment of A's right to enjoin certain conduct by persons generally or obtain compensation if it occurs, the loss of a statutory privilege enjoyed by A, or an adjustment of the terms upon which A and B deal with each other.<sup>96</sup> So, for example, statutory reform of the law of negligence does not "acquire" the "property" of a prospective plaintiff in a cause of action that would accrue in future if the law remained unchanged. So too, in *Commonwealth v WMC Resources Limited* (1998) 194 CLR 1, the extinguishment of an exploration permit in the seabed was not an "acquisition of property" by the Commonwealth because "the Commonwealth was under no liability reciprocal to the permit" and thus "acquires no benefit by the modification or extinguishment".<sup>97</sup> And recently in *ICM Agriculture Pty Ltd v Commonwealth* (2009) 240 CLR 140, the cancellation of licences to extract groundwater was held not to entail an "acquisition of property", in part at least, because those licences were not a qualification of anybody's rights and their cancellation therefore did not confer any "advantage" of the requisite kind.<sup>98</sup> All six members of the majority in *ICM* accepted the fundamental distinction referred to above, and three did so in terms of a requirement that some person "must acquire 'an interest in property, however slight or insubstantial it may be'".<sup>99</sup>

10

20

72. In the present case, as noted above (and assuming for present purposes that copyright in sound recordings under the 1911 Act included a performing right), upon the commencement of the 1968 Act copyright holders in 1911 Act sound recordings lost the right to grant or withhold licences to broadcast those recordings, and the right to obtain relief for infringement if such recordings were broadcast without permission. No right that could be described as proprietary was conferred on any other person; nor was any identifiable benefit or advantage that related to the "ownership or use of property", or corresponded to what had been lost by copyright holders. No broadcaster was relieved from any existing liability. Rather, the makers of broadcasts generally thenceforth enjoyed a (conditional) liberty to broadcast the relevant sound recordings without incurring liability for infringement of copyright.

30

40

73. This outline suffices to establish that the 1968 Act did not effect any "acquisition of property", in the sense in which that term is to be understood following the line of cases discussed above. It also makes clear that the present case is on all fours with *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480 (*Tape Manufacturers*) – a case in which all Justices were agreed on the issue of present relevance, and whose correctness has not hitherto been questioned. That case concerned amendments to the 1968 Act which were designed to deal with private and domestic taping of sound recordings using blank tapes.<sup>100</sup> Section 135ZZP imposed a "royalty" on vendors who first sold, let for hire or otherwise distributed blank tapes in Australia, the royalty being payable to

<sup>96</sup> Cf *British Medical Association v Commonwealth* (1949) 79 CLR 201, 270 per Dixon J.

<sup>97</sup> Cf *WMC Resources* 194 CLR at 20 [24] per Brennan CJ.

<sup>98</sup> Cf *ICM Agriculture* 240 CLR at 180 [84]-[85] per French CJ, Gummow and Crennan JJ, 201-203 [147]-[153] per Hayne, Kiefel and Bell JJ.

<sup>99</sup> Cf *ICM Agriculture* 240 CLR at 201-202 [147] per Hayne, Kiefel and Bell JJ (quoting Mason CJ in the *Tasmanian Dam* case, and both of the joint judgments in *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480), and see at 179 [81] per French CJ, Gummow and Crennan JJ.

<sup>100</sup> The scheme is summarised in the judgment of Mason CJ, Brennan, Deane and Gaudron JJ: *Tape Manufacturers* (1993) 176 CLR 480 at 496.

a collecting society for copyright owners. Section 135ZZM(1) was (on the assumptions now being employed) directly analogous to s 109: it provided that copyright in a published sound recording was not infringed by making on private premises a copy of the recording if it was made on blank tape for the private and domestic use of the maker. One question which arose was whether s 135ZZM(1) provided for an acquisition of property from the owners of copyright in sound recordings.

74. All members of the Court answered that question in the negative. Dawson and Toohey JJ (McHugh J agreeing) said:

10 The effect of [s 135ZZM] 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.

...

20 Section 135ZZM(1) confers nothing upon any person which may be described as being of a proprietary nature. If the immunity which the section confers can correctly be described as a right, it is a right which is applicable to all but arises only on the occasions upon which copying takes place. It is not a right which is of a permanent character or capable of being assigned to third parties, those being usual characteristics of a right of property. It is not a right which can be described as being by way of copyright or of a licence under copyright since it entirely lacks exclusivity. It does not, in our view, amount to an interest in property. Section 135ZZM(1) is not, therefore, a law with respect to the acquisition of property.<sup>101</sup>

75. Mason CJ, Brennan, Deane and Gaudron JJ agreed with those reasons and added:<sup>102</sup>

30 [Section 135ZZM(1)] ... 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. As Mason J observed in [the *Tasmanian Dam* case]:

40 To bring the constitutional provision 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.

76. These statements predate the decision in *Mutual Pools*, and may state the effect of s 51(xxxi) too narrowly to the extent that they insist on somebody acquiring "an interest in property" in all cases (although, as noted above, three members of the majority in *ICM* used that form of words). However, there is no tension between

<sup>101</sup> *Tape Manufacturers* at 527.7-528.6 (footnotes omitted).

<sup>102</sup> *Tape Manufacturers* at 499.6-500.1 (footnotes omitted).

what was decided in *Tape Manufacturers* and the later decisions discussed above.<sup>103</sup> No decision of this Court supports the view that the grant of a non-exclusive immunity from liability for future infringements of copyright amounts to an acquisition of property from the holder of that copyright. In particular, *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513 does not do so.<sup>104</sup> As has been repeatedly explained in that case and since,<sup>105</sup> the decision in *Newcrest* turned on the fact that the mining tenements were interests carved out of the radical title of the Commonwealth to land, and their extinguishment thus augmented the property rights of the Commonwealth. In *WMC Resources*, where the exploration permit related to areas of seabed (in which no radical title existed), the result was different. Nor does the plaintiffs' position gain any support from the decisions in which extinguishment of an accrued cause of action (and the corresponding relief from an existing liability) has been held to amount to an acquisition of property.<sup>106</sup> And nor does the result or the reasoning in *Tape Manufacturers* require a precise correspondence between what is lost and what is acquired.<sup>107</sup> So much is clear from the majority's adoption of what Mason J had said in the *Tasmanian Dam* case. Finally, *Tape Manufacturers* did not turn on the statutory basis of the rights in issue; and there is therefore no question as to its consistency with what has been said in cases such as *Attorney-General (NT) v Chaffey*<sup>108</sup> concerning the extinguishment of statutory rights.<sup>109</sup> (In so far as the discussion in *Chaffey* relates to the correctness of *Tape Manufacturers*, it is noteworthy that the reference in the reasons of the plurality to "a law reducing the content of subsisting statutory exclusive rights, such as those of copyright and patent owners" attracting the operation of s 51(xxxi)<sup>110</sup> cites as authority part of the reasons of Gummow J in *WMC Resources*, in which his Honour referred with approval to the decision in *Tape Manufacturers*.)<sup>111</sup>

77. Accordingly, even if leave is granted to the plaintiffs to re-open *Tape Manufacturers*,<sup>112</sup> there is no proper basis for a conclusion that that case was wrongly decided. The decision is clearly correct.

78. The plaintiffs also seek to distinguish *Tape Manufacturers*.<sup>113</sup> However, neither of the grounds upon which they attempt to do so has any substance.

(a) It is correct that the immunity provided by s 109 is conditional on the broadcaster making or undertaking to make payments in accordance with an order of the Copyright Tribunal, whereas no payment was required by the beneficiary of the immunity under s 135ZZM.<sup>114</sup> However, that is a distinction without a difference: both immunities require specified preconditions to be met before they arise, and it is thus going too far to

<sup>103</sup> Cf PS [107(a)].

<sup>104</sup> Cf PS [107(c)].

<sup>105</sup> Cf *ICM Agriculture* 240 CLR at 180 [85].

<sup>106</sup> Cf PS [107(d)].

<sup>107</sup> Cf PS [107(b)].

<sup>108</sup> *Chaffey* 231 CLR at 664 [24].

<sup>109</sup> Cf PS [108].

<sup>110</sup> *Chaffey* 231 CLR 651 at [24].

<sup>111</sup> Cf *WMC Resources* 194 CLR 1 at [182]-[187].

<sup>112</sup> Cf PS [106].

<sup>113</sup> PS, [97]-[105].

<sup>114</sup> PS, [100]-[103].

describe one as “simple” and the other as “conditional”.<sup>115</sup> The plaintiffs do not explain why, and there is no reason why, it should be significant that the preconditions to immunity under s 109 involve payment of remuneration to the persons whose rights are affected by the grant of the immunity. Further, the presence or absence of any particular condition on the immunity arising under s 109 does not affect the character of what does arise: s 109 does no more than make something which would otherwise have been an infringement of copyright not an infringement; and that was the basis of the decision in *Tape Manufacturers*.

10 (b) It is also correct that, by s 87 of the 1968 Act (which provides for copyright in sound broadcasts), radio broadcasters receive a property interest in the broadcasts they are permitted to make pursuant to s 109.<sup>116</sup> However, that interest can in no sense be said to have been acquired from the owner of copyright in the sound recording by means of s 109. The broadcaster would acquire exactly the same interest if s 109 were not present. (Even if the making of the broadcast involved multiple infringements of copyright, all that would follow would be liability under s 115. The right which s 87 confers would still arise, although it might be of little or no commercial value.)<sup>117</sup>

20 79. The decision in *Tape Manufacturers* thus governs the present case. Further, apart from that specific authority, for reasons outlined above, s 109 of the 1968 Act does not effect any “acquisition of property” even in the relatively broad sense in which that expression is to be understood for the purposes of s 51(xxxi).

80. What has been said above concerning the distinction between acquisition and mere extinguishment would also be a complete answer to any attack on the validity of ss 5, 6 and 8 of the 1968 Act, based on the extinguishment of the plaintiffs’ rights which they effected.

*No acquisition which engages s 51(xxxi)*

30 81. Even if s 109 of the 1968 Act effected an “acquisition of property” in the relevant sense, a question remains as to whether the guarantee in s 51(xxxi) was engaged. CRA submits that it was not, for two overlapping reasons. First, the creation and the enhancement or diminution of intellectual property rights is outside the scope of s 51(xxxi). Second, s 109 was an aspect of a scheme which adjusted competing rights, claims and obligations in a regulated sphere of activity and did not therefore have the character of a law with respect to the acquisition of property. (Again, both of these points will be developed on the assumption that s 109 effected a diminution of the plaintiffs’ rights as copyright holders. However, both points would also constitute answers to an attack on the validity of ss 5 and 6, if the case were put in that way.)

---

<sup>115</sup> Under s 135ZZM the recording needed to be made in private premises, on blank tape, for the private and domestic use of the maker.

<sup>116</sup> PS, [104]-[105].

<sup>117</sup> In such a case, relief under s 115(2) might include an injunction preventing re-broadcast of the material by the broadcaster. That would affect the value, but not the existence, of the *exclusive* right conferred by s 87(c).

82. In *Mutual Pools*, Deane and Gaudron JJ noted two related matters which arose from the operation of s 51(xxxi) as a limitation on other heads of legislative power:

The first is that that operation, being merely indirect as a matter of construction, is necessarily subject to any contrary intention either expressed or made manifest by the words or content of those other grants of power. In particular, some laws which are expressly authorized under other grants of legislative power necessarily encompass acquisition of property unrestricted by any requirement of the quid pro quo of just terms. Laws "with respect to ... Taxation" are an example. The second is that s. 51(xxxi) is, first and foremost, a grant of power, and only secondarily a guarantee of "just terms". For present purposes, it can be described as a power to make laws with respect to acquisition of property on just terms.<sup>118</sup>

83. The first of the arguments foreshadowed above arises from the first of the points noted by their Honours. In *Nintendo Company Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134, Centronics contended that, if the *Circuit Layouts Act* 1989 (Cth) conferred on Nintendo an exclusive right of commercial exploitation of circuits contained in goods which Centronics owned at the commencement of that Act, it would effect an acquisition of property in those goods otherwise than on just terms with the result that, at least to this extent, the Act was invalid. That contention was unanimously rejected. The majority, having referred to what Deane and Gaudron JJ had said in *Mutual Pools*, continued:

The grant of Commonwealth legislative power which sustains the Act is that contained in s. 51(xviii) of the Constitution with respect to "Copyrights, patents of invention and designs, and trade marks". It is of the essence of that grant of legislative power that it authorises the making of laws which create, confer, and provide for the enforcement of, intellectual property rights .... 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 in s. 51(xviii) manifests a contrary intention which precludes the operation of s. 51(xxxi).<sup>119</sup>

84. Despite some obiter dicta to the contrary,<sup>120</sup> it is submitted that the same is true of laws which diminish or even abolish intellectual property rights. A power to make laws "with respect to" copyrights necessarily involves the power to decrease as well as to increase the content of such rights, in the course of reforming Australia's intellectual property laws from time to time so that they keep pace with changes in society and technology. If this were not so, unlikely consequences would follow. In the context of a policy debate between contending interests such as that which preceded the 1968 Act, the Parliament would be able to accede to the wishes of copyright owners without any need to compensate those whose interests (including property interests in affected goods) were thereby diminished; but there would be no capacity to accede to the wishes of those on the

<sup>118</sup> Cf *Mutual Pools* 179 CLR at 186-187.

<sup>119</sup> Cf *Nintendo* 181 CLR at 160 per Mason CJ, Brennan, Deane, Toohey, Gaudron and McHugh JJ.

<sup>120</sup> Cf *WMC Resources* 198 CLR at 70 [184] per Gummow J; *Chaffey* 231 CLR at 664 [24].

other side of the debate without providing for monetary compensation or careful “grandfathering” of existing copyrights. The guarantee in s 51(xxxi) would impose a form of ratchet effect on s 51(xviii), whereby reform of the content of intellectual property rights – at least as to existing rights – could only go in one direction. Comprehensive reform such as that which is embodied in the 1968 Act, involving some gains and some losses for all concerned,<sup>121</sup> would be difficult to imagine. A construction which would have had a similar effect on the races power (albeit for reasons not involving s 51(xxxi)) was rejected in *Kartinyeri v Commonwealth*.<sup>122</sup>

10           85.     The argument being made here is not that the relevant rights are statutory in origin and therefore subject to modification or extinguishment. It is that adjustment from time to time of the relative interests of copyright owners and users – and hence definition or adjustment of the content of copyright – is a necessary consequence of Parliament exercising the power in s 51(xviii) and thus the subject of “a contrary intention which precludes the operation of s. 51(xxxi)”. (The same may not be true of other interferences: for example, a law which effected a compulsory transfer of the rights of a copyright holder to another person might well be said not to be one in respect of which s 51(xviii) marks out a contrary intention.<sup>123</sup> However, such issues are outside the present case.)

20           86.     The second argument foreshadowed above proceeds from the second point noted by Deane and Gaudron JJ – that s 51(xxxi) is primarily a grant of legislative power. On that point, their Honours continued:<sup>124</sup>

30                     The requirement of “just terms” is directed to laws with respect to the acquisition of property from any State or person for any purpose in respect of which the Parliament has power to make laws. The settled method for determining whether a particular law is or is not of the kind referred to in one or other of the grants of legislative power contained in s. 51 is that of characterization. That being so, the indirect operation of par. (xxxix) does not extend beyond abstracting from other grants of legislative power authority to  
40                     make laws which can properly be characterized as laws with respect to the acquisition of property for a purpose in respect of which the Parliament has power to make laws. That does not, of course, mean that a law will be outside the reach of par. (xxxix) unless that is its sole or dominant character. For the purposes of s. 51, a law can have a number of characters and be, at the one time, a law with respect to the subject matter of a number of different grants of legislative power. However, unless a law can be fairly characterized, for the purposes of par. (xxxix), as a law with respect to the acquisition of property, that paragraph cannot indirectly operate to exclude its enactment from the prima facie scope of another grant of legislative power. Put differently, “it is at least clear that before the restriction involved in the words “on just terms” applies, there must be a law with respect to the acquisition of property (of a State or person) for a purpose in respect of which the Parliament has power to make laws”.

The importance of the limitations on the operation of s. 51(xxxi) is magnified by the fact that the cases establish that the paragraph's implied guarantee is not

<sup>121</sup> As summarised at [63] above.

<sup>122</sup> (1998) 195 CLR 337.

<sup>123</sup> Cf *WMC Resources* 194 CLR at 17 [16] per Brennan CJ, 36 [79] per Gaudron J, discussing statutory rights generally.

<sup>124</sup> Cf *Mutual Pools* 179 CLR at 188-189 (citations omitted).

confined to acquisitions of property by the Commonwealth and its agents. It extends to acquisitions "by any other person". Obviously, many general laws which regulate the rights and conduct of individuals may, for any number of legitimate legislative purposes, effect or authorize an "acquisition of property" within the wide meaning of those words as used in s. 51(xxxi). If every such law which incidentally altered, modified or extinguished proprietary rights or interests in a way which constituted such an "acquisition of property" were invalid unless it provided a quid pro quo of just terms, the legislative powers of the Commonwealth would be reduced to an extent which could not have been intended by those who framed and adopted the Australian Constitution.

10

87. This analysis provided the basis for their Honours' conclusion that s 51(xxxi) would generally not be engaged by "laws which provide for the creation, modification, extinguishment or transfer of rights and liabilities as an incident of, or a means for enforcing, some general regulation of the conduct, rights and obligations of citizens in relationships or areas which need to be regulated in the common interest".<sup>125</sup> The same point was made (citing their Honours' reasons and other authorities) by the majority in *Nintendo*, as follows:<sup>126</sup>

The cases also establish that a law which is not directed towards the acquisition of property as such but which is concerned with the adjustment of the competing rights, claims or obligations of persons in a particular relationship or area of activity is unlikely to be susceptible of legitimate characterization as a law with respect to the acquisition of property for the purposes of s 51 of the Constitution. The Act is a law of that nature. It cannot properly, either in whole or in part, be characterized as a law with respect to the acquisition of property for the purposes of that section. Its relevant character is that of a law for the adjustment and regulation of the competing claims, rights and liabilities of the designers or first makers of original circuit layouts and those who take advantage of, or benefit from, their work. Consequently, it is beyond the reach of s 51(xxxi)'s guarantee of just terms.

20

30

88. This approach has been criticised by members of the Court,<sup>127</sup> but *Nintendo* and *Mutual Pools*,<sup>128</sup> and other cases as well,<sup>129</sup> stand as authority for its correctness.

40

89. This reasoning is directly applicable to the present case. It is plain from the content, context and statutory history of the relevant provisions of the 1968 Act, as set out above, that they were directed towards adjusting the balance between the competing claims, rights and liabilities of the record companies and broadcasters in relation to sound recordings. As noted above, the existence of a performing right in sound recordings which might be infringed by broadcasting them had not been anticipated when the 1911 Act was enacted and (if it existed at all) was thus an unintended, but significant, outgrowth of the settlement reached at that time; the existence of such a right and its content remained debatable after *Cawardine's case*; and there was also debate about what balance ought to be

<sup>125</sup> Cf *Mutual Pools* 179 CLR at 189-190.

<sup>126</sup> Cf *Nintendo* 181 CLR at 161.

<sup>127</sup> *Airservices Australia v Canadian Airlines International Limited* (2001) 202 CLR 133 at 247-250 per McHugh J; *Smith v ANL Ltd* (2000) 204 CLR 493 at 549-552 per Callinan J. See also Cf *ICM Agriculture* 240 CLR at 226 [218] per Heydon J.

<sup>128</sup> In addition to the reasons of Deane and Gaudron JJ quoted above, see Cf *Mutual Pools* 179 CLR at 171 per Mason CJ, 179 per Brennan J.

<sup>129</sup> *Tape Manufacturers* 176 CLR at 510; *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 236 per Mason CJ, Deane and Gaudron JJ; *Georgiadis* 179 CLR at 307 per Mason CJ, Deane and Gaudron JJ.

struck in the public interest. The existence and scope of the right were never put to the test by way of litigation in Australia, with the parties preferring a negotiated compromise. In ss 109 and 152 of the 1968 Act, the legislature sought to clarify the existence of the right and to fix its content, including by provision for equitable remuneration to be fixed by a Tribunal (and to be capable of rising to a level somewhat above that which the parties had generally reached by negotiation).

10 90. These provisions were not laws directed at acquiring property for a purpose in respect of which the Parliament has power to make laws. To the extent that they effected acquisitions at all, they did so as an incident of the adjustment of competing claims which the 1968 Act set out to achieve. (The same can be said of ss 5, 6 and 8 of that Act, if they need to be considered.) The fact that any such acquisitions were a mere by-product of a larger scheme of regulation, and thus not themselves directed at achieving any purpose for which the Parliament might make laws, is an additional textual reason why they are not within the scope of s 51(xxxi), and assists in explaining why the identification of this category of laws as falling outside s 51(xxxi) does not diverge from the proper approach to characterisation under s 51. To come within s 51(xxxi), it is not enough that a law be fairly characterised as one with respect to the acquisition of property; it must be a law with respect to *the acquisition of property* (of a State or person) *for a purpose* in respect of which the Parliament has power to make laws.

20 91. If the plaintiffs are correct in suggesting that the “competing claims” line of cases depends on notions of incongruity (and that incongruity would have occurred in *Nintendo*, had s 51(xxxi) applied to the law in issue there),<sup>130</sup> the question becomes whether it is relevantly incongruous that a reform of copyright laws which diminishes the content of copyright in any respect should be valid only if “just terms” are provided to the owners of such copyright. It is submitted that there is no reason why that result should be thought to be any more incongruous than the result which was rejected in *Nintendo*: ie, that a new form of intellectual property right could not be created, or an existing right extended (eg by extending its term) unless “just terms” were provided to the owners of goods which became affected by that right. *Nintendo* and the present case are two sides of the same coin.

#### (d) Just terms

- 40 92. Again, a series of threshold points needs to be noted.
- (a) First, if the Commonwealth’s submission that *Cawardine’s case* was wrongly decided is accepted, the issue of just terms is not reached. Nor is the issue reached if the submissions made above, to the effect that no acquisition of property occurred upon the commencement of the 1968 Act, are accepted.
  - (b) Secondly, if any acquisition of property occurred, it occurred by force of ss 5, 6 and 8 of the 1968 Act, which are not challenged. If there were a challenge to those provisions, the issue that would arise is whether the rights conferred on copyright holders in 1911 Act Sound Recordings by the 1968 Act (qualified as they were by ss 109 and 152, but more generous than

<sup>130</sup> PS [123]-[126].

the 1911 Act in some other respects) amounted to the provision of “just terms” for that acquisition. These submissions will not attempt to deal fully with that issue, since the pleadings and the plaintiffs’ submissions do not raise it. However, as will appear below, to the extent that s 109 made copyright under the 1968 Act a lesser right than copyright under the 1911 Act, it has not been established that s 152 failed to provide adequate compensation for that diminution.

10 (c) What follows will proceed from the same premise as the plaintiffs’ argument – namely that ss 109 and 152 of the 1968 Act effected the relevant diminution of their rights – and on the assumption that that diminution constituted an “acquisition of property”.

93. What is required for just terms was identified by Dixon J in *Grace Bros Pty Ltd v Commonwealth* (1946) 72 CLR 269 as follows:<sup>131</sup>

20 Under [s 51(xxxi)] the validity of any general law cannot, I think, be tested by inquiring whether it will be certain to operate in every individual case to place the owner in a situation in which in all respects he will be as well off as if the acquisition had not taken place. The inquiry rather must be whether the law amounts to a true attempt to provide fair and just standards of compensating or rehabilitating the individual considered as an owner of property, fair and just as between him and the government of the country.

94. The imposition of an upper limit on the remuneration which can be determined under s 152 may mean that, in a particular determination, the Copyright Tribunal will be unable to award the amount which it thinks represents the true value of the right to broadcast the sound recordings that are the subject of that determination in the period to which it applies. However, it would be a mistake to equate that possible result with an absence of “just terms” for the acquisition which was effected by the enactment of the 1968 Act.

30 95. In order to assess whether just terms have been provided, the relevant acquisition must be identified with some precision. Broadcasts of Affected Sound Recordings do not effect any acquisition of the plaintiffs’ property, and the issue of just terms is therefore not to be assessed by asking whether proper remuneration will be awarded for each such broadcast. Rather, the acquisition took place upon the commencement of the 1968 Act on 1 May 1969 and consisted in the diminution, from that time, of the content or utility of the performing rights in 1911 Act Sound Recordings. The issue is therefore whether the 1968 Act provides just terms for that diminution.

40 96. If compensation for that acquisition had been provided by way of a monetary award, it would have been open to Parliament to fix the amount of that award (or provide for its assessment by a court or tribunal) by reference to the value *at that time* of the rights that were being taken. The concept of just terms does not involve any entitlement to benefit from future increases in the value of the property that is acquired. Recent determinations by the Tribunal, and speculation as to what might now be the true value of rights to broadcast the Affected Sound Recordings, are not directly relevant to the assessment of just terms.

---

<sup>131</sup> *Grace Bros Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 290 per Dixon J.

97. Rather than provide for a monetary award, Parliament provided for the 1911 Act Sound Recordings (along with other sound recordings in which copyright subsists under the 1968 Act) to form the subject-matter of determinations under s 152, and for broadcasters to pay the amounts determined by the Tribunal to copyright holders. To put it simplistically, there was provision for a future income stream (if copyright holders chose to invoke s 152) rather than a single payment representing the (then) present value of the rights that had been taken. The question becomes whether the provision of that income stream represented “a true attempt to provide fair and just standards of compensating or rehabilitating” copyright holders for the loss of part of their rights as at 1 May 1969.

98. The material before the Court does not provide any basis for a conclusion that the right conferred on copyright holders by s 152 (to obtain determinations from time to time from the Copyright Tribunal which would encompass 1911 Act Sound Recordings) was a right of lesser value than that which the plaintiffs lost upon the commencement of s 109. There is simply no basis for ascertaining the respective values and comparing them. In these circumstances, the plaintiffs have failed to establish the absence of “just terms”.

99. Furthermore, two considerations point to a conclusion that there was no deficiency of compensation.

(a) First, apart from two specific instances to which the plaintiffs refer (which relate to the year 1942),<sup>132</sup> there is no suggestion that commercial negotiations in the period leading up to 1969 resulted in rates of remuneration greater than those allowed under s 152. Besides those isolated incidents relating to abnormal trading conditions during the World War II (and in respect of which the record companies agreed to reductions in royalties),<sup>133</sup> there is no evidence that the royalties paid by commercial broadcasters ever went above 1% of gross revenue.<sup>134</sup> Rather, the Special Case shows that: (1) from 1934 to 1952 the total royalties paid by commercial broadcasters were significantly less than 1% of gross revenue;<sup>135</sup> and (2) following the radio ban of 1955-1956, for the 12 years leading up to the 1968 Act commercial broadcasters paid no royalties, but merely provided free air time the value of which was well less than 1% of their gross revenue.<sup>136</sup> The Special Case also demonstrates that the ABC did not pay royalties above 0.5 cents per head of population.<sup>137</sup> This material gives some indication of the value of the relevant rights at the relevant time.

(b) Secondly, what was granted by s 152 was a right to be remunerated in respect of *all* sound recordings in which copyright subsisted from time to time. That remuneration, it may be assumed, will over time comfortably exceed any amount that could be expected to be awarded on the basis of the 1911 Act Sound Recordings alone. (It is not suggested that there was any acquisition of property, that required compensation, in respect of post-1969 sound recordings. For s 51(xxxi) purposes, therefore, all of the

<sup>132</sup> PS [158].

<sup>133</sup> SCB, 115 [183]-[186]; BD, Tabs 67-69, 3/1475-1479.

<sup>134</sup> SCB, 116 [187].

<sup>135</sup> SCB, 113 [181], 120 [201].

<sup>136</sup> SCB, 123 [216].

<sup>137</sup> SCB, 128 [229]-[230], 130 [232]-[233].

remuneration available under s 152 is properly seen as the *quid pro quo* for the acquisition of rights in 1911 Act sound recordings.)

100. Even if the issue of just terms fell to be determined by comparing the value of remuneration under s 152 with what might be charged from time to time for a licence to broadcast the 1911 Act Sound Recordings, the provisions of that section can be seen as a true attempt to provide the fair and just standards of compensation required, notwithstanding the caps of which the plaintiffs complain. That is so for a number of reasons.

10 (a) First, as noted above, the caps were set substantially above the levels of royalties negotiated between the record companies, on the one hand, and the commercial broadcasters and the ABC, on the other, while the 1911 Act was in force.

(b) Second, the caps were not imposed out of any concern about the level of equitable remuneration the Copyright Tribunal might set in respect of 1911 Act Sound Recordings. As is clear from the circumstances in which they were inserted into the Copyright Bill 1968, the caps were intended to guard against the effects of the United States giving a performing right to sound recordings. Had this occurred, it would not have had any bearing on the 1911 Act Sound Recordings.

20 (c) Third, there is no reason to think that the value of broadcasting the 1911 Act Sound Recordings has increased or ever would increase above the levels negotiated between the parties in respect of those sound recordings (and others being broadcast at the time) prior to the commencement of the 1968 Act. The 1983 decision of the Copyright Tribunal in *WEA Records*,<sup>138</sup> where the level of equitable remuneration was set at 0.45% of gross earnings for an FM music station (well below the cap applying to it), is evidence to the contrary.

30 101. For these reasons, notwithstanding the caps, the 1968 Act provides for just terms in respect of any acquisition of property in relation to the Affected Sound Recordings.

**(e) Severance and reading down**

102. Adopting the premise underlying the plaintiffs' submissions – ie, that ss 109 and 152 of the 1968 Act purported to effect the relevant diminution of their rights – and assuming that that diminution amounts to an acquisition of property which contravenes the guarantee in s 51(xxxi), CRA would adopt the submissions of the Commonwealth on reading down s 152.<sup>139</sup>

40 103. As noted above, the correct analysis of the 1968 Act is that the plaintiffs' rights under the 1911 Act were wholly extinguished by ss 5, 6 and 8, which repealed the 1912 Act and excluded the operation of the 1911 Act. If that extinguishment contravened the guarantee in s 51(xxxi), questions would arise as to whether ss 5, 6 and 8 could be read down so that the 1911 Act continued to have operation in relation to copyright in the 1911 Act sound recordings, and whether those

<sup>138</sup> *WEA Records Pty Ltd v Stereo FM Pty Ltd* (1983) 48 ALR 91.

<sup>139</sup> CS [81]-[89].

provisions could be severed from the remainder of the 1968 Act. It is not proposed to deal with these issues here, with the plaintiffs having made no attack on ss 5, 6 and 8.

### Orders

104. For the reasons given above, CRA submits that the questions of law stated for the opinion of the Full Court should be answered:

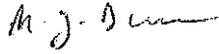
- (1) No.
- (2) Does not arise.
- (3) The plaintiffs are to pay the defendants' costs with respect to the Special Case.

105. If question 1 were answered Yes, question 2 should be answered in the manner proposed by the Commonwealth.<sup>140</sup> In that event, the appropriate answer to question 3 would remain as set out above.

Dated: 19 April 2011

A J Meagher  
Tel: 02 8257 2578  
Email: [tony.meagher@stjames.net.au](mailto:tony.meagher@stjames.net.au)

  
G R Kennett  
Tel: 02 9221 3933  
Email: [Kennett@tenthfloor.org](mailto:Kennett@tenthfloor.org)

  
M J Darke  
Tel: 02 9232 2197  
Email: [mdarke@tenthfloor.org](mailto:mdarke@tenthfloor.org)

---

<sup>140</sup> CS [91].