



Copyright and Related Rights Cases in the Field of Music in the Asia-Pacific Region



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In the digital era, copyright is facing unprecedented challenges. The widespread proliferation and innovative use of digital technologies has transformed the world in which copyright operates and revolutionized the way content is created, distributed, and consumed.

The digital environment and its ever-evolving array of formats and platforms are spawning new ways of exploiting copyright and creating many new business opportunities. While it offers conditions which favor the diffusion and availability of content, it is making the task of extracting value from the use of these works more difficult. Traditional relationships are blurring and new ones are emerging which unsurprisingly offers fertile ground for legal battles over claims of infringement and abuse.

This extensive compilation of landmark legal decisions relating to the music industry by courts in the Asia-Pacific region offers some very interesting insights into the different ways in which copyright and related rights are being handled in various jurisdictions. It is a useful reference for the many professionals who are seeking to navigate the music industry's increasingly complex legal and commercial landscape.

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My special thanks go to Professor Dr. Daniel Seng, Associate Professor, Faculty of Law, National University of Singapore, for his dedication and untiring efforts in putting together this informative collection.



FRANCIS GURRY
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The creation and composition of music has been with Man since the age of civilization. However it is the invention of the phonograph by Thomas Edison in 1877 that first made it possible to capture sounds and performances and reproduce them. Since then, both the method and media for making, distributing and propagating sound recordings have witnessed tremendous changes. Phonograms, vinyl records, tapes and compact discs (CDs) enable recordings to be mass-produced for sale. New methods of propagation such as radio, TV, cable diffusion and satellite broadcasts enable music and recordings to reach different people and to be transmitted and used in different ways. And in 1990s came the advent of the Internet. With it, the landscape of the music industry was irrevocably changed.

But just as the metronome of technological progress has continued unabated, the laws of copyright and related rights have not stood still. It was in direct response to the challenges posed by phonograms, TV and satellites that the Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations 1961 (the Rome Convention) was accepted by members of the World Intellectual Property Organization. Likewise, it was in response to the challenges posed by the Internet that the global community got together to agree to the WIPO Internet Treaties (the WIPO Copyright Treaty 1996 and the WIPO Performances and Phonograms Treaty 1996).

Nonetheless, the intractable tension between law and technology persists. Nowhere is this best seen than from developments in the Asia Pacific. It is home to two of the largest countries in the world by population (China and India), some of the most advanced economies (Australia, Japan, Republic of Korea, New Zealand and Singapore) and some of the most significant emerging markets (China, India, Malaysia and Thailand) in the world. It is equally significant many countries in this list have very substantial music industries and at the same time have well-developed or increasingly well-developed Internet infrastructure. Thus it comes as no surprise that music piracy remains an ongoing problem in many countries in Asia. As both the music and the Internet industries grow in tandem with these Asia-Pacific economies and as laws and legal infrastructure evolve, it is inevitable that the courts in these economies will grapple with licensing disputes and issues regarding the infringement of copyright and related rights in music and recordings.

This publication attempts to collect some of these more important cases decided by courts in the Asia-Pacific, with December 2008 as the cut-off date for the selection of English translations of the cases from various sources. (Decisions made by administrative copyright tribunals or bodies are excluded for this edition of this publication.) The cases are organized by jurisdictions, sorted by date within each jurisdiction and tagged with keywords for ease of reference to the issues arising from infringement and licensing in the music industry. (The cases collected include cases which have been superseded by legislative changes.) The last chapter collects together all the other cases from these jurisdictions that deal with related issues in the movie and broadcasting industries. The aim of this publication as envisaged by WIPO is very modest: each case comes with a summary and a short commentary that is intended to provide the legislative and jurisprudential context for the decision and also refer the reader to similar or related decisions in other countries. While it is by no means exhaustive, it is hoped that this collection will be of interest to lawyers, judges, prosecutors, academics and students of copyright and intellectual property who are interested in developments in this area in the Asia-Pacific.

It is also hoped that by bringing all these resources in one book and in a common language and format, there is better appreciation for the diverse national and cultural backgrounds of these countries as well as the converging approaches and solutions towards the same issues and problems shown in the cases.

This not insignificant endeavour is not possible on my efforts alone. My thanks are due to the Supreme Court of Japan, the Institute of Intellectual Property, Japan, the Supreme Court of the Republic of Korea, the Research Center for the Legal System of Intellectual Property, Waseda University and the International Federation of the Phonographic Industry, Asian Regional Office. I offer my personal thanks to Judge Yuko Hirano, Osaka District Court, Japan, Professor Justin Hughes, Cardozo Law School, Yeshiva University, Professor Gyoocho Lee, College of Law, Chung-Ang University, Republic of Korea and Mr Shinji Niioka for their advice and input and for improving my understanding of the copyright laws in the respective countries. I would also like to thank Mr SungChun Yoon and Mr Candra Darusman from WIPO who guided me in my work and for putting me in touch with friends and colleagues from the many countries under review in this publication. SungChun in particular is a tower of patience and perseverance as I went through draft after draft and he pursued my requests for copyright permission with indefatigable vigour and dedication, while Candra's friendship, generous encouragement and kindness are the sources of my sustenance and motivation.

Last but not least, I reserve my greatest thanks for my wife, Xu Le, who had to bear the full brunt of my irregular working cycle of reading, researching and writing, in preparing for this publication. When I first started on this publication, she was already with our first child. And as we celebrate the first anniversary of the arrival of baby Rosemary, I also hope that this publication will be a modest and useful contribution to the legal literature in this area.

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Foreword	3
Acknowledgment	4
Introduction	5
Contents	7
1. Cases from Australia	19
1.1 WEA International & Anor. v. Hanimex Corporation Ltd.	19
Tape manufacturer is not liable for authorizing infringement by advertising the sale of blank tapes to make recordings from purchased tapes.	
1.2 Australian Tape Manufacturers Assoc. Ltd. & Ors. v. The Commonwealth of Australia	21
Selling blank tapes was not an authorization to infringe copyright as the vendor has no control over the ultimate use of the tapes.	
1.3 Schott Musik International GmbH & Ors. v. Colossal Records of Australia Pty. Ltd. & Ors.	23
A techno dance remix from a musical work was not an adaptation so lacking in integrity or quality that it debased the copyright owner's moral rights in the original work.	
1.4 Telstra Corporation Ltd. v. Australasian Performing Right Association Ltd.	25
Providing pre-recorded music to telephone subscribers breached the diffusion and public broadcasting rights though the transmission was to individuals in private circumstances.	
1.5 Phonographic Performance Co. of Australia Ltd. v. Federation of Australian Commercial Television Stations	27
Broadcasting a film amounted to broadcasting the aggregate of sounds that make up the sound track, for which the sound recording owner retained copyright.	

1.6	Australasian Performing Right Association Ltd. v. Metro on George Pty. Ltd.	29
	Music venue proprietor was liable for authorizing the unlicensed public performance of works on its premises, though it had disclaimed responsibility in its promoters' contracts.	
1.7	Universal Music Australia Pty. Ltd. & Ors. v. Sharman License Holdings Ltd. & Ors.	31
	Sharman, developers of Kazaa P2P software, were liable for authorizing infringement, as they had the power to control (and curtail) their users' infringing activities.	
1.8	Cooper & Ors. v. Universal Music Australia Pty. Ltd. & Ors.	33
	By setting up hyperlinks on his website to unlicensed MP3 files, Cooper was liable for authorizing his users to copy and communicate these recordings.	
2.	Cases from China (including Hong Kong SAR)	36
2.1	Dalian Audio-Video Publishing House v. Audio-Video Art Service Agency of Haidian District of Beijing	36
	In a pre-Copyright Law decision, defendant was liable for unlicensed replication and sale of cassette tapes of songs without the permission of the master tape owner.	
2.2	Music Copyright Society of China v. Netease Com., Inc. & Mobile Communications Corporation	38
	Netease was liable for unlicensed download of a musical work as a mobile ring tone, but mobile operator MCC was not liable as it merely provided a technical and passive service.	
2.3	Government of Sipai Hezhe Nationality Township v. Guo Song, CCTV & Beijing North Star Shopping Center	41
	Hezhe Township Government had standing as the Hezhe political representative to sue defendants for an unattributed adaptation of a Hezhe folksong.	

2.4	Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)	44
	Website operator liable to the music rightholder for breaching its obligation of care and caution by selecting, organizing and finalizing hyperlinks to unlicensed album downloads.	
2.5	Beijing Feitong Music Co. Ltd. v. Heilongjiang Radio Station	48
	Radio station was not liable for online streaming of rightholder's album for promotional purposes as the music could not be downloaded and this was within the parties' promotion contract.	
2.6	Zhejiang FanYa Co. Ltd. (5fad.com) v. Beijing Yahoo! China & Alibaba Information Technology Co. Ltd.	50
	Alibaba search engine not liable to rightholder under the safe harbour defences for providing links to download songs for free as it was not served with take-down notices.	
2.7	Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing FashionNow Co. Ltd.	53
	Developer/operator of P2P client software/network held jointly liable with its users for intentionally assisting users in the unlicensed sharing of music files.	
2.8	Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Baidu Technology Co. Ltd.	56
	Baidu search engine was liable to rightholder for profiting (through web advertisements) from the provision of information location results to unlicensed music files.	
2.9	EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd. EMI	58
	Baidu search engine was not liable to rightholder under the safe harbour defences for linking to third party unlicensed music files as it was not served with take-down notices.	
2.10	Go East Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd.	62
	Alibaba search engine was liable in damages to rightholder for failing to take down all links to rightholder's recordings after being served with take-down notices.	

