

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

No. S23 of 2010

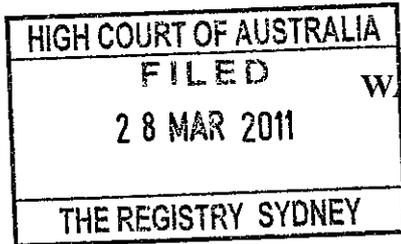
BETWEEN:

**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**

**AUSTRALIAN BROADCASTING CORPORATION
Second Defendant**

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

PLAINTIFFS' SUBMISSIONS

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PART I: SUITABILITY FOR PUBLICATION

1. These submissions are in a form suitable for publication on the internet.

PART II: THE ISSUES THE MATTER PRESENTS

2. In 1911 the Imperial Parliament enacted the *Copyright Act 1911 (Imp)* (**1911 Act**). That Act was declared to be in force in Australia by the *Copyright Act 1912 (Cth)* (**1912 Act**). The 1911 Act conferred copyright in records upon the owner of the “plate” (i.e., the matrix) or negative from which the record was made. That copyright included the sole right to perform the sound recording embodied on the record in public. Two corollaries of that right were, first, the ability to charge a fee in consideration for licensing a copyright user to broadcast the sound recording over radio (which was a species of public performance), and secondly, the right to sue for infringement of copyright when a sound recording was broadcast over the radio without the consent of the copyright owner. The 1911 Act imposed no cap on the maximum royalties payable for such use.
3. Copyright vested in a sound recording made under the 1911 Act (**1911 Act sound recording**) upon it being made. On 1 May 1969 the *Copyright Act 1968 (Cth)* (**1968 Act**) came into force. Section 109 of that Act enables radio broadcasters to exercise a “statutory licence” to broadcast 1911 Act sound recordings by taking away the copyright owner’s right to sue for infringement where the broadcaster has paid (or gives an undertaking to pay) a royalty in an amount (if any) determined by the Copyright Tribunal. The 1968 Act further provided that the Copyright Tribunal could fix the amount payable by a broadcaster to copyright owners in the aggregate, but capped that liability in two ways:
 - (a) for commercial radio broadcasters, to 1% of that broadcaster’s gross annual revenue: subs.152(8);
 - (b) for the second defendant (**the ABC**), to 0.5¢ per head of the Australian population: subs.152(11).
4. It is the plaintiffs’ case that the 1968 Act authorised (from commencement) an acquisition of property without providing just terms, contrary to the requirement in s.51(xxxi) of the Constitution. The relevant property authorised to be acquired was a material part of the bundle of rights held by those persons owning (or controlling) copyright under the 1911 Act, both at the time of commencement of the 1968 Act and subsequently. Under the Act, radio broadcasters (both at commencement and subsequently) obtained a correlative benefit in the form of a statutory licence to use the relevant copyrighted sound recordings if they gave the relevant undertaking or a Tribunal order was in place, subject only to a liability to pay a sum fixed by the Tribunal which was subject to the caps provided for in s.152(8) and (11). These provisions fail to provide just terms.
5. In this context, the issues that arise on the pleadings and the Special Case are as follows:
 - A. whether the copyright rights in question are property for the purposes of

s.51(xxxi) of the Constitution, or whether, rather, such rights as existed were inherently susceptible to variation;

B. whether the nature and effect of the two caps in s.152 is such that, when taken together with s.109 of the 1968 Act, these provisions should be characterised as effecting an acquisition of property within the meaning of s.51(xxxi), or whether, rather:

- i. ss.109 and 152 effect a reduction of a statutory right, to which the s.51(xxxi) guarantee does not apply;
- ii. the head of power in s.51(xviii) of the Constitution is such that it is incongruous to apply the s.51(xxxi) guarantee to such intellectual property rights; and/or
- iii. ss.109 and 152 should be regarded as outside the operation of the guarantee because they are concerned with the adjustment of competing rights, claims or obligations;

C. whether ss.109 and 152 of the 1968 Act, in the context of the Act, provide just terms;

D. if invalidity arises, in what way the impugned provisions should be read down or severed.

6. The questions stated for the opinion of the Court in the Special Case, and the plaintiffs' proposed answers, are as follows:

(1) Are some or all of the provisions in ss.109 and 152 of the *Copyright Act* 1968 (Cth) beyond the legislative competence of Parliament by reason of s.51(xxxi) of the Constitution?

Answer: Yes.

(2) If so, should some or all of these provisions be read down or severed and, if so, how?

Answer: Subsections (8)-(11) and (19)-(21) of section 152 are invalid.

(3) What order should be made in relation to the costs of the Special Case?

Answer: The defendants must pay the plaintiffs' costs with respect to the Special Case.

PART III: CERTIFICATION RE SECTION 78B NOTICES

7. Notices complying with s.78B of the *Judiciary Act* 1903 have been served.¹

PART IV: REASONS FOR JUDGMENT IN COURTS BELOW

8. Not applicable.

PART V: FACTS

9. The facts relevant to this matter are set out in the Special Case (SC). The following

¹ Special Case Book (SCB) pp2-6.

points may be noted by way of background. The property that the plaintiffs submit was acquired under the 1968 Act is the copyright in all 1911 Act sound recordings in which copyright subsisted as at 1 May 1969, when the 1968 Act commenced. It is not feasible to list them all.² The parties have agreed upon the existence of a sample set of five 1911 Act sound recordings as follows.

- 10 (a) *"A Pub with No Beer"* (1957). The sound recording *"A Pub with No Beer"* performed by Slim Dusty was recorded in 1957. EMI Australia Pty Ltd, the second plaintiff, is the current owner of the copyright in that sound recording. Copyright in that sound recording was initially owned by Columbia Graphophone (Australia) Pty Limited. At some point after 1 May 1969, but before 9 July 1990, Columbia Graphophone (Australia) Pty Limited transferred ownership of that copyright to the second plaintiff, which has remained the owner ever since.³
- 20 (b) *"Yesterday"* (1965). EMI Records Limited in the United Kingdom, is and has always been, the owner of the copyright in the sound recording *"Yesterday"* recorded by The Beatles in 1965. In 1965 the exclusive licensee in Australia of copyright in the sound recording was EMI (Australia) Limited, which was deregistered on 2 October 2001. By reason of a licence agreement entered into after 1 May 1969, the current exclusive licensee in Australia of copyright in the sound recording is the second plaintiff.⁴
- (c) *"She's So Fine"* (1965). The sixth plaintiff, J Albert & Son Pty Ltd, is currently, and has continuously been since it was recorded in 1965, the owner in Australia of the copyright in a sound recording of *"She's So Fine"* by The Easybeats.⁵ The third plaintiff, Sony Music Entertainment (Australia) Pty Limited, is, by reason of a licence agreement entered into after 1 May 1969, currently the exclusive licensee in Australia of the copyright in the sound recording *"She's So Fine"*.⁶
- 30 (d) *"You Don't Have to Say You Love Me"* (1966). The fourth plaintiff, Universal Music Australia Pty Limited, is, and has been from prior to 1 May 1969, and continuously since, the exclusive licensee in Australia of the copyright in a sound recording of *"You Don't Have to Say You Love Me"* recorded by Dusty Springfield in 1966.⁷
- (e) *"Move Baby Move"* (1963). Festival Records Pty Limited is and has always been the owner of copyright in the sound recording *"Move Baby Move"* recorded by Johnny O'Keefe in 1963. The fifth plaintiff, Warner Music Australia Pty Limited, is currently the exclusive licensee in Australia of

² A sample list is found at Schedule 1 to the 2nd FASOC: note Special Case (SC) para 132, SCB p98; the list is found at Book of Documents (BD) 2/913-914.

³ SC para 12, SCB pp72-73.

⁴ SC para 12, SCB pp72-74.

⁵ SC para 16, SCB p76.

⁶ SC para 13, SCB p74.

⁷ SC para 14, SCB pp74-75.

copyright in that sound recording, by reason of a licence agreement entered into on 28 November 2005.⁸

10. The songs “*Move Baby Move*”, “*She’s So Fine*” and “*Yesterday*” are examples of sound recordings the copyright in which has been owned by the same person continuously prior to and at all times since the commencement of the 1968 Act. “*You Don’t Have to Say You Love Me*” is an example of a sound recording the copyright in which has been exclusively licensed to the same person prior to and at all times since the commencement of the 1968 Act. “*A Pub with No Beer*” is an example of a sound recording the copyright in which was owned by one person on 1
10 May 1969, and was later transferred to another.
11. The first plaintiff (PPCA) was established in 1969 as a copyright collecting society for the purposes of the 1968 Act. Its members are owners or exclusive licensees of copyright in sound recordings in Australia. PPCA’s members grant to it a non-exclusive licence in the performance right of such sound recordings. That licence is the basis on which PPCA then deals with copyright users.⁹
12. The third defendant, Commercial Radio Australia Limited (CRA), is the industry representative for commercial radio broadcasters, which negotiates industry licence agreements for the benefit of its members (it was known as the Federation of Australian Radio Broadcasters until 2002).¹⁰
- 20 13. At the present time an agreement (the **Head Agreement**) between CRA and PPCA creates a licensing structure under which PPCA enters into a standard form licence agreement with each broadcaster member of CRA.¹¹ CRA collects licence fees from radio stations and remits the fees to PPCA. Under the current Head Agreement, which has been in place since 1 July 1999, the annual aggregate licence fee paid by CRA members is currently an amount equivalent to approximately 0.4% of their combined gross annual revenue.¹² The agreements between PPCA and CRA since 1969 have never provided for payment of licence fees in excess of 1% of combined gross annual revenue of CRA’s members.
- 30 14. From 1969 to 1992, excluding the years 1983-1991 (when the amount paid by the ABC is now unknown), the ABC has paid licence fees for the performance right in sound recordings in the amount of less than 0.5¢ per head of population.¹³ Since 1993, the ABC has paid the amount of 0.5¢ per head of population.

PART VI: ARGUMENT

15. The elements of the plaintiffs’ case are that:
 - A. copyright under the 1911 Act in sound recordings is property for the purposes of s.51(xxxi);
 - B. the impugned laws provide for an acquisition of that property;

⁸ SC para 15, SCB pp75-76.

⁹ SC para 9, SCB p72.

¹⁰ SC para 250, SCB p135.

¹¹ SC paras 250-257, SCB pp135-136.

¹² SC para 254, SCB p136.

¹³ SC paras 247 and 258-259, SCB pp133-134 and p137.

- C. the impugned laws authorise the acquisition to be made otherwise than on just terms; and
- D. in the result, subs.(8)-(11) and (19)-(21) of s.152 are invalid and severable.

A. Property

16. The defendants have denied that the rights in question arising pursuant to the 1911 Act constitute property within the meaning of s.51(xxxi), asserting that those rights were inherently susceptible to variation.¹⁴
17. The notion of property within s.51(xxxi) extends to “innominate and anomalous interests”,¹⁵ and “every species of valuable right and interest including ... choses in action”.¹⁶ Rights of statutory origin can be “property” within the scope of s.51(xxxi).¹⁷ So much is unsurprising given how much of Australian law is now governed by statute. Even title to realty itself is statutory in nature in Australia.¹⁸ In one sense statutory rights are always susceptible to variation (assuming no entrenchment). Yet the same is true of common law and equitable rights. That fact thus cannot preclude the application of s.51(xxxi).
18. Identification of property created by statute calls for analysis of the legislation conferring the rights,¹⁹ which in turn “must begin from an understanding of the practical and legal operation of the legislative provisions that are in issue”,²⁰ including the statutory context and regulatory history of copyright in Australia.²¹
19. The following issues thus arise:
- i. The nature of the relevant rights under the 1911 Act;
 - ii. The nature of the relevant rights under the 1968 Act;
 - iii. Whether those rights were inherently susceptible to variation, understood in their historical and statutory context.

(i) Nature of the relevant rights under the 1911 Act

20. Copyright in sound recordings²² was first created by s.19 of the 1911 Act. The 1911 Act was applied in Australia by s.8 of the *Copyright Act* 1912 (Cth), subject to any modifications provided by the adopting Act (and there were no such material modifications when enacted). Section 19(1) provided that “Copyright shall subsist in records, perforated rolls, and other contrivances by means of which sounds may be mechanically reproduced, in like manner as if such contrivances were musical works”. It also provided that the owner of the copyright is the maker of the original

¹⁴ Amended Defence of the Commonwealth para 36.2, SCB p43; Amended Defence of the ABC paras 59(a) and 60(a), SCB p55; Defence of the CRA paras 39, 41(a), 42(a), 44(a), 45(a) and 46(a), SCB p64-66.

¹⁵ *Bank of NSW v Commonwealth* (1948) 76 CLR 1 at 349 per Dixon J.

¹⁶ *Minister for Army v Dalziel* (1944) 68 CLR 261 at 290 per Starke J. See also *Victoria v Commonwealth* (1996) 187 CLR 416 at 559.

¹⁷ *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [93] and [103] per French CJ, at [172] Gummow and Hayne JJ, at [289] Kirby J, at [452] Kiefel J; *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 at [24].

¹⁸ Note *Breskvar v Wall* (1971) 126 CLR 376 at 385.

¹⁹ *Chaffey* (2007) 231 CLR 651 at [21].

²⁰ *Telstra v Commonwealth* (2008) 234 CLR 210 at [49].

²¹ *Ibid* at [50].

²² Called copyright in “records” in the 1911 Act.

plate of the record.

21. Copyright under the 1911 Act was defined by s.1(2) as including the sole right to reproduce the work in any material form, “to perform, or in the case of a lecture to deliver, the work or any substantial part thereof in public”, and to authorise the doing of any of the acts comprised in the copyright. The copyright owner possessed the sole right to perform the work or any substantial part thereof in public, also known as the “performing right”.²³ Sound recordings, being protected “in like manner” as if they were musical works, necessarily also attracted protection of the sole right to perform the relevant record in public, subject only to any prior copyright in any literary or musical work embodied in that record: *Gramophone Co Limited v Cawardine & Co* [1934] Ch 450 (*Cawardine*)²⁴.
22. Under the 1911 Act, to broadcast a musical work was to perform it in public: *Chappell v Associated Radio Co of Australia* [1925] VLR 350; *Australasian Performing Rights Association Ltd v 3DB Broadcasting Co Pty Ltd* [1929] VLR 107. Broadcasting was thus an exclusive right of the owner of the copyright.
23. Copyright in sound recordings subsisted for 50 years from the making of the original plate under s.19(1), rather than the general term of copyright under the 1911 Act.²⁵
24. The following matters indicated both implicitly and explicitly that copyright was “property” in the constitutional sense. First, each right comprising copyright was the “sole right” in respect of the work. It was unquestionably an exclusive right. It was in form and substance a right to control the use and enjoyment of the copyright work by every other person; a legally endorsed concentration of exclusive power.²⁶
25. Secondly, underscoring the first point, s.2(1) provided that copyright in a work was infringed by any person who, “without the consent of the owner of the copyright, does anything the sole right to do which is by this Act conferred on the owner of the copyright”. That provision speaks explicitly of the *ownership* of copyright; and the unauthorised public performance of a copyright work would vest a cause of action in the owner for the infringement of copyright.
26. Thirdly, copyright was to subsist in sound recordings “in like manner” as if they were musical works, with an identified duration of copyright and an identified author-owner. By those words they were placed, substantively, on an equal statutory footing with musical works, and by parity of reasoning, with all other works afforded such protection.
27. Fourthly, copyright was assignable, in whole or in part, and either generally or subject to territorial or temporal limitations, in writing and signed by or on behalf of

²³ Reflected, for example, in the names of the societies that administered the musical work right, the Performing Right Society (PRS) in the United Kingdom and the Australasian Performing Right Association (APRA) in Australia. See for example, *Adelaide City Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481; *Telstra Corporation Ltd v Australasian Performing Right Association Ltd* (1997) 191 CLR 140.

²⁴ BD 1/583-595.

²⁵ *Copyright Act 1911 (Imp)* s.3 – stated to be the life of the author plus 50 years, BD 1/396-397.

²⁶ Note *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [89] per French CJ, at [166] per Gummow and Hayne JJ; *Yanner v Eaton* (1999) 201 CLR 351 at [17]-[20]; *Telstra v Commonwealth* (2008) 234 CLR 210 at [44]; Kevin Gray, “Property in Thin Air” (1991) 50 *Cambridge Law Journal* 252 at 299.

the copyright owner.²⁷

28. Fifthly, the remedies for infringement of copyright were extensive. Section 6(1) provided:

Where copyright in any work has been infringed, the owner of the copyright shall, except as otherwise provided by this Act, be 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.²⁸

29. That section accorded to copyright a value and importance on a par with any other stable and valuable rights known to common law or equity. The unqualified and declarative language of the section tells against copyright being inherently defeasible. Prior to the enactment of the 1968 Act, a person who owned a subsisting copyright in a sound recording could have sued for damages for infringement of that copyright and been compensated in a like manner as if the sound recording were a musical work. There was no statutory cap imposed on the amounts that might be claimed or awarded.

30. Sixthly, recording and sound reproduction technology continued to develop between 1911 and 1969, and copyright in records continued to vest, whatever their specific technology: see, for example the five sample copyright sound recordings made in 1957, 1963, 1965 and 1966.²⁹

31. In the present case, therefore, upon creation the rights in question possessed all the usual indicia of property – they were exclusive, and therefore entailed the exclusion of others; they were assignable; and they were valuable. These features all tell against any suggestion that the rights were inherently susceptible to variation.

(ii) Nature of the relevant rights under the 1968 Act

32. First, here, it is necessary to address the nature of copyright in sound recordings under the 1968 Act itself, then the effect of the provisions dealing with pre-existing rights under the 1911 Act.

33. Section 85 as enacted provided that copyright is the exclusive right to:

(a) “make a record embodying the recording”;

(b) “cause the recording to be heard in public”; and

(c) “broadcast the recording”.

34. Those rights were coextensive with the rights given under the 1911 Act.

35. Section 85 has been amended since:

(a) Section 85(a) now refers to “mak[ing] a copy of the sound recording”.

²⁷ *Copyright Act 1911 (Imp)* s.5, BD 1/397-398. The right to assign was subject to certain temporal limitations where the term of the copyright was the life of the author plus 50 years. That limitation did not apply to copyright in sound recordings.

²⁸ *Copyright Act 1911 (Imp)* s.6, BD 1/398.

²⁹ SC paras 12-14, SCB pp72-75. See also SC para 56, SCB p84.

- (b) The exclusive right to broadcast the recording is now subsumed within a right “to communicate the recording to the public” (note the definitions of “broadcast” and “communicate” in s.10(1)).
 - (c) Section 85(d) grants a right to “enter into a commercial rental agreement in respect of the recording”, which was conferred prospectively from 2 January 1996³⁰ subject to the limitations in s.85(2). This right has not yet been the subject of any Tribunal or court decisions.
36. As under the 1911 Act, copyright subsists in a sound recording in addition to, and independent of, any copyright subsisting in a work recorded: s.113(1).³¹
- 10 37. Pursuant to s.89(1), (2) and (3), copyright subsists in a sound recording where one or more of the following connecting factors exist:
- (a) the maker was a “qualified person” at the time the recording was made (s.89(1) – a qualified person being, materially, an individual who is an Australian citizen or resident, or a body corporate incorporated under an Australian law – see s.84);
 - (b) the sound recording was made in Australia (s.89(2)); or
 - (c) first publication of the recording took place in Australia (s.89(3)).
38. The maker of a sound recording is in general the first owner of copyright in a sound recording: s.97(2).³²
- 20 39. As under the 1911 Act, copyright, including copyright in sound recordings, is personal property: s.196.
40. Section 101(1) provides that “subject to this Act” the doing of an act in Australia (or authorised in Australia) comprised in the copyright by a person who is not the owner “and without the licence of the owner” is an infringement of the copyright.
41. As for pre-existing sound recordings at the time of enactment, these were brought within the 1968 Act by s.220, contained within Part XI of the Act (which was headed “Transitional”). As originally enacted it provided:
- (1) Sub-section (1) of section 89 applies in relation to sound recordings made before the commencement of this Act as if the reference in that sub-section to a qualified person included a reference to a British Subject and to a person domiciled in any part of the Queen’s dominions to which the Copyright Act, 1911 extended.
 - (2) Sub-section (2) of section 89 does not apply in relation to a sound recording made before the commencement of this Act.
 - (3) Section 93 of this Act does not apply in relation to a sound recording
- 30

³⁰ The date of commencement of Part 2 of the *Copyright (World Trade Organization Amendments) Act* 1994, as specified by s.2 (3) of the same Act.

³¹ This topic was discussed in *Phonographic Performance Company of Australia Limited v Federation of Australian Commercial Television Stations* (1998) 195 CLR 158 at [6] per Gaudron, Gummow and Hayne JJ.

³² By amendments made in 2004, performers on recordings of live performances were brought into the definition of “maker”.

made before the commencement of this Act but copyright subsisting in such a recording by virtue of sub-section (1) or sub-section (3) of section 89 of this Act continues to subsist until the expiration of fifty years after the expiration of the calendar year in which the recording was made.

42. Section 220(1) picked up the terms of s.19(1) of the 1911 Act, thus bringing the 1911 Act sound recordings within the scheme of the 1968 Act. Section 220(3) was repealed in 2004 by the *US Free Trade Agreement Implementation Act 2004*, which also extended the term of copyright from 50 to 70 years.
43. Section 5(1) provided that the 1968 Act operates to the exclusion of the 1911 Act. It was expressed as an exclusion rather than a repeal. However, s.5(2) then provided that “[f]or the purposes of section 8 of the *Acts Interpretation Act*” the 1911 Act was deemed to be a Commonwealth Act and to be repealed by the 1968 Act, and that the enactment of Part XI was not to be taken to affect the operation of s.8 of the *Acts Interpretation Act* in relation to matters to which Part XI did not apply. Section 8 of the *Acts Interpretation Act 1901* provided, inter alia, that unless the contrary intention appears, the repeal of an Act did not affect any right privilege obligation or liability acquired, accrued or incurred under any Act so repealed.
44. The effect of these provisions thus was as follows:
- (a) copyright subsisting in sound recordings under the 1911 Act as at 1 May 1969 was continued as copyright protected by s.89(1) of the 1968 Act, but with recognition of the broader geographical reach of the pre-existing copyright (ie “qualified person” was taken to include reference to a British subject and to a person domiciled in any part of the Queen’s Dominions to which the 1911 Act extended);
 - (b) as a corollary, the provision in s.89(2) relating to copyright subsisting in a sound recording if it was made in Australia did not apply to such pre-existing sound recordings; and
 - (c) to the extent not specifically dealt with in Part XI, the rights were to be treated as ordinary accrued rights pursuant to the *Acts Interpretation Act*.
45. The effect, now, of these provisions is that where copyright in sound recordings had come into existence prior to 1 January 1954, then that copyright has expired. Sound recordings which were created from that date onwards are currently still subject to copyright. The copyrights will commence to expire in 2025. Thus the Special Case labels as “Affected Sound Recordings” those sound recordings made between 1 January 1954 and 1 May 1969 by British subjects, or by persons resident in relevant parts of the Queen’s Dominions (including corporations).³³

(iii) Not inherently susceptible to variation

46. In *Carwardine* at 456, Maugham J noted that s.19 of the 1911 Act was “the result of a compromise arrived at between various interested parties while the Bill which subsequently became the *Copyright Act 1911* was passing through the House of

³³ SC para 132, SCB p98.

Commons”.³⁴ It may be inferred that the compromise, even then, followed some controversy. And that disputation did not end in 1911. The Special Case reveals as much, both in relation to the exact effect of the provisions in the 1911 Act (a matter dealt with in a series of opinions by leading counsel), and what provision should be made in the new legislation proposed in the United Kingdom in the 1950s and then in Australia in the 1950s and 1960s. In *EMI Music Australia Pty Ltd v Federation of Australian Commercial Television Stations* (1997) 74 FCR 485 at 488-498, Lockhart J traced the history of the protection of copyright in sound recordings, stating at 488 that “[w]hether sound recordings should be protected by copyright law has been for many years the subject of high controversy”.

47. No doubt the defendants will seek to draw such controversy in aid here. No doubt, too, they will say that such political compromises may inevitably be revisited, and thus the rights are inherently susceptible to variation. Such arguments, if accepted, would fundamentally undermine the constitutional guarantee.

48. Many property rights are the subject of public, private and political controversy prior to being recognised, extended or created by statute. For example, if the Commonwealth were to create a new set of tradeable, valuable, registrable rights to release carbon dioxide into the atmosphere, and those rights would otherwise be regarded as property rights, they would not lose that character merely because they had been the subject of intense political dispute prior to enactment, nor because one political party promised to repeal or amend those rights if elected. The fact that compromises are made in enacting legislation is commonplace.³⁵ In any event, controversy *after* the creation of rights does little if anything to aid in ascertaining their character (and, as it happens, the provisions in question were little varied over the course of the life of the 1911 and 1912 Acts).

49. Thus to establish that the rights in question suffer from a “congenital infirmity”³⁶ it cannot be sufficient to point to compromise or controversy. Nor, as put above, can it be enough to say that the rights are statutory. Rather, as Crennan J said in *Wurridjal v Commonwealth* (2009) 237 CLR 309 at [364]:

... the extent to which a right created by statute may be modified by subsequent legislation without amounting to an acquisition of property under s.51(xxxi) must depend upon the nature of the right created by statute. It may be evident in the express terms of the statute that the right is subject to subsequent statutory variation. It may be clear from the scope of the rights conferred by the statute that what appears to be a new impingement on the rights was in fact always a limitation inherent in the right. The statutory right may also be part of a scheme of statutory entitlements which will inevitably require modification over time.

50. Here, neither the express terms of the 1911 Act, nor what is implied, nor the scheme created, suggests any inherent susceptibility to change such as to undermine the proprietary character of the rights. The characteristics identified in Part VI.A(i) of

³⁴ *Gramophone Co Limited v Carwardine & Co* [1934] Ch 450 at 456, BD 1/589.

³⁵ Note, for example, *Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) 224 CLR 193 at [32].

³⁶ *Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [203].

these submissions above reveal that what was created were exclusive, assignable and valuable rights – characteristics inconsistent with the claim that it was always implicit that such rights would need variation, or might otherwise readily be varied from time to time.

51. On the contrary, the 1911 Act itself evinced an expectation that rights actually accrued under it would not be prejudicially affected by subsequent measures:

10 (a) Section 25 of the 1911 Act provided that the Act applied throughout the Dominions, subject to the legislature of a self-governing Dominion having so declared. Section 26(1) then provided that such a legislature could at any time repeal operative enactments relating to copyright (including the 1911 Act) “provided that no such repeal shall prejudicially affect any legal rights existing at the time of the repeal”.

(b) Similarly, s.32 of the 1911 Act provided that any alteration, revocation or variation of any Order in Council under that Act “shall not affect prejudicially any rights or interests acquired or accrued at the date when the Order comes into operation, and shall provide for the protection of such rights and interests” (where ss.26(3), 28, 29 and 30 empowered the King in Council to extend or modify the operation of the Act in certain respects).

20 52. The circumstances in which the copyright in sound recordings was created do not detract from the clear words and indications in the 1911 Act. Under the Berne Convention (1886) it was understood that the manufacture and sale of instruments reproducing musical works would not infringe copyright in them.³⁷ Consistently with the Berne Convention, in *Boosey v Whight* [1900] 1 Ch 122 it was decided that pianola rolls did not infringe the protection given to sheets of music. Subsequently, Article 13 of the Berlin Convention (1908) provided a model for the owner of copyright in a musical work to have the sole right to make a sound recording of it, and a performing right in such a sound recording (in effect reversing the position reached in *Boosey v Whight*).

30 53. The Gorrell Committee was convened on the instructions of the President of the British Board of Trade in 1909 to consider whether Britain should ratify the Berlin Convention. The Gorrell Committee took evidence from a number of witnesses, who expressed a range of views on copyright.

54. John Drummond Robertson, a representative of The Gramophone Company Limited and a witness before the committee, did not oppose the ratification of Article 13 of the Berlin Convention. The company recognised that “the composer has a claim to some measure of protection in respect of phonographic publication” arguing that its industry was “equally entitled to consideration”.³⁸ He sought copyright protection for the sound recordings themselves,³⁹ and argued that composers of musical works should not receive a separate right in the public performance of a phonographic

³⁷ Berlin Convention, annex to Report of the Committee on the Law of Copyright, 1909, Berne Convention 1886 Closing Protocol 3, BD 1/295.

³⁸ *Minutes of Evidence taken before the Law of Copyright Committee*, 1910, BD 1/322.

³⁹ *Ibid*, 1910, BD 1/325.

recording of the musical work.⁴⁰ In oral evidence he said that he sought that the composer's right of public performance should be understood to be "part of ... the phonographic right" on the basis that "the composer is to get very great privileges awarded to him, and in return we want something given to us".⁴¹

55. In the result, the 1911 Act did give to the owner of copyright in the musical work the right to perform the musical work. The maker of the sound recording was also given a performing right because the recording was protected "in like manner" as if it were a musical work. The overall effect of the Act was to expand copyright.

10 56. There was, subsequently, some dispute as to the exact reach of the rights relevantly created by the 1911 Act. Again, it was commonplace for advices to be sought and litigation to occur to clarify the precise effect of a new legislative scheme. And the clarification provided confirmed the nature and significance of the rights created under the Act. Further, that there may have been some delay before the new rights were widely asserted does nothing to undermine their character.

20 57. In Australia, the Gramophone Company, Columbia Graphophone (Australia) Ltd, and the Parlophone Company Ltd (the **Australian EMI group**) asserted a right to control the public performance of their sound recordings by radio broadcast in 1931, demanding that radio stations cease the broadcasting of sound recordings in which they owned copyright.⁴² The Australian EMI Group sought to negotiate with the radio broadcasters for payment of a licence fee.⁴³ Terms of agreement were drawn up but were never signed.⁴⁴

58. In 1933, the Owen Royal Commission recommended that the performing right, if it existed, be abolished.⁴⁵ In 1934, in the United Kingdom, *Cawardine* confirmed that s.19 of the 1911 Act gave the owner of a record the sole right to publicly perform the sound recordings embodied on that record.

30 59. The performing right was not abolished in Australia and, following *Cawardine* (together with *Chappell v Associated Radio Co of Australia* [1925] VLR 350 and *Australasian Performing Rights Association Ltd v 3DB Broadcasting Co Pty Ltd* [1929] VLR 107), an agreement was reached in 1934 by which the EMI Group in Australia granted to the radio broadcasters licences to perform its sound recordings in exchange for licence fees.⁴⁶ That arrangement continued until 1955.

60. On about 15 October 1934, the ABC received advice from Sir Robert Garran KC that the decided cases favoured the existence of the performing right, and "the wording of the Act makes it difficult to escape from this conclusion".⁴⁷ He noted the available counter-arguments but said:

On the whole, however, I am of the opinion that, if the matter were litigated,

⁴⁰ Ibid, 1910, BD 1/324.

⁴¹ Ibid, 1910, BD 1/310.

⁴² Exhibit 116 to the Report of the Royal Commission on Performing Rights published 24 May 1933 (**Owen Report**), BD 1/212.

⁴³ SC para 177, SCB p112.

⁴⁴ SC para 177, SCB p112.

⁴⁵ Owen Report, Recommendation #14, BD 1/138.

⁴⁶ SC paras 178-179, SCB p112.

⁴⁷ Opinion of Sir Robert Garran KC dated 15 October 1934, BD 3/1597.

the courts would be likely to follow and apply [the decided cases] and hold that under the law as it stands, there are two performing rights, one in the author of the work ... and one in the maker of the record.⁴⁸

61. He accordingly recommended that the ABC seek an alteration to the law.
62. The issue was again examined in 1943 by the Parliamentary Standing Committee on Broadcasting. As to the question of its existence, the Committee observed:

We have had discussions with the Attorney-General who advises that the legal position is perfectly clear – the record-maker has copyright in respect of the record, and copyright includes performing right.⁴⁹

- 10 63. As to the proposal to amend the law to provide that the rights of the copyright owner in sound recordings did not include the right to restrain public performance, Attorney-General Evatt had said to the Committee that:⁵⁰

[It] is alright so far as it goes ... but it means expropriating people's property. These rights have been created by the Imperial Act, and we have adopted them, and every body who has made a disc or record has made it, I presume, on the faith of that act. I am sure that Sir Robert Garran did not advocate the expropriation of those rights without proper compensation.

- 20 64. The Parliamentary Standing Committee on Broadcasting concluded that "There have been suggestions that the law should be amended to withdraw the right. We do not think that this would be equitable".⁵¹ The incipient proposal for abolition of the right at that time then came to an end.

65. The commercial arrangements between copyright owners and radio broadcasters altered in 1955. The Australian Federation of Commercial Broadcasting Stations had received legal advice from Sir Garfield Barwick and Mr G.B. Thomas that *Cawardine* "was rightly decided in so far as it deals with the nature of copyright accruing to the owner of the 'original plate'".⁵² Thereafter the radio stations refused to play sound recordings in which the copyright performing right subsisted. The dispute was resolved when copyright owners eventually agreed with the radio stations to accept an arrangement whereby, in lieu of monetary licence fees, they received valuable on-air advertising time.⁵³ That arrangement continued until 1969.

- 30 66. In 1952, in the United Kingdom, the Gregory Committee was commissioned to consider and report on what, if any, changes were desirable in the law relating to copyright.⁵⁴ Its report recommended that the performing right be retained.⁵⁵ So much occurred in the subsequent *Copyright Act 1956* (UK).⁵⁶

67. In 1958 the Spicer Committee was charged with reporting on what alterations were

⁴⁸ Ibid, 1934, BD 3/1597-1598.

⁴⁹ Minutes of Evidence taken before Parliamentary Standing Committee on Broadcasting, 1942-43, BD 1/619.

⁵⁰ Ibid, 1942-43, BD 1/603.

⁵¹ First Report of the Parliamentary Standing Committee on Broadcasting, 1943, BD 1/619.

⁵² Joint Opinion dated 17 September 1954, BD 3/153.

⁵³ SC para 212-215, SCB pp122-123.

⁵⁴ SC para 129, SCB p97.

⁵⁵ Report of the Copyright Committee, 1952 (*Gregory Committee Report*) para 184, BD 2/751.

⁵⁶ SC para 130, SCB p97, BD 2/819-911.

desirable to be made to the copyright law in Australia.⁵⁷ The Committee summarized the arguments for and against the retention of the performing right.⁵⁸ It recommended that the right continue to be recognised, noting that making a record “involves a considerable amount of artistic and technical skill”⁵⁹, that “the result of another person’s effort and skill should [not] be made available to wide audiences by means of broadcasting without any payment being made to that person”⁶⁰. It agreed with the Gregory Committee that:⁶¹

10 There would be something at variance with ordinary ideas of justice and fair play if an entertainment promoter, for his own personal profit, were to be at liberty to make use of records for broadcast programmed without any control or payment whatsoever, nor do we believe that it would be in the interests of the general public that he should do so.

68. The 1968 Act, which (belatedly) followed provision of the Spicer Committee Report, is replete with provisions for equitable compensation (see further Part VI.C(ii) below). That provision illustrates a recognition of the valuable and proprietary nature of the rights involved. The history of the Act also reveals some consciousness of the need for provision of just terms, at least in connection with Crown use. Paragraph 404 of the Spicer Committee Report was referred to in *Copyright Agency Limited v State of NSW* (2008) 233 CLR 279 at [57] as revealing
20 “an echo of s.51(xxxi) of the Constitution”, in its recommendation for a scheme of government use of copyright, apparently drawing no distinction between original works and other subject-matter.⁶²

69. In summary, the 1911 Act created copyright performing right in sound recordings with all the hallmarks of a stable, valuable property right. However vociferous the objections of the broadcasting interests, it was privately⁶³ if not publicly⁶⁴ acknowledged by that industry to be well founded in law. It endured under the 1911 Act as a copyright property right, distinctly part of Imperial and Australian law. The right was property in the constitutional sense.

B. Acquisition

30 70. “Acquisition” in s.51(xxxi) must be understood as part of a “compound conception, namely, ‘acquisition-on-just-terms’”.⁶⁵ Whilst recognising the compound nature of

⁵⁷ SC para 141, SCB p102.

⁵⁸ Report of the Copyright Law Review Committee, 1959 (**Spicer Committee Report**) para 239, BD 1/515-516.

⁵⁹ Spicer Committee Report para 241, BD 1/516.

⁶⁰ Ibid para 242, BD 1/517; see also para 504 (23), BD 1/562.

⁶¹ Ibid para 242, BD 1/517, Referring to the Gregory Committee Report para 185, BD 2/751.

⁶² The paragraph in question is found at BD 1/545.

⁶³ Opinion of Sir Robert Garran KC dated 15 October 1934, BD 3/1585-1599; Joint Opinion of Sir Garfield Barwick and G.B. Thomas dated 17 September 1954, BD 3/1511-1537.

⁶⁴ In the case of the ABC, see, for example, the Minutes of Evidence taken before Parliamentary Standing Committee on Broadcasting, 1942-43, BD 1/603 and the First Report of the Parliamentary Standing Committee on Broadcasting, 1943 at para 92, BD 1/620. In the case of the commercial broadcasters, public acknowledgement of the right could be inferred from the radio ban implemented by them shortly after obtaining legal advice from Sir Garfield Barwick KC and G.B. Thomas of counsel, SC paras 206-209, SCB p121. Compare the position stated by the broadcasting interests to the Spicer Committee as referred to in paragraph 67 above.

⁶⁵ *Grace Bros Pty Ltd v The Commonwealth* (1946) 72 CLR 269 at 290 per Dixon J.

the conception, it is convenient to address here the following issues connected to the notion of acquisition which arise on the pleadings:

- i. the impugned statutory provisions;
- ii. whether the Act provides for the acquisition of property (which all defendants deny);
- iii. tied to that, whether a contraction in statutory rights falls within s.51(xxxi);
- iv. the claim by the ABC and CRA (but not the Commonwealth) that s.51(xviii) of the Constitution is not susceptible to the just terms guarantee;⁶⁶
- v. the claim that the scheme simply adjusts competing rights (etc).⁶⁷

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(i) *The impugned provisions have the character of acquiring property*

71. Section 109(1) of the 1968 Act, as first enacted, provided that “[s]ubject to this section, the copyright in a published sound recording is not infringed by the making of a broadcast of that recording if” one of the following are met:

(a) *Where there is no order of the Tribunal in force under s.152 applying to the broadcaster.* The broadcaster can engage the protection in s.109(1) by giving “an undertaking in writing” to the copyright owner to pay the owner such amounts (if any) as may be specified or determined by the Tribunal (s.109(1)(a)); or

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(b) *Where there is an order of the Tribunal in force in relation to that broadcaster at the time of the broadcast.* In this instance it does not matter whether the copyright owner is, or is not, a person specified in the order as someone to whom payments should be made (s.109(1)(b)(i) and (ii)).

72. Section 109(2) provided that s.109(1) did not apply in relation to a broadcast of a sound recording if the broadcast was made “in accordance with an agreement between the maker of the broadcast and the owner of the copyright in the recording”.

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73. Section 152 set out the relevant powers of the Copyright Tribunal. The Tribunal makes the order specifying the amount payable pursuant to s.152(6). The order must determine or make provision for determining the “amount payable by the broadcaster to the owners of copyrights in sound recordings in respect of the broadcasting, during the period to which the order applies” (s.152(6)(a)). The order must further specify the copyright owners “among whom that amount is to be divided (s.152(6)(b)), and “the respective shares in that amount of the persons among whom that amount is to be divided” as agreed, or in default of agreement, as the Tribunal thinks equitable (s.152(6)(c)).

74. Section 152(8) imposed a cap on the amount the Tribunal may order a commercial licensed broadcaster to pay, being 1% of the amount determined by the Tribunal to

⁶⁶ Amended Defence of the ABC para 60(c), SCB p55; Defence of the CRA paras 41(c), 42(a), 44(a), 45(a) and 46(a), SCB p64-66.

⁶⁷ Amended Defence of the ABC para 60(d), SCB p56; Defence of the CRA paras 41(d), 42(a), 44(a), 45(a) and 46(a), SCB p64-66.

be “gross earnings of the broadcaster during the period” equal to the duration of the proposed order up to the end of the most recent financial year. Section 152(19) defined gross earnings as the “gross earnings of the broadcaster during that period in respect of the broadcasting by him of advertisements or other matter, including the gross earnings of the broadcaster during that period in respect of the provision by him of, or otherwise in respect of, matter broadcast by him” (see also s.152(21) for an extension of this definition dealing with earnings of related persons).

- 10 75. Section 152(11) imposes a special cap with respect to the ABC of 0.5¢ per head of population in Australia (as determined from the Commonwealth Statistician’s last relevant set of statistics) per year, or pro rata for parts of years.
76. As the Tribunal stated in *WEA Records v Stereo FM* (1983) 1 IPR 6 (*WEA*) at 15, it appears that s.152(6) “postulates that all interested copyright owners will be before the Tribunal” and will be included in the order, although the provision in s.152(12) relating to amending the order to include further persons recognised that this might not be the case. Any such amendment to the order could only apply prospectively: s.152(17); *WEA* at 15. If an order under s.152 was in force, but a copyright owner was not specified in the order as a person who should receive payments under that order, the broadcaster was nevertheless immune and the copyright owner obtained no remedy or right to payment: s.109(b)(ii).
- 20 77. By s.152(16), an order under s.152 could not be made to take effect before the expiry of any earlier order in relation to the relevant broadcaster. This had the consequence that only one order could be in force for a broadcaster at any given time, and that order exhaustively governed the liabilities of the broadcaster for broadcasting sound recordings that enjoyed a broadcasting right within s.85(1)(c) subsists.
78. These provisions in ss.109 and 152 remain in force in substantially the same terms now as when enacted (there was an amendment to the chapeau in s.109(1) which is not currently material).
- 30 79. Sections 109 and 152 create a scheme that operates as one of the “statutory licensing schemes” identified by this Court in *Copyright Agency Limited v State of NSW* (2008) 233 CLR 279 at [13]-[14]:

which permit use on condition that remuneration is paid by users to owners. The licences are often described as ‘compulsory’ and the schemes are often collectively referred to as ‘remunerated use’ provisions.

(ii) *The impugned provisions provide for the acquisition of property*

80. For the purposes of s.51(xxxi) there must be an “acquisition” as distinct from a mere “taking”. No formality is required as to the method of acquisition; “the phrase ‘acquisition of property’ is “not to be confined by reference to traditional conveyancing principles and procedures”.⁶⁸
- 40 81. In *ICM Agriculture v Commonwealth* (2009) 240 CLR 140 (*ICM*) at [82] French CJ, Gummow and Crennan JJ quoted approvingly the following statement of Deane and Gaudron JJ in *Mutual Pools & Staff v Commonwealth* (1994) 179 CLR 155 at 185

⁶⁸ *Mutual Pools & Staff v Commonwealth* (1994) 179 CLR 155 at 185 per Deane and Gaudron JJ.

(citations omitted):

The extinguishment, modification or deprivation of rights in relation to property does not of itself constitute an acquisition of property. For there to be an "acquisition of property", there must be an obtaining of at least some identifiable benefit or advantage relating to the ownership or use of property. On the other hand, it is possible to envisage circumstances in which an extinguishment, modification or deprivation of the proprietary rights of one person would involve an acquisition of property by another by reason of some identifiable and measurable countervailing benefit or advantage accruing to that other person as a result..

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82. Hayne, Kiefel and Bell JJ observed to similar effect in *ICM* at [147] (citations omitted; see also Heydon J at [190]):

But there can be no acquisition of property unless some identifiable and measurable advantage is derived by another from, or in consequence of, the replacement of the plaintiffs' licences or reduction of entitlements. That is, another must acquire "an interest in property, however slight or insubstantial it may be".

83. As Gummow J stated in *Newcrest Mining v Commonwealth* (1997) 190 CLR 513 (*Newcrest*) at 634, "there is no reason why the identifiable benefit or advantage relating to the ownership or use of property, which is acquired, should correspond precisely to that which was taken".⁶⁹

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84. Here, the instant case in fact presents a close correspondence between what is lost and what is acquired by operation of the statutory scheme. Pursuant to ss.109 and 152, the copyright owner loses the right to sue for infringement but gains the right to receive capped amounts payable under s.152. Simultaneously, the broadcaster gains a statutory liberty to use the sound recording by broadcasting it. That statutory liberty is the liberty to use the property which had been conferred exclusively upon the copyright owner. And that benefit comes only at the cost of a duty to make payments ordered by the Tribunal, which payments are capped.

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85. As Gaudron, Gummow and Hayne JJ explained in *Phonographic Performance Co of Australia Ltd v Federation of Australian Commercial Television Stations* (1998) 195 CLR 158 at [16] (citation omitted):

The effect of s.109 of the Act is that copyright in published sound recordings which otherwise would be infringed under s.101 by the making of a broadcast of that sound recording will not be infringed if there is in force a determination by the Copyright Tribunal ("the Tribunal") under s.152 of the Act of amounts payable for the broadcasting of the sound recordings in question, or if an undertaking to abide by such a determination has been given. These provisions operate to dispense with the need for an actual licence from the copyright owner. The statute "grants a liberty to do that which otherwise could be prevented by the copyright owner", the latter losing the right to sue for infringement but gaining the right to receive amounts

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⁶⁹ See also *Georgiadis v Australian and Overseas Telecommunications Corporation* (1994) 179 CLR 297 at 305 per Mason CJ, Deane and Gaudron JJ; *Smith v ANL Ltd* (2000) 204 CLR 493 at [157] per Callinan J; *ICM* (2009) 240 CLR 140 at [190].

payable pursuant to an order of the Tribunal under s.152.

86. What the copyright owners lose under this regime is a fundamental and valuable part of the bundle of rights comprised in the copyright in sound recordings. They lose the right to withhold consent for the broadcast of their 1911 Act sound recordings. They may no longer sue for infringement by unauthorised broadcasts if s.109(1) applies. They receive only the ability to obtain a fee which could not exceed the statutory maxima, where previously no such caps applied on what could be claimed.
87. In direct consequence, the broadcasters obtain the benefit of a corresponding statutory licence to use copyright material, subject only to a liability to pay a capped licence fee. That benefit is identifiable, measurable and valuable. It closely corresponds to what has been taken from the owners of the copyright.
88. In fact, the statutory licence in s.109 has been little invoked in practice. The Special Case summarizes what has occurred since 1969 at paras 234-259.⁷⁰ There has been only one application to the Tribunal under s.152, being the 2MMM case: *WEA*. This history does not detract from the constitutional argument just put.
89. The issue of validity is one which depends upon characterisation of the law – specifically, whether the provisions in question are supported by the constrained grant of power in s.51(xxxi) of the Constitution. The issue is the character of the law, not merely its precise practical effect following its commencement: “the question for the Court when validity is in issue is whether the legislation answers the description of the law with respect to acquisition upon just terms”.⁷¹ That is not to suggest, of course, that the practical operation of the law is irrelevant. The position is as summarized by Hayne, Kiefel and Bell JJ in *ICM* at [138] (citations omitted):
- it is now well established that the practical operation of a law is not irrelevant to questions of characterisation. Of course, the character of the law must be determined by reference to the rights, powers, liabilities, duties and privileges which it creates. But the practical operation of the law must also be considered in determining the sufficiency of the connection.
90. Tied to these propositions, when a constitutional guarantee is at stake the issues are to be assessed as a matter of substance.
91. Regardless of the extent to which the provisions in ss.109 and 152 have been applied in practice, their existence overshadows the operation of the market, delineating in practical terms the limited area in which market negotiations may occur. It is obvious that in practice holders of copyright in sound recordings (along with the PPCA as the relevant collecting society) are deprived of the ability to withhold consent to broadcast, or to request payment in excess of the caps provided for in s.152. If a copyright owner or controller refused permission to broadcast, or made a monetary demand a broadcaster viewed as excessive in light of the caps, then the broadcaster need only give an undertaking in accordance with s.109(1)(a) and it gains an ability to broadcast, subject only to the potential determination of the Tribunal.

⁷⁰ SCB pp130-137.

⁷¹ *Grace Brothers Pty Ltd v Commonwealth* (1946) 72 CLR 269 at 290 per Dixon J.

(iii) *Contracting the content of statutory rights*

92. An extinguishment of rights – in whole or part – will not attract the protection of the guarantee in s.51(xxxi) if there is no transfer of benefit to another. Here, as just put, the impugned sections provide for a taking of rights and transfer of identifiable and measurable benefits. That being so, there is an acquisition of property within the meaning and operation of s.51(xxxi).

93. This transfer of benefits might be described as a contraction in the statutory rights in question. It is another way of saying that some of the bundle of rights created pursuant to the statute (the 1911 Act) have been taken, where the benefit of this has been transferred to another. There is and could be no requirement that the entirety of the bundle of rights was acquired before the constitutional guarantee applied.

94. In any event, in *Attorney-General (NT) v Chaffey* (2007) 231 CLR 651 (*Chaffey*), at [21], Gleeson CJ, Gummow, Hayne and Crennan JJ referred to authority that extinguishment of a vested cause of action could be an acquisition of property, and then stated:

Further, contraction in what otherwise would be the measure of liability in respect of a cause of action or other “right”, may constitute an “acquisition” of property for the purposes of s 51(xxxi).

95. At [24] their Honours went on to observe:

It is too broad a proposition ... that the contingency of subsequent legislative modification or extinguishment removes all statutory rights and interests from the scope of s.51(xxxi). ... a law reducing the content of subsisting statutory exclusive rights, such as those of copyright and patent owners, would attract the operation of s.51(xxxi).

96. That passage is directly applicable here.

97. The decision in *Australian Tape Manufacturers Association Limited v Commonwealth* (1993) 176 CLR 480 (*Tape Manufacturers*) is distinguishable from the scheme currently in issue. That case concerned a legislative scheme⁷² which was introduced to deal with the widespread practice of private and domestic taping of sound recordings onto cassettes, which constituted an infringement of the copyright in the sound recordings. The impugned laws inserted a new Part VC of the Copyright Act. Section 135ZZN imposed a “royalty” payable for each blank tape first sold, let for hire or otherwise distributed in Australia. Section 135ZZP made the levy payable by the vendor who first sold (etc) the tape in Australia. The levy was payable to an identified collecting society whose members were the relevant copyright owners. Section 135ZZM in the same Part VC provided that it was not an infringement of copyright in a published sound recording to make, on private premises, a copy of the sound recording on a blank tape for the private domestic use of the maker. Importantly, that “non-infringement” clause was unconditional – it did not depend upon payment, or a promise to pay, the levy.

98. The levy was held to be a tax imposed contrary to s.55 of the Constitution. It was also held that s.153ZZM did not effect an acquisition of property because it was

⁷² See 496 per Mason CJ, Brennan, Deane and Gaudron JJ.

taken to extinguish copyright rather than transfer a benefit. The legislative scheme in that case differed significantly from ss.109 and 152.

99. Mason CJ, Brennan, Deane and Gaudron JJ considered (at 497) that a levy upon each blank tape was not the payment of a “royalty”:

it is of the essence of a royalty that the payments should be made in respect of the quantity or value of things taken, produced or copied or the occasions upon which the right is exercised.

It is clear that the levy imposed in respect of the sale of blank tapes does not fit this conception. The vendor receives no right, benefit or advantage in consideration of the levy or payment of the levy. The payment is not made in consideration of the licence to sell blank tapes; nor is it made in respect of the particular exercise of any right, benefit or advantage obtained by the vendor.

It is not the case that, in consideration of payment of the levy, the vendor is permitted to do something which would otherwise amount to an infringement of copyright.

100. Thus two critical features of the law were that the person liable to pay the levy obtained no countervailing right or benefit, and that the non-infringement clause in s.135ZZM was not conditional upon payment of the levy.⁷³ It was based on these features that Mason CJ, Brennan, Deane and Gaudron JJ held at 499-500 that although there was a reduction in “the content of the exclusive right conferred by s.31(1)(a)”, there was relevantly no “acquisition” of property.

101. Both elements of their Honours’ reasoning are inapplicable to the present scheme. Section 109(1) is framed so that the non-infringement of copyright is conditional upon an existing or future obligation on the broadcaster to make such payment as is ordered by the Tribunal, and is intended to be made in respect of the quantity, value and/or the occasions upon which the relevant property is used or the right to broadcast is exercised. The broadcaster *does* receive a right benefit or advantage – the liberty to broadcast the sound recording, commonly referred to as a statutory licence. It *is* the case that, in consideration for payments under s.152 or an undertaking to pay, the radio broadcaster “is permitted to do something which would otherwise amount to an infringement of copyright”. Thus the first plurality judgment is consistent with a finding of an acquisition here.

102. Dawson and Toohey JJ (with whom McHugh J relevantly agreed) also thought that s.135ZZM effected no acquisition of property because while it diminished exclusive rights, it did not result in an acquisition of property by any person. Their Honours went further in dealing with s.135ZZM, stating at 528 that it:⁷⁴

confers nothing upon any person which may be described as being of a proprietary nature. If the immunity which it 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

⁷³ *Tape Manufacturers* at 499 per Mason CJ, Brennan, Deane, Gaudron JJ: “the sub-section ... does not acquire from the copyright owners the whole or part of the exclusive right conferred by ... the Act to reproduce the copyright work in a material form. Instead, s.135ZZM(1) provides that something which was formerly an infringement of copyright is not an infringement.”

⁷⁴ Note also the discussion in *Commonwealth v WMC Resources* (1997) 194 CLR 1 at paras [184] – [187].

permanent character or capable of being assigned to third parties, those being the usual characteristics of a right of property. It is not a right which can be described as being by way of copyright or a licence under copyright since it entirely lacks exclusivity. It does not, in our view, amount to an interest in property.

103. Their Honours' difficulty with the purported acquisition was that what was acquired was an "immunity" and not a proprietary right in the traditional sense. The present case is altogether different. First, what the broadcasters gain is not a simple immunity, as the benefit obtained is conditional upon payment ultimately being made pursuant to the terms of s.109(1) and s.152. What is gained, therefore, is more in the nature of a conditional legal right.
104. Secondly, by s.87 of the 1968 Act, radio broadcasters *do* receive an exclusive property interest – in the orthodox sense – in the broadcasts which they are permitted to make pursuant to s.109. On the recommendation of the Spicer Committee,⁷⁵ a copyright was created for the first time in sound broadcasts comprising the exclusive rights:
- (a) by s.87(b), to make a sound recording of that broadcast or a copy of such sound recording; and
 - (b) to re-broadcast it or communicate it to the public otherwise than by broadcasting it (s.87(c)).
105. That copyright subsists in sound broadcasts made from a place in Australia, either under the authority of a licence or class of licence under the *Broadcasting Services Act* 1992; or by the Australian Broadcasting Corporation or the Special Broadcasting Service Corporation (s.91), and such copyright vests in the maker of the sound broadcast (s.99) – that is, the radio broadcaster.
106. However, at a more fundamental level, the strictness of the distinction between traditional proprietary rights and immunities cannot stand with subsequent decisions of this Court. Further, if and to the extent that *Tape Manufacturers* is regarded as dependent upon this view, or is viewed as otherwise requiring a conclusion that the present scheme involves a mere extinguishment of rights and no relevant transfer of benefit, then the plaintiffs seek leave to argue that to that extent the decision should not be followed.
107. There are a number of problems with the strict position identified:
- (a) It confuses the issues of identification of property which is said to be *taken* with identification of the benefit that has been *acquired*. It is not the case that there is no acquisition unless what has been gained is also property in the constitutional sense. The strict view cannot stand with the acceptance in subsequent cases that the guarantee applies if there has been a transfer of identifiable and measurable advantage.⁷⁶

⁷⁵ Spicer Committee Report para 241, BD 1/516.

⁷⁶ *Mutual Pools & Staff v Commonwealth* (1994) 179 CLR 155 at 185; *Georgiadis* (1994) 179 CLR 297 at 305; *Newcrest* (1997) 190 CLR 513 at 634; *ICM* (2009) 240 CLR 140 at [82], [147] and [190].

- (b) Similarly, it sits uncomfortably with decisions that there is no need for a precise correspondence between what is lost and what is acquired.⁷⁷
- (c) It also sits uneasily with the Court's decision in *Newcrest*, where Brennan CJ, for example, stated at 530 that:

the Commonwealth's interest in respect of the minerals was enhanced by the sterilisation of Newcrest's interests therein. ... The property consisted not in a right to possession or occupation of the relevant area of land nor in the bare leasehold interest vested in Newcrest but in the benefit of relief from the burden of Newcrest's rights to carry on "operations for the recovery of minerals".

- (d) The strict approach is inconsistent with the notion that property in the constitutional sense extends to innominate and anomalous interests, and with the emphasis upon substance over form. It suggests a section that comprehends innominate and anomalous interests as property, but fails to comprehend a transfer of a substantive benefit from the use of such property unless there is also a vesting of an exclusive right in the putative acquirer. Yet it is sufficient for an acquisition of a vested cause of action that the extinguishment results in a direct benefit or financial gain, including the termination of liability without payment or other satisfaction. As Mason CJ, Deane and Gaudron JJ observed in *Georgiadis v Australian and Overseas Telecommunications Corporation* (1994) 179 CLR 297 (*Georgiadis*) at 304-305:

"acquisition" directs attention to whether something is or will be received. If there is a receipt, there is no reason why it should correspond precisely with what was taken. That is particularly so with "innominate and anomalous interests".

Thus, the fact that neither Telecom nor any one else now has the cause of action which was previously vested in Mr. Georgiadis is not conclusive of the question whether there has been an acquisition of property for the purposes of par. (xxxi).

108. Thus the suggestion that there will be no acquisition of property for the purposes of s.51(xxxi) if what is acquired is a mere liberty or immunity, and not a right which could itself be described as a positive proprietary right, should be rejected. Nor can it be the law, now, that a contraction of statutory rights cannot constitute an acquisition of property within s.51(xxxi) even if there has been some correlative transfer of benefit of advantage to another – so much is contrary to the discussion in *Chaffey* (quoted above).

109. What is important is that the benefit acquired is (1) an identifiable or measurable benefit or advantage, (2) relating to the ownership or use of the property in question, and (3) having a countervailing quality with respect to what has been lost. Whether the nature of what is taken, and what is acquired, is of such character and significance as to attract the operation of the guarantee is, of course, a matter for assessment in all the circumstances of each case. In the case of subsisting exclusive

⁷⁷ *Commonwealth v WMC Resources* (1998) 194 CLR 1 at [49] per Toohey J, at [77] per Gaudron J, at [246] per Kirby J; *Smith v ANL Ltd* (2000) 204 CLR 493 at [157] per Callinan J.

statutory copyright, a reduction in the content of the exclusive rights of the owner/controller, to the identifiable advantage of a class of copyright users, should be recognised as an acquisition of property. The nature of copyright in sound recordings is such that much of its importance and value stems from the exclusive, controlling rights in such use of the property.

110. This aspect of the reasoning in *Tape Manufacturers* may comfortably be departed from by this Court, given that it did not rest upon a principle carefully worked out in a significant succession of cases, has not been clearly accepted by a majority of the Court, has not been the foundation of subsequent decisions, and is in fact inconsistent with subsequent decisions of this Court.

(iv) No relevant incompatibility between s.51(xviii) and s.51(xxxi)

111. The second and third defendants, but not the Commonwealth, plead that the head of power in s.51(xviii) is a power to create, modify and extinguish rights, including copyright, which is not susceptible to the application of s.51(xxxi). That proposition cannot be accepted.

112. First, many heads of federal power authorise the creation, modification and extinguishment of rights. That characteristic cannot preclude the operation of the constitutional guarantee. Indeed, the proposition amounts to saying that any right created by federal statutory law is not subject to s.51(xxxi).

113. Secondly, there is no relevant inconsistency or incongruity between a power to create, modify and extinguish intellectual property rights and the application of the constitutional guarantee.⁷⁸ In *Nintendo Company v Centronics Systems* (1994) 181 CLR 134 (*Nintendo*), the Court stated that “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 in original compositions, inventions, designs, trade marks and other products of intellectual effort”. The intellectual property power, in other words, envisages the creation of intellectual property rights conferred upon “authors, inventors, designers and other originators and assignees” of intellectual property; and conversely “limit and detract from the proprietary rights which would otherwise be enjoyed by the owners of affected property” (ibid).

114. The incongruity identified by the Court in *Nintendo* was limited to laws made under s.51(xviii) which created *new* intellectual property rights, for “[i]nvariably, such laws may, at their commencement, impact upon existing proprietary rights” (at 160). That incongruity was, in a sense, the corollary of the constitutional starting point, namely that intellectual property rights are relevantly exclusive and unqualified rights of owners and creators. *Nintendo* does not establish that any law made with respect to s.51(xviii) is incompatible with just terms. So much is reflected in subsequent authority, in which it has been accepted that intellectual property rights may be protected by s.51(xxxi).⁷⁹

115. The absence of inconsistency is illustrated by the fact that the 1968 Act provides

⁷⁸ Cf discussion in eg *Theophanous v Commonwealth* (2006) 225 CLR 101 at [55]-[60].

⁷⁹ *The Commonwealth v WMC Resources Ltd* (1998) 194 CLR 1 at [184] per Gummow J; *Chaffey* (2007) 231 CLR 651 at [24].

myriad rights to compensation/damages relating to the use of rights subsisting in copyrighted material. Indeed, the impugned provisions here do provide for some – albeit reduced and inadequate – remuneration to the person whose property has been acquired.

(v) *Not an incidental adjustment of competing rights, claims or obligations*

116. The second and third defendants plead that any reduction in the relevant rights is merely a permissible adjustment or regulation of competing rights, claims or obligations of broadcasters and owners of sound recordings.⁸⁰ The Commonwealth pleads that “the scheme conferring copyright in sound recordings under the 1968 Act features benefits and burdens that differ from the scheme governing copyright under the 1911 Act and the 1912 Act”.⁸¹ This appears to be a similar argument to that of the other defendants. All defendants also plead that rights in sound recordings under the 1911 Act were *replaced* by new rights under the 1968 Act.⁸²

117. That existing statutory rights are replaced by new ones is little to the point. No doubt such a replacement will be permissible with respect to property rights so long as there is either a substantial like-for-like replacement in all material respects, or just terms are provided for any acquisition of the existing bundle of rights that is thereby effected. Parliament cannot avoid the operation of s.51(xxxi) by repealing the relevant rights and in the same breath creating “new” rights which are very similar but have a reduced content. The guarantee of just terms is not to be avoided by “a circuitous device to acquire indirectly the substance of a proprietary interest”.⁸³

118. Here, the 1968 Act reduced the content of the rights of owners of copyright in sound recordings under the 1911 Act, transferring a correlative benefit to radio broadcasters, and thereby effected an acquisition. That is so whether the 1968 Act is taken to abolish 1911 Act rights and replace them with new rights, or whether it is taken to continue existing rights. As is developed in Part VI.C below, just terms were not and are not provided.

119. The “competing rights” notion was first clearly articulated in such terms by Mason CJ, Brennan, Deane and Gaudron JJ in *Tape Manufacturers* at 510:

In a case where an obligation to make a payment is imposed as genuine taxation, as a penalty for proscribed conduct, as compensation for a wrong done or damages for an injury inflicted, or as a genuine adjustment of the competing rights, claims or obligations of persons in a particular relationship or area of activity, it is unlikely that there will be any question of an ‘acquisition of property’ within s.51(xxxi) of the Constitution.

120. In *Mutual Pools & Staff Pty Ltd v Commonwealth* (1994) 179 CLR 155 (*Mutual Pools*) the notion was raised. Deane and Gaudron JJ, for example, said at 189-190 that:

⁸⁰ Amended Defence of the ABC para 60(d), SCB p56; Defence of the CRA paras 41(d), 42(a), 44(a), 45(a) and 46(a), SCB p64-66.

⁸¹ Amended Defence of the Commonwealth, para 40.2, SCB p44.

⁸² Amended Defence of the Commonwealth para 13B, SCB p41; Amended Defence of the ABC para 60(b), SCB p55; Defence of the CRA paras 41(b), 42(a), 44(a), 45(a) and 46(a), SCB p64-66.

⁸³ *Bank of NSW v Commonwealth* (1948) 76 CLR 1 at 349 per Dixon J.

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.

121. The notion was invoked in *Nintendo* at 161:

10 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 characterisation 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 characterised 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.

122. A difficulty with this notion of adjusting competing rights (etc) in the common interest as an incident of general regulation is that, as has subsequently been observed, “[m]any laws may be so described”⁸⁴. That the measure in question is said to be enacted in the public or common interest cannot be sufficient to exclude it from the operation of the guarantee. Governments would seek to characterise *all* laws as being made in pursuit of the public interest. Yet, as Gleeson CJ stated in *Smith v ANL Ltd* (2000) 204 CLR 493 (*Smith v ANL*) at [9]:

30 The guarantee contained in s.51(xxxi) is there to protect private property. It prevents expropriation of the property of individual citizens, without adequate compensation, even where such expropriation may be intended to serve a wider public interest. A government may be satisfied that it can use the assets of some citizens better than they can; but if it wants to acquire those assets in reliance upon the power given by s.51(xxxi) it must pay for them, or in some other way provide just terms of acquisition.

123. The notion of permissible adjustment of competing rights may perhaps best be seen as an aspect of the incongruity concept. The point is illustrated by the discussion by Mason CJ in *Mutual Pools* who, after referring to a series of prior decisions, said at 171:

40 Indeed, the taxation cases apart, they were all cases in which the relevant statute provided a means of resolving or adjusting competing claims, obligations or property rights of individuals as an incident of the regulation of their relationship, e.g. the relationship between a bankrupt and the creditors in bankruptcy, between the Crown and the person who brings in prohibited imports, and between the Crown and an enemy alien with respect to enemy property. In a context in which the law resolves or adjusts competing claims, obligations or property rights, it is not possible to regard the law as a law for

⁸⁴ *Smith v ANL Ltd* (2000) 204 CLR 493 at [51] per Gaudron and Gummow JJ, note also Callinan J at [181]; see further *Airservices Australia v Canadian Airlines* (1999) 202 CLR 133 at [500] per Gummow J.

the acquisition of property within the meaning of s.51(xxxi).

124. In other words, to apply the constitutional guarantee to some types of law would have the effect of undermining the legitimate ability of the Parliament to pass regulatory laws. To that extent the application of the guarantee is incompatible with giving full scope to the other relevant head of power.⁸⁵ And that might be so even if it could not be said that the other relevant head of power was *wholly*, or even substantially, immune from the guarantee. Thus it was in *Nintendo* that the Court drew upon the “competing rights” notion having explained that s.51(xviii) manifests a contrary intention which precluded the application of s.51(xxxi) in relation to the effect on existing proprietary rights when new intellectual property rights are created (see at 160-161).
125. Even when understood in this way it is still necessary that the notion is closely confined, for otherwise the exception has the potential to devour the rule. Thus relevant judgments have referred to such measures having been enacted “in the common interest”, for instance, where the acquisition is merely incidental to general regulation.
126. Here, the notion of “adjustment of competing rights” has no role to play. As just explained in Part VI.B(iv), there is no incongruity in applying the constitutional guarantee here, and *Nintendo* is distinguishable.
127. Further, the caps cannot be described as being “in the common interest”. They were not merely an incidental part of a broader scheme, rather than one of the main aims of the scheme or its “sole or dominant character”.⁸⁶ The impugned provisions were not directed to “overcome distortion, anomaly or unintended consequences in the working of the particular scheme”.⁸⁷ The detrimental affectation of property rights was not “a necessary or characteristic feature” of achieving the legislative aim.⁸⁸
128. Rather, the caps were set specifically to benefit a section of copyright users – the broadcasters whose “fears” about the conceivable quantum of royalty payments the government wished to “allay”.⁸⁹ One group of persons was given a benefit at the direct cost of another group. And that was done not in order to achieve some other broad regulatory goal, but to achieve, simply, the benefitting of the former group of persons over the latter.
129. True, this occurred in a context of longstanding controversy and dispute about the merits and desirability of recognising public performance rights and copyright in sound recordings (as discussed above in Part VI.A(iii)). But that very controversy only serves to reinforce the point. The controversy had been resolved under the 1911 Act by creating the rights in question. To that extent one side of the argument had won the political battle, and sound recordings, and thus property rights, were thereafter brought into existence in the context of, and in reliance upon, the statutory scheme.

⁸⁵ Note discussion by Brennan J in *Mutual Pools* at 179-180.

⁸⁶ Cf *Mutual Pools* at 181 per Brennan J, also 189 and 191 per Deane and Gaudron JJ.

⁸⁷ Cf *Health Insurance Commission v Peverill* (1994) 179 CLR 226 at 237 per Mason CJ, Deane and Gaudron JJ.

⁸⁸ Cf *Mutual Pools* at 179 per Brennan J.

⁸⁹ Second Reading Speech by Mr Bowen, House of Representatives Hansard, 16 May 1968, BD 3/1403.

130. In the 1968 Act the resolution of the competing interests changed, following intense lobbying on both sides.⁹⁰ That was a typical manifestation of political engagement. The Parliament was entitled to change its position. But that change of mind could not come at the cost of authorising the acquisition of existing property rights other than on just terms and transferring correlative benefits to another.

131. The contrary position is inconsistent with basic principle and authority. For example, various forms of land title granted to Aboriginal peoples are often the subject of significant political controversy. Parliaments are entitled to change laws providing for the grant of new title from time to time, as political battles ebb and flow. But the Commonwealth Parliament cannot do so at the cost of existing rights. Similarly, the Commonwealth may change its mind on the rights that may be granted under mining laws, or on the proper scope of causes in action at common law or under statute. But it may not retrospectively remove such rights which have already come into existence, to the direct benefit of those under the correlative liability, without providing just terms.

C. Just terms

132. The plaintiffs submit that the introduction of the two caps provided for in ss.152(8) and (11) of the 1968 Act reduced (and continue to reduce) the content of the rights held by owners of subsisting copyright in sound recordings protected under the 1911 Act. As the plaintiffs have indicated to the Court in directions hearings, and in correspondence with the parties, they do not attempt to show here that but for the caps particular copyright holders would have expected to receive X, but only received less-than-X. They do not attempt to run a comparative valuation case. It is not necessary for them to do so.

133. This case is not a damages or compensation claim but an argument about the character of the impugned measures. In the words of Dixon J in *Grace Brothers v Commonwealth* (1946) 72 CLR 269 at 290, “the question for the Court when validity is in issue is whether the legislation answers the description of a law with respect to acquisition upon just terms”. That the measures affect an acquisition of property without just terms emerges from the provisions themselves, as understood in their practical, historical and statutory context.

134. The issues that arise here will be addressed as follows:

- i. the concept of just terms;
- ii. the statutory context;
- iii. the absence of just terms here.

(i) The concept of just terms

135. It is not necessary here to attempt some definitive articulation of the content of “just terms”, if indeed such could ever be provided. Put simply, the notion requires full compensation for what is lost, as reasonably assessed (and thus not necessarily “to the uttermost farthing”⁹¹). As Brennan J stated in *Georgiadis* at 310-311:⁹²

⁹⁰ See SC paras 123-127, SCB pp 96-97, and SC paras 141-172, SCB pp 102-111.

⁹¹ *Nelungaloo Pty Ltd v Commonwealth* (1948) 75 CLR 495 at 540-1.

In determining the issue of just terms, the Court does not attempt a balancing of the interests of the dispossessed owner against the interests of the community at large. The purpose of the guarantee of just terms is to ensure that the owners of property compulsorily acquired by government presumably in the interests of the community at large are not required to sacrifice their property for less than its worth. Unless it be shown that what is gained is full compensation for what is lost, the terms cannot be found to be just.

- 10 136. Such compensation may be fixed by “judicial estimation”, including by a tribunal.⁹³ As Latham CJ stated in *Nelungaloo Pty Ltd v Commonwealth* (1948) 75 CLR 495 at 540:

The hypothesis of “a free market” should, in its application to questions of compensation, be taken to mean only that the assessing tribunal should endeavour to ascertain the price which a willing purchaser would give to a not unwilling vendor of the property in question, neither being under any compulsion, the price to be assessed at the value of the owner.

137. Where such remuneration is determined by an administrative, rather than judicial body, then as Williams J in *Australian Apple and Pear Marketing Board v Tonking* (1942) 66 CLR 77 at 84 stated (citations omitted):

20 Assuming, however, that the Commonwealth Parliament, without infringing the judicial power, can provide for compensation for property which it acquires to be assessed otherwise than by a court, it would nevertheless be essential in my opinion for it to lay down some basis for the assessment so that the court can see that ‘just’ terms are available by law.

138. The terms of the law – especially any criteria governing the assessment process – are thus critical.

(ii) The statutory context

- 30 139. As discussed above in Part VI.A(i), the remedies for infringement of copyright with respect to rights under the 1911 Act were extensive. Section 6(1) of the 1911 Act provided rights to seek “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”. No limits or caps were imposed on the damages (etc) that might be awarded.

140. Section 19(2) of the 1911 Act provided that it shall not be deemed to be an infringement of copyright in a relevant musical work where the contrivances in question had been made with the consent or acquiescence of the owner of the copyright of the work, notice had been given, and the specified royalty rate was paid. Section 19(3) provided for a royalty rate of 2.5% for contrivances sold within 2 years of the commencement of the Act, and 5% thereafter (with a minimum rate of a halfpenny for each separate musical work), although this rate could be varied by the Board of Trade if it appeared that it was “no longer equitable”.

- 40 141. In Australia s.13A was introduced into the 1912 Act in 1933.⁹⁴ In the case of

⁹² See further *Smith v ANL* at [8] per Gleeson CJ, and note Gaudron and Gummow JJ at [54].

⁹³ Notably, an expression often used to describe the Copyright Tribunal’s task: see *Audio-Visual Copyright Society Ltd v Foxtel Management Pty Ltd (No 4)* (2006) 68 IPR 367 at [131], [134], [142]-[143].

⁹⁴ Note SC para 120, SCB p95.

disputes between owners and users of musical and mechanical copyright regarding rates and methods of payment, the section provided for “the determination of the dispute by voluntary arbitration by an arbitrator mutually selected, or, failing such selection, appointed by the Governor-General”. At least as at 1959 there was no known record of it ever having been used (and there is no other evidence of its use in the Special Case).⁹⁵

10 142. Turning then to the 1968 Act, this contained and contains numerous provisions providing for assessment of compensation by the Copyright Tribunal. In the case of the 1968 Act as enacted, see for example, ss.47(3), 70(3), 107 and 108 which provided for the determination of “equitable remuneration”, s.58 which referred to “the royalty or minimum royalty ... [being] equitable” and ss.154, 155, 156, 157 which enabled the Tribunal to confirm or vary a licence scheme as it considered was “reasonable” in the circumstances. Now, see also, for example, ss. 47A, 135G, 135H, 135J(1), 135JA(1), 135ZU, 135ZV, 135ZW(1), 135ZWA(1) and 135ZZM, 183A, and ss.157 and 157A. These terms are broad enough to achieve just terms. The Tribunal has articulated its approach to the determination of equitable remuneration in *Audio-Visual Copyright Society Ltd v Foxtel Management Pty Ltd (No 4)* (2006) 68 IPR 367 at [131]-[143] (Lindgren P, Professor Pearce and Ms Bowne SC), in terms indicating that it does not confine itself to one particular approach, but takes account of a wide range of factors, seeking to adopt whatever approach is appropriate for the particular circumstances before it.

20
(iii) The absence of just terms here

143. A series of factors establish the absence of just terms here. First, and most simply, the two caps in s.152(8) and (11) have been applied where previously there were no such restrictions. At the time immediately prior to the enactment of the 1968 Act, a person who owned a subsisting copyright in a sound recording could have sued for damages for infringement of that copyright and been compensated in a like manner as if the sound recording were a musical work. From 1 May 1969 that was no longer the case.

30 144. Secondly, the practical significance of that restriction is revealed by the stark fact that these two caps are the only such restrictions in the Act, save for a potential and contingent restriction on s.55 of little materiality. If those caps are of no practical significance, why are they there, and why were they so hard fought over when enacted?

145. That leads to the third point. It is plain that the caps were *intended* to be a significant restriction on the compensation payable. In the absence of an indication that that intention has miscarried, it can be presumed to have been efficacious (the strength of opposition in this very proceeding tends to confirm that presumption).

40 146. In *Johnston Fear & Kingham & the Offset Printing Company Pty Limited v Commonwealth* (1943) 67 CLR 314 the High Court considered the *National Security (Supply of Goods) Regulations* which empowered a Minister to require a person to deliver up such goods to the Commonwealth. The price or remuneration to be paid by the Commonwealth was to be agreed between that person and the

⁹⁵ Ibid.

Commonwealth, or in default of agreement was to be determined by arbitration – subject to a proviso that such price or remuneration could not in any case exceed a maximum price fixed (if any) in respect of such goods by the Commonwealth Prices Commissioner in pursuance of the *National Security Prices Regulations*. The Commonwealth conceded in argument that that proviso could not be valid (at 316). As Latham CJ observed at 322:⁹⁶

By reason of the proviso the price must not in any case exceed the maximum price, if any, fixed by the Commonwealth Prices Commissioner. It is evident that such price is fixed, as the regulation states, “in respect of goods”, and that such a price cannot take into account any circumstances which may make it just in a particular case that a person whose goods are compulsorily taken from him should receive as compensation something more than the fixed price of the goods. **It was conceded for the Commonwealth that the Commonwealth had no legislative power to fix a limit to compensation in this manner, because it was inconsistent with the idea of just terms that a maximum compensation for goods taken should be fixed without any regard to the circumstances of a particular case, and without giving the owner of the goods an opportunity of being heard.** (emphasis added)

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147. An analogy might be drawn in this regard with the later decisions on short and fixed limitation periods in *Smith v ANL* and, in a different context, in *Bodruddaza v Minister for Immigration and Multicultural Affairs* (2007) 228 CLR 651.

148. The drafting history throws light on this issue. As noted above, in 1959 the Spicer Committee recommended the retention of the performing right in sound recordings. However, on 20 April 1966, the then Attorney-General, the Hon. Billy Snedden, made a Ministerial Statement to the House of Representatives about a forthcoming Copyright Bill. He informed the House that it would not give the owner of copyright in a sound recording “any rights to collect royalties in respect of the public performance or broadcasting of that record”.⁹⁷

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149. A Copyright Bill was introduced into the House of Representatives on 18 May 1967. Mr Snedden’s successor as Attorney-General, the Hon. Nigel Bowen QC, considered that the rights ought to be retained, stating in Parliament:⁹⁸

further consideration has suggested that it would be inconsistent with what is done elsewhere in the bill in the way of confirming existing rights in other respects, to deprive record manufacturers of a right which has continued for so long under the existing law. Accordingly, the matter has been reconsidered and it has been decided to give certain rights in respect of the broadcasting or other performance of records, but in a more limited way than recommended by the Spicer Committee.

40

150. The Bill provided for “equitable remuneration” to owners of copyright in sound recordings in exchange for the broadcasting right, just as for numerous other such rights. Yet when Parliament resumed (having been prorogued following the presumed death of the Prime Minister), the revised Bill was circulated as a

⁹⁶ cf per Starke J at 327.

⁹⁷ SC para 148, SCB p104.

⁹⁸ Second Reading Speech by Mr Bowen, House of Representatives Hansard, 18 May 1967, BD 2/1231.

memorandum of alterations which contained a right to equitable remuneration but subject to a cap of 1% and 0.5¢ per head of population. The Attorney-General stated in a further second reading speech:⁹⁹

10 These limits have been set to allay fears expressed by both the commercial broadcasting stations and the Australian Broadcasting Commission that the payment of royalties for the broadcasting of records could impose a substantial financial burden on them. The limits have been fixed in the light of the special circumstances now existing in Australia in relation to the broadcasting of records and are not intended to imply that any particular
royalty or rate of royalty is appropriate for the broadcasting of musical
copyright works.

151. Thus the caps were introduced to allay fears that the royalties payable would otherwise exceed them. The second reading speech could not be clearer – it was intended to cap royalties which might otherwise be payable. That is confirmed by examination of those “fears” as expressed in correspondence from the Federation of Australian Commercial Broadcasters (**FACB**) to the Attorney-General. In a letter of 22 September 1967,¹⁰⁰ FACB referred to its own submissions on the 1967 Bill and expressed its fear that the future financial effects of the performance copyright provided for in that Bill included the prospect that the record manufacturers would
20 seek and obtain royalties as high as 7.5% of advertising revenue from a station.¹⁰¹

152. The Bill also contained a provision for the review of the caps by the Copyright Tribunal. That proposed review provision contemplated that the caps could work an injustice beyond that which was already intended. The review provision was deleted in the Committee stage, on the basis that the caps were legislated and should only be altered by later legislation.¹⁰² It is a further indication of a lack of just terms.

153. Fourthly, the caps imposed are inflexible and arbitrary. No characteristic of the property right acquired especially recommends the figures of 1%, or 0.5¢, as apt to provide either just terms, or equitable remuneration, for the use of that right. Indeed, the arbitrariness of the 1% cap is illustrated by the fact that it applies both with
30 respect to broadcasters which provide broadcast mainly news or talk just as it applies to those commercial broadcasters whose business model involves predominantly broadcasting music.

154. The arbitrariness of the ABC’s 0.5¢ cap is illustrated by the fact that there is no provision for indexation to take account of inflation, and its value has thus substantially diminished over time.

155. It is no answer to this complaint to say that the plaintiffs had rarely, if ever, obtained rates in excess of the caps prior to 1 May 1969. As the history set out in the Special Case reveals, there have been a number of battles between record companies and

⁹⁹ Second Reading Speech by Mr Bowen, House of Representatives Hansard, 16 May 1968, BD 3/1403.

¹⁰⁰ Significantly, this occurred at a time after circulation of the 1967 Bill but prior to the 1968

Memorandum.

¹⁰¹ Letter from E Lloyd Sommerlad, Federal Director, Federation of Australian Commercial Broadcasters (FACB) to the Hon. N H Bowen, Attorney-General, 22 September 1967, BD 3/1245.

¹⁰² See SC paras 170-171, SCB pp110-11 and Minute of the Attorney-General’s Department dated 21 May 1968 entitled “Copyright Bill - Revision of Maximum Royalty Payable on the Broadcasting of Records” BD 3/1451-1452 and Minute of Cabinet Decision No. 261(Leg), 29 May 1968, BD 3/1453.

broadcasters over the price to be paid for broadcasting of sound recordings, reflecting established practices, different market conditions, commercial imperatives and the legal understanding, as these factors existed from time to time. The broadcasting and music-producing markets are vastly different now from 100, 50 or even 10 years ago. That there would potentially be significant change was always foreseeable, even if the precise nature of the changes was not foreseeable. Pre-1969 practice cannot thus be taken as a definitive guide to the value from time to time of copyright in sound recordings under the 1911 Act.

- 10 156. There are numerous examples where the Copyright Tribunal has set rates which were significantly higher than past levels of payment¹⁰³.
157. By way of further illustration, in the Copyright Tribunal decision *Re Application by MCM Networking Pty Ltd* (1989) 25 IPR 597¹⁰⁴ the Tribunal (Sheppard J, A Horton and Prof S Ricketson) considered the remuneration payable pursuant to s.157 by MCM, a producer of syndicated radio programs. MCM made radio programs for use by broadcasters, but was not a broadcaster and was accordingly in a different position. The 1% cap also did not apply. In evaluating the “notional bargain” between the willing but not anxious licensor and the willing but not anxious licensee, the Tribunal set a “reasonable remuneration” at between 4.5% and 6%. It is not suggested that the same remuneration level would apply to broadcasters as a matter of course, but it does indicate a figure which the Copyright Tribunal thought
20 appropriate where the programs in question were used exclusively for radio broadcasting.
158. As it happens, in any event there is evidence in archival material that two radio stations, 2AD Armidale and 2BE Bega paid more than 1% of their gross revenue in the absence of the 1% cap:
- (a) in at least the 1942 calendar at year, 2AD paid a licence fee of £60 to the Australian EMI group for the right to broadcast records, which was equal to approximately 2.70% of its gross revenue at the time (approximately £2222).¹⁰⁵
- 30 (b) in the same year, 2BE paid a licence fee of £40 to the Australian EMI group for the right to broadcast records which was equal to approximately 3.99% of its revenue at the time (approximately £1003).¹⁰⁶
159. The defendants have suggested in their defences that the extension of copyright from 50 to 70 years affected by the *US Free Trade Agreement Implementation Act 2004* (Cth) is a significant benefit under the 1968 Act, apparently said to counterbalance

¹⁰³ Including *Re PPCA* (2007) 73 IPR 162 under s.154 (the increase in licence fee payable by nightclubs was about 14 times the previous fee); *Record Royalty Inquiry* (24 December 1979, Copyright Tribunal of Australia, St. John, Mr Purvis and Mr Malcolm) (the rate was increased by about 35%); *Copyright Agency Limited v Queensland Department of Education* (2002) 54 IPR 19 (rate for copying of transparencies increased from an effective 4¢ to 40¢ per page); and *Audio-Visual Copyright Society Ltd v New South Wales Department of School Education* (1997) 37 IPR 495 (increased from \$1 per student per annum to \$2.60 per student per annum over 4 years).

¹⁰⁴ BD 4/1981-2029.

¹⁰⁵ BD 3/1475-1476.

¹⁰⁶ BD 3/1478-1479.

the burden imposed by the caps.¹⁰⁷ That contention is flawed. The change only took effect from 1 January 2004, nearly 35 years after the commencement of the 1968 Act. No such benefit was provided in respect of the acquisition of property in sound recordings made between 1 May 1919 and 1 May 1954 in which copyright subsisted, and were progressively expiring between 1969 and 2004. The argument does not thus alter the invalid character of the law. It is not open to the Commonwealth to diminish copyright in all sound recordings by capping remuneration, as at 1969 and then, some thirty-five years later, provide just terms by augmenting the duration the copyright in those sound recordings that then remain in copyright.

10 160. Connected to this point, the burden of the restriction on the quantum of licence fees cannot simply be assumed to be commensurate with the benefit, with respect to some 1911 sound recordings, of the extension of duration of copyright. “Terms to be just should be clear and not obscure; so that where compensation is meant, the word compensation should be used.”¹⁰⁸ Such a scheme cannot be characterised as the provision of just terms. After all, the benefit of the time extension was also provided to other types of copyright which were not subject to such caps – indicating there was and is simply no correlation between the benefit of the extension and the burden of the caps. In *Smith v ANL* it was similarly argued that a range of other benefits were provided to the injured worker such as to make up for the truncated limitation period. However, it had not been shown that “what was gained by the appellant was full compensation for what was lost”,¹⁰⁹ even allowing for the other benefit.

20 161. The two caps in s.152(8) and (11) impose significant and arbitrary restrictions on the power of the Tribunal to award full compensation. In so doing they manifest the reduction in rights previously held by relevant owners of copyright. The 1968 Act fails to provide just terms.

D. Reading down and severance

30 162. If the caps imposed in s.152 breach the guarantee in s.51(xxxi) with respect to rights that had vested by 1 May 1969, there appear to be three main possibilities in terms of the legal consequence:

- (a) s.152 would be read down so as not to apply to vested rights;
- (b) the caps in subsections (8) and (11) are invalid and should be severed (together with associated subsections); or
- (c) the whole of s.152 is invalid.

163. Section 15A of the *Acts Interpretation Act* 1901 (Cth) requires, of course, that so far as possible legislation be read down so as to avoid any constitutional invalidity, subject to the relevant principles summarised in *Victoria v Commonwealth* (1996)

¹⁰⁷ Amended Defence of the Commonwealth para 21.3, SCB p42; Amended Defence of the ABC para 60(f), SCB p56; Defence of the CRA paras 41(f), 42(a), 44(a), 45(a) and 46(a) SCB p65-66.

¹⁰⁸ *Johnston Fear & Kingham & the Offset Printing Company Pty Limited v Commonwealth* (1943) 67 CLR 314 at 334 per Williams J.

¹⁰⁹ *Smith v ANL* at [10] per Gleeson CJ.

187 CLR 416 at 502.

164. The source of invalidity is the operation of s.109(1) with ss.152(8) and (11) with respect to 1911 Act sound recordings. The first question is whether the expression “published sound recording” in s.109(1) and in s.152 could be read down to mean “sound recordings made after 1 May 1969”. There are two indications that such a reading down is not properly open:

10 (a) The impugned laws themselves show that Parliament assumed or intended that the capped licence scheme in ss.109-152 would apply generally, and not “distributively”.¹¹⁰ The caps imposed relate to “the broadcasting of published sound recordings during the period covered by the order” (s.152(8); also s.152(11)). It is evident from that language that the caps are envisaged to apply to all claims relating to published sound recordings. That point is reinforced by other provisions in ss.109 and 152, in particular s.109(1)(b)(ii), which extends the broadcaster’s statutory liberty to broadcast a sound recording where there is a Tribunal order in force, even if the relevant owner of copyright was not a beneficiary of that order. Section 152(12) provides that an order of the Copyright Tribunal may be amended to include additional copyright owners, but the amendments can only be prospective (s.152(17)).

20 (b) The provisions so read down would have an altered operation with respect to the sound recordings made after 1 May 1969. The caps, which are absolute figures, would apply differently and only to a subset of the sound recordings to which they were intended to apply. Accordingly such a reading down is not possible.¹¹¹

165. The second alternative is the severance of the caps in ss.152(8) and (11) (and with them, the ancillary provisions in ss.152(9)-(10) and (19)-(21)). Such a severance would permit the balance of ss.109 and 152 to operate as a complete licensing scheme which supplies just terms. The power of the Tribunal to set compensation would be left at large.

30 166. The third alternative is that the whole of s.152 is invalid. That step would also likely have the effect of invalidating s.109, which presupposes the ability of the Tribunal to make an order. The situation then would be that s.101 would prevent infringement of the subsisting copyright rights, subject to licensing by the owners of the relevant copyright.¹¹² This approach involves a relatively major change to the operation of the legislative scheme.

167. Of the three possibilities, it is the second – severance only of the caps and the associated provisions – which appears most consistent with principle.

¹¹⁰ *Pidoto v Victoria* (1943) 68 CLR 87 at 110 per Latham CJ.

¹¹¹ *Pidoto v Victoria* (1943) 68 CLR 87 at 110 per Latham CJ.

¹¹² Including compulsory licensing under ss.154, 155 and 157, given the expansion of the definitions of “licensor”, “licence” and “licence scheme” in s.136 of the 1968 Act effected from 11 December 2006 by the *Copyright Amendment Act 2006*.

PART VII: APPLICABLE CONSTITUTIONAL PROVISIONS, STATUTES AND REGULATIONS

168. The applicable constitutional provisions are s.51(xviii) and s.51(xxxi), which provide as follows:

The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to: ...

(xviii) copyrights, patents of inventions and designs, and trade marks; ...

(xxxi) the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws.

10 169. A copy of the 1912 Act, which includes the 1911 Act in a schedule, is found at BD 1/383-433. A copy of the 1968 Act, as enacted, will be supplied to the Court by the plaintiffs. The current version of the 1968 Act is also material.

PART VIII: ORDERS SOUGHT

170. The plaintiffs seek that the questions of law stated for the opinion of the Full Court be answered as follows:

(1) Yes.

(2) Subsections (8)-(11) and (19)-(21) of section 152 are invalid.

(3) The defendants are to pay the plaintiffs' costs with respect to the Special Case.

20 Dated: 28 March 2011

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