2.11	Shanghai Xinchuan Online Co. Ltd. v. Tudou.com Co. Ltd. ("The Crazy Stone case")	65
	Tudou.com video sharing website did not qualify for safe harbour protection as it knew of uploads of infringing works and was negligent in overseeing and monitoring them.	
2.12	Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Yobo Century Technology Co. Ltd.	68
	Yobo.com website was liable to rightholder for being making and hosting unlicensed uploads of rightholder's music on its website and profiting from its infringing activities.	
2.13	HKSAR v. Lau Ying Wai	70
	Defendant was not liable for supplying an unlicensed ringtone as the court accepted his defence of innocent infringement.	
2.14	HKSAR v. Lam Shuen Shuen & Anor.	72
	When sentencing for the offence of selling infringing copies of copyright works, a distinction is made between a casual employee (light sentence) and the owner (heavy sentence).	
2.15	HKSAR v. Ng Ping Kwan	74
	Defendant was acquitted of charge of possessing pirated music CDs for sale as prosecution had failed to prove copyright ownership in the pirated CDs.	
2.16	Cinopoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 1)	76
	ISPs were legally permitted, pursuant to a discovery order, to disclose the identities of their subscribers alleged to have infringed copyright online.	
2.17	Cinopoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 2)	79
	ISPs were legally permitted to disclose the identities of their subscribers alleged to have infringed copyright as these identities are exempted from protection as personal data.	

3. Cases from India	81
3.1 Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association & Ors.	81
Copyright in a cinematograph film (with the sound track) did not derogate from a composer or lyricist's separate rights to perform the music otherwise than as a film.	
3.2 Gramophone Co. of India Ltd. v. Mars Recording Pvt. Ltd. & Anor.	84
Dispute as to whether an applicant can secure a statutory licence to make a "version recording" without first securing the copyright owner's consent was transferred to the lower court.	
3.3 Super Cassettes Industries v. People Infocom & Anor.	87
In granting an interim injunction, a court has to consider the plaintiff's prima facie case, the balance of convenience and the interests of justice.	
3.4 Radio Today Broadcasting Ltd. v. Indian Performing Rights Society	89
Radio station has to pay royalties to the Indian Performing Rights Society in addition to royalties to the Phonographic Performance Limited for broadcasting songs on radio.	
3.5 Indian Performing Right Society Ltd. v. Debashis Patnaik & Ors.	91
Unlicensed playing musical works in hotels was a breach of the rightholder's rights of public performance in or communication to the public of literary/musical works.	
3.6 Lahari Recording Company Limited v. Master Audio Video Manufacturing Co. (P) Ltd.	93
Notwithstanding ongoing dealings in unlicensed cassettes by third parties, no permanent injunction was granted against manufacturer which had ceased cassette manufacture.	
3.7 Super Cassette Industries v. Nirulas Corner House (P) Ltd.	95
The unlicensed playing of audio works through TV channels in defendant's hotel rooms amounted to an infringing broadcast and a communication to the public.	

3.8	Entertainment Network (India) Ltd. v. Super Cassette Industries Ltd.	97
	Indian Copyright Board can order a grant of a compulsory licence for the public communication of a sound recording if the copyright owner's grounds of refusal were unreasonable.	
3.9	Phonographic Performance Ltd. v. Hotel Gold Regency & Ors.	101
	As a collecting society, PPL only had the right to administer the owners' copyright; in the absence of the owners or exclusive licences, it could not sue or seek civil remedies.	
4.	Cases from Japan	103
4.1	One Rainy Night in Tokyo	103
	If the defendant created a work that was identical to an existing work but did not draw from it, the newly created work was not a reproduction of the existing work.	
4.2	Club Cat's Eye/Singing at a Karaoke Lounge	105
	The singing by the business' customers amounted to a public performance of the copyright music by the business for which a separate licence was required.	
4.3	Supply of Karaoke Equipment for Business Use ("Video Mates" Case)	107
	Karaoke equipment lessor had breached its duty of care to the rightholders by failing to verify with the lessee that it had concluded a copyright licensing agreement.	
4.4	File Rogue	110
	Defendant provider of file sharing service was contributorily liable by enabling its users to reproduce and transmit, without permission, the rightholders' music works.	
4.5	Simultaneous Broadcast Satellite Retransmission	114
	The wire diffusion organizations' simultaneous broadcast satellite broadcast was a different method of public transmission by "broadcasting" and was not authorised under their existing licence contract.	

4.6	Simultaneous Communication Satellite Broadcast Retransmission	117
	The wire diffusion organizations' simultaneous communications satellite retransmission was a different method of public transmission "broadcasting" and was not authorised under their existing licence contract.	
4.7	Rokuga Net	119
	Service provider was liable for providing a for-profit service for the unlicensed recording and transmission of free-to-air broadcasts to users.	
4.8	Rebroadcasting TV Programs	121
	Licence between composer and broadcaster for use of background music was a comprehensive licence to broadcaster that includes use of music for rebroadcasting.	
4.9	Live Performance & Singing at Nightclub	123
	Representative director as operator of nightclub was liable for band's unlicensed live performance of musical compositions on its premises.	
4.10	Producer of Documentary Film	125
	In making all arrangements for the concert, the musical group's management company was deemed assignee of copyright in the concert recording produced by the director.	
5.	Cases from Malaysia	128
5.1	Dunia Muzik WEA Sdn. Bhd. & Anor v. Koh Tay Eng	128
	The unlicensed reproduction and sale of cassette tapes was an infringement of the rightholders' copyright in the musical works and sound recordings.	
5.2	Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd.	130
	The unlicensed making of a karaoke VCD from sound recordings was an infringement of the rightholder's right in the sound recordings.	

6. Cases from New Zealand	133
6.1 Australian Performing Right Association Ltd. v. Koolman & Anor	133
Club proprietor was liable for permitting and impliedly authorizing the unlicensed performance of rightholder's music on its premises by the band and club patrons.	
6.2 J Albert & Sons Pty. Ltd. & Ors. v. Fletcher Construction Co. Ltd.	135
Importer of licensed sound recordings for diffusion services was liable for failing to licence the rights to use the rightholders' copyright in the musical works in the recordings.	
6.3 Phonographic Performances (NZ) Ltd. v. Lion Breweries Ltd.	138
Hotel was not liable for causing a public performance of music to be heard on its premises as it had not received payment in respect of the performance.	
6.4 Police v. Vile	140
Based on sentencing guidelines for the offence of selling infringing items, the accused was imprisoned for conducting a large and extensive commercial infringement operation.	
7. Cases from Republic of Korea	142
7.1 Lee Mi-bae Songs	142
Disc manufacturing agreement between composer/song writer and manufacturer was a non-exclusive copyright licence that includes distribution of the master tape on new media.	
7.2 Windy Sound	145
The digitization of an analogue recording of a music disc did not produce a derivative work as any changes to the original work were not to the extent of creating a new work.	
7.3 Bugs Music	148
Online streaming of music files would bring about reproductions of the music files and if unlicensed, was an infringement of the rightholder's rights.	

7.4	Baby V.O.X.	151
	Agreement between composer/song writer and producer gave producer a licence to produce and sell albums with the writer's and composer's musical works.	
7.5	Soribada	153
	P2P service provider was liable for assisting in copyright infringement as they knew of infringing uses of the service and facilitated such uses by developing and distributing P2P software.	
7.6	Sonata of Temptation	156
	Music video adapted without licence from video game was an infringement of the reproduction, transmission and broadcast rights and the right of integrity in the video game.	
8. Cases from Singapore		158
8.1	The Performing Right Society Ltd. & Anor. v. United Artists Singapore Theatres Pte. Ltd.	158
	The screening of films amounted to a public performance of the musical works in the sound tracks for which a separate licence from the musical works' authors is needed.	
8.2	Odex Pte. Ltd. v. Pacific Internet Ltd.	161
	A video distributor as mere licensee has no standing to apply for a discovery order against an ISP to disclose the identities of its subscribers alleged to be infringing copyright by P2P file sharing.	
9. Cases from Thailand		164
9.1	Saeksan Tape & Record Registered Partnership v. Rose Video Co. Ltd & Ors.	164
	"Sale of copyright" agreement by singer-composer's estate did not operate as a copyright assignment and estate could contract with others to adapt the musical compositions.	

9.2	Public Prosecutor v. Mayuree Tavung	166
	2-year imprisonment and 400,000 Baht fine for possessing for sale pirated CDs, DVDs and MP3s was not too severe but sentence reduced for accused.	
9.3	Public Prosecutor v. Sermsak Kamsamer & Anor.	168
	Charge of infringement by unlicensed sale of sound recordings was dismissed as defence of entrapment (that rightholder's agent had persuaded accused to infringe) was accepted.	
9.4	PGM Record v. Visa Khanthap & Ors.	170
	"Transfer of copyright" agreement by author-composer did not operate as an assignment and author-composer could licence others to produce different versions of the songs.	
9.5	Public Prosecutor v. Pongchai Buapan	172
	Charge of infringement by unlicensed sale of sound recordings was dismissed as defence of "seduction" (that rightholder's agent caused accused to infringe) was accepted.	
9.6	Public Prosecutor v. Payak Meeginda	174
	Charge of selling or letting for hire CDs and VCDs was dismissed for lack of evidence that seized media were infringing copies and that accused was engaged in hiring business.	
9.7	Public Prosecutor v. Nad Jangprai	176
	Charge of unlicensed playing of karaoke songs for restaurant customers on a "no-sticker" computer was dismissed on evidence that accused was licenced to play the songs.	
9.8	Kritsada Paleevong v. Software Supply International Co. Ltd. & Ors.	178
	Agreement with composer licensed producer to use the composer's songs and vested sound recordings copyright in producer which it could assign without composer's permission.	
9.9	Public Prosecutor v. Aumnad Agepet	180
	Charge of unlicensed playing of music against restaurant performer was dismissed on evidence that restaurant was licenced to perform (communicate to the public) the songs.	

10. Additional Cases	182
<u>10.1 Mirabai Films Pvt. Ltd. v. Siti Cable Network & Ors. (India, 2003)</u>	<u>182</u>
Interim injunction granted against cable TV network operators to restrain them, their distributors and franchisees from unlicensed telecasting of rightholder's film.	
<u>10.2 Network Ten Pty. Ltd. v. TCN Channel Nine (No. 1 and 2) (Australia, 2004)</u>	<u>184</u>
Copyright in broadcasts did not extend to all visual images discernible; whether a substantial part of a programme had been reproduced depended on the quality and not quantity taken.	
<u>10.3 Visual Disk (Japan, 2005)</u>	<u>187</u>
Unlicensed digitization of analogue photographs and sale as CDs and website service infringed photographer's copyright, but digitization did not breach his right of integrity.	
<u>10.4 Shanghai People's Procuratorate v. Gu Randi & Ors. (China, 2005)</u>	<u>190</u>
Accused was convicted of the offence of selling infringing copies of DVDs for gain; the original charge of selling infringing discs without registration and licence was dropped.	
<u>10.5 Stevens v. Kabushiki Kaisha Sony Computer Entertainment (Australia, 2005)</u>	<u>193</u>
Sony's PlayStation CD-ROM access code and console boot ROM did not constitute a TPM as they did not prevent the duplication of a Sony PlayStation CD-ROM.	
<u>10.6 PlayStation 2 (Republic of Korea, 2006)</u>	<u>196</u>
Sony's PlayStation access code was a TPM and installing a Mod chip to play a game disk without an access code was an act that incapacitated the TPM.	
<u>10.7 Winny I (Japan, 2004) and Winny II (Japan, 2006)</u>	<u>198</u>
Developer of Winny P2P software was not liable in accessory liability as being merely aware that the software could be abused did not constitute a crime of aiding.	

10.8 Guangdong Zhongkai Cultural Development Co. v. Beijing Zhongsou Online Co. (“The Promise” Case) (China, 2007)	202
Operator/developer of website for accessing and “Webpig” software for downloading the unlicensed movie infringed the rightholder’s right of network dissemination in the movie.	
10.9 HKSAR v. Chan Nai Ming (China, 2007)	205
Accused who “seeded” and “made available” three unlicensed movies for download through BitTorrent was liable for the distribution of infringing copies to users.	
10.10 Maneki TV (Japan, 2008)	208
Defendant who provided a service to allow users to view TV programs via the Internet was not providing a public transmission and was not liable for making the broadcasts transmissible.	

APPENDICES

Table of Cases	212
Table of Statutes	218
Table of International Instruments	224
Index	225

1.1 WEA International & Anor. v. Hanimex Corporation Ltd.

Federal Court of Australia

Justice Gummow

Decided 26 October 1987

[1987] FCA 379, (1987) 17 FCR 274, 77 ALR 456, 10 IPR 349, [1987] AIPC 37,754 (P90-428),

[1987] ATPR 48

Keywords

Tapes, Voice in Sound Recordings, Authorisation to Reproduce Copy

Facts/Issue(s)

The plaintiff/appellant, owners of copyright in M's voice (sound recording), sued the defendant/respondent for authorizing infringement. The respondent had claimed, in radio advertisements for its blank recording tapes, that the recordings of M's voice on tapes other than the respondent's were in danger of deterioration when exposed to hot conditions. The appellant's complaint was that the respondent's advertisement amounted to encouraging the owner of purchased tapes with M's voice to re-record those recordings and to play the re-recording.

The appellant also claimed against the respondent for misleading or deceptive trade practices.

The issue was whether the respondent had, by advertising and encouraging listeners to re-tape tapes with M's voice, authorized the infringement of the appellant's copyright in those tapes.

Ruling & Reasoning

The court dismissed the appeal and found for the respondent. It held that there was, in the circumstances, no infringement of copyright. On the facts, there was no evidence of the commission of primary infringement, in which a person had acted upon the authority purportedly conferred, and an action for authorization of infringement was not complete without the final event.

Additionally, the court held that the substance of the colourful and exaggerated advertisements was not an invitation or incitement to or approval of the reproduction of the sound recordings. Since the appellant had failed to establish the first requirement of "authorization", in the sense of "sanction, approval or countenance" of the copyright infringement, the appellant's claim failed.

With reference to the *Moorhouse* case, the court held that it was not necessary in the present case to state what element of connection or control must exist for there to be an authorization of infringement.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 13, 101

Commentary

The decision by the Federal Court that the respondent tape vendor was not liable in an action for authorizing infringement absent any evidence of direct infringement may be compared with the subsequent decisions of the Federal Court in *Universal Music Australia Pty. Ltd. v. Sharman License Holdings Ltd.* (Case 1.7 below) and *Universal Music Australia Pty. Ltd. v. Cooper* (Case 1.8 below) where the liability of the respondents as secondary defendants for authorizing infringement was found without an express finding of liability against any identified primary defendant. However, in both of these subsequent cases, there was no doubt that direct infringement existed. Where there

were doubts as to whether the acts of the primary defendant amounted to an infringement, this would have a bearing on the analysis of whether the secondary defendant had “authorized” such an infringement. Cases that support this analysis include *Sony Corp. of America v. Universal City Studios, Inc.*¹ and the Australian High Court decision of *Australian Tape Manufacturers Association Ltd. v. Commonwealth* (Case 1.2 below).

¹ *Sony Corp. of America v. Universal City Studios, Inc.*, (1984) 464 U.S. 417.

1.2 Australian Tape Manufacturers Assoc. Ltd. & Ors. v. The Commonwealth of Australia

High Court of Australia

Chief Justice Mason, Justices Brennan, Deane, Dawson, Toohey, Gaudron and McHugh

Decided 11 March 1993

[1993] HCA 10, (1993) 176 CLR 480, 67 ALJR 315, 112 ALR 53, 25 IPR 1, [1993] AIPC 39,181 (90-596), 1993 WL 1470436

Keywords

Sound recordings, Levy imposed on Blank Tapes, Levy payable by Vendors to Collecting Society, Authorizing Infringement

Facts/Issue(s)

Blank tapes in Australia were widely used for private and domestic taping of copyrighted sound recordings. To deal with the problem, Part VC of the Australian Copyright Act was inserted in 1989, and section 135ZZP(1) imposed a "royalty" on tape vendors who first sold, let for hire or otherwise distributed blank tapes in Australia. The royalties were payable to a copyright collecting society.

Section 135ZZM(1) of the Copyright Act also provided that copyright in a published sound recording was not infringed by making on private premises a copy of the recording if it was on a blank tape for the private and domestic use of the maker.

The Australian Tape Manufacturers Association brought this action against the Australian Commonwealth, contending that this levy provision in the Copyright Act was unconstitutional. It was argued in defence that the levy provision imposes liability on a seller of material which is likely to be used to commit an infringement. In reply, counsel for the Australian Tape Manufacturers Association argued that the vendors of the tapes had no relationship as such with the act of controlling copyright, and were neither the users nor authorizers of the use of the tape.

Ruling & Reasoning

By a majority, the High Court held that the levy provision in the Copyright Act constituted and imposed a tax and contravened section 55 of the Australian Constitution. The majority held that it was not essential to the concept of a tax that the exaction should be by a public authority, and the compulsory exaction of money under statutory powers was capable of being a tax notwithstanding that it was for non-public purposes and notwithstanding that the proceeds were not directed to be paid into the government's consolidated revenue fund. As such, it was declared invalid and unenforceable.

The court reasoned that the levy imposed on the sale of blank tapes was not a royalty because the tape vendor received no right, benefit or advantage in consideration of the levy or its payment. The court noted that the sale of a blank tape did not constitute an authorization by the vendor to infringe copyright, because the vendor has no control over the ultimate use of the tape. The majority noted that "manufacture and sale of articles such as blank tapes or video recorders, which have lawful uses, [did] not constitute authorization of infringement of copyright, even if the manufacturer or vendor [knew] that there is a likelihood that the articles [would] be used for an infringing purpose such as home taping of sound recordings, so long as the manufacturer or vendor [had] no control over the purchaser's use of the article."

Another reason why the levy imposed was not a royalty was because the Copyright Act provided that home copying of sound recordings for private and domestic purposes was not an infringement of copyright.

Laws Cited

Australian Copyright Act 1968 (Cth), Part VC

Australian Copyright Amendment Act 1989 (Cth)

Australian Commonwealth of Australia Constitution, Sections 51(ii), (xviii), (xxxi), 55

Commentary

The dictum by the High Court that tape manufacturers and vendors were not liable in an action for authorizing infringement arising from the infringing uses of tapes by purchasers parallels the decision of the U.S. Supreme Court in *Sony Corp. of America v. Universal City Studios, Inc.*¹ where it was held that a manufacturer of videotape recorders and tapes was not a "contributory infringer". The reference by the High Court that the blank tapes and video recorders had "lawful uses" resembles the celebrated ruling in Sony that the video tapes and recorders were staple articles of commerce which had "commercially significant noninfringing uses". This dictum of the High Court was preceded by an earlier decision of the Australian Federal Court in *WEA International Inc. v. Hanimex Corporation Ltd.* (Case 1.1 above), where a tape vendor was also held not liable for authorizing infringement. In this regard, the *Australian Tape Manufacturers* and *WEA International* decisions may be compared with that of the House of Lords in *CBS Songs Ltd. v. Amstrad Consumer Electronic plc.*,² where the court held that the manufacturer of a double deck tape recorder was not liable in authorizing infringement, as it was the operator and not the manufacturer who alone could decide whether to record or play and what material was to be recorded.

¹ *Sony Corp. of America v. Universal City Studios, Inc.*, (1984) 464 U.S. 417.

² *CBS Songs Ltd. v. Amstrad Consumer Electronic plc.*, [1988] A.C. 1013.

1.3 Schott Musik International GmbH & Ors. v. Colossal Records of Australia Pty. Ltd. & Ors.

Federal Court of Australia
Justices Wilcox, Hill and Lindgren
Decided 19 June 1997
[1997] FCA 531

on appeal from

Schott Musik International GmbH & Co. & Ors. v. Colossal Records of Australia Pty. Ltd. & Ors.
Federal Court of Australia
Justice Tamberlin

Decided 26 November 1996

71 FCR 37, 141 ALR 433, 36 IPR 267, [1997] AIPC 39,071 (P91-295), 1996 WL 1747754, 9 AIPLB 148

Keywords

Musical Work, Techno Dance Remix as Derivative Work, Moral Rights, Right of Integrity

Facts/Issue(s)

The plaintiff/appellant was the copyright owner in the "O Fortuna" chorus from "Carmina Burana", composed by Carl Orff in 1936. The defendants/respondents made or authorized the making of CDs embodying a sound recording entitled "Excalibur, '95 Remix of O Fortuna". The recording was a "techno" dance music adaptation of "O Fortuna".

Section 55(1) of the Copyright Act enabled a manufacturer to make a record of a work without infringement of copyright in specified circumstances, but this was subject to the condition in section 55(2) that the adaptation did not debase the original work.

The plaintiff sued the defendants on the basis that their recording of the "techno" dance music "Excalibur, '95 Remix of O Fortuna" had debased the original work and was thus an infringement of copyright.

The trial judge found for the defendants, holding that while the term "debased" imports a value judgment based on a significant lowering in integrity, value, esteem or quality of the work, the test should be applied while taking into account the overall impression which this music was likely to make on the community with a broad spectrum of taste and values. The trial judge found that there was no evidence that there had been a reduction in the value of the copyright in the original work, or that there had been any widespread perception of reduction in quality, rank or dignity of the original work.

The plaintiff appealed.

Ruling & Reasoning

The Full Federal Court dismissed the appeal, holding that the defendants' work did not debase the plaintiff's original copyright work. The majority of the Federal Court generally agreed with the trial judge Justice Tamberlin, and held that the adaptation must be so lacking in integrity or quality that only then could it be said to have degraded the original work. In this regard, the majority was of the opinion that it was difficult to think that an adaptation that had its own integrity could be so characterized, even if it was musically inferior and however radical or distasteful (to some) it might be.

Justice Hill would have preferred an objective test, which would determine whether a reasonable person would be led to think less of the original work. Examples would be an adaptation which, by

associating the work with a terrorist or racist body, would constitute a debasement of the original, or a parody that might result in one recalling the parody when one thought of the original in such a way as to diminish the value of the original. Applying this test, since a reasonable person would distinguish the techno version from the original as being different in style and approach, while recognizing that the techno version did not detract from the original, the adaptation was held not to debase the original.

Laws Cited

Australian Copyright Act 1968 (Cth), Section 55(2) (since repealed)

Commentary

This is one of the few cases from Australia to judicially interpret provisions in the Australian Copyright Act that protect the moral rights of the author of the musical composition. Where section 55 is an attempt at recognizing the moral rights of integrity as spelt out in Article 6bis(1) of the Berne Convention, the test of whether the adapted work “distorts or mutilates” the original work is, as was observed by a learned author, highly subjective.¹ In this regard, English judges had faced a similar problem in assessing whether a work is one of “artistic craftsmanship”,² and in seeking to resolve the issue of whether a work is “artistic”, this case illustrates the difficulties judges have in applying an objective test to an issue involving an assessment of aesthetic elements. As another commentator observed, even an objective “reasonable person” test such as that opined by Justice Hill merely hides judicial subjectivities under the guise of objective certainty, and would not completely relieve the court from an evaluation of artistic merit or matters of taste.³

Even prior to the difficulties of protecting moral rights highlighted in this case, the Australian Parliament had been considering necessary legislation to revise the Australian Copyright Act to bring it fully in line with Article 6bis of the Berne Convention. This culminated in the Copyright Amendment (Moral Rights) Act 2000, which repealed section 55(2) and introduced a new Part IX in the Copyright Act to give recognition to the moral rights of authors of literary, dramatic, musical or artistic works and makers of cinematograph films. In addition to the rights of attribution, authors and film makers are also granted the right of integrity in section 195AI, which is the right not to have the work subjected to derogatory treatment. Derogatory treatment is defined to include the doing of anything that results in a material distortion of, mutilation of or a material alteration to, the work that is prejudicial to the author’s honour or reputation, or the doing of anything in relation to the work that is prejudicial to the author’s honour or reputation. Conversely, section 195AS spells out the various matters to be taken into account in determining the particular circumstances in which it is reasonable to subject a work or film to derogatory treatment. What these provisions seek to achieve is to enable the courts to balance the subjective and personal interests of the authors and makers against the interests of the defendants, and consider them with reference to any industry practices and in the larger public context. In this regard, the 2000 amendments have improved on the strictured approach in section 55(2) of the Copyright Act, but it remains to be seen if they will encourage the courts to adopt a more subjective approach when considering if the work has been subjected to “derogatory treatment”, before qualifying that conclusion by holding that its treatment by the defendant has been “reasonable”.⁴

¹ Sam Ricketson, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1886-1986* (1987), at 468.

² *George Hensher Ltd. v. Restawhile Upholstery Lanes Ltd.*, [1975] R.P.C. 31.

³ See Butler, *Authors, Art, and the Debasing Instinct: Law and Morality in the Carmina Burana Case*, [1997] SYDNEY LAW REVIEW 21.

⁴ See also Ellinson and Symonds, *Australian Legislative Protection Of Copyright Authors’ Honour*, [2001] MELBOURNE UNIVERSITY LAW REVIEW 21.

1.4 Telstra Corporation Ltd. v. Australasian Performing Right Association Ltd.

Federal Court of Australia

Justices Wilcox, Hill and Lindgren

Decided 19 June 1997

[1997] FCA 531

on appeal from

Schott Musik International GmbH & Co. & Ors. v. Colossal Records of Australia Pty. Ltd. & Ors.

Federal Court of Australia

Justice Tamberlin

Decided 26 November 1996

71 FCR 37, 141 ALR 433, 36 IPR 267, [1997] AIPC 39,071 (P91-295), 1996 WL 1747754, 9 AIPLB 148

Keywords

On-hold Music, Heard by Telephone Callers Placed on Hold, Diffusion Service, Broadcast, Wireless Telegraphy, To the "Public"

Facts/Issue(s)

The plaintiff, Australasian Performing Right Association Ltd. (APRA), was the rightholders in the music and lyrics of various songs. The defendant, Telstra Corporation Ltd. (Telstra), provided a telecommunications network in Australia. APRA alleged that Telstra breached its copyright in its songs when a telephone caller on Telstra's network was placed on hold and heard music. This was when Telstra provided a caller with pre-recorded music-on-hold when (a) a user called the Telstra service centre, (b) the caller reached an organization who is a Telstra subscriber, and (c) the subscriber's line was busy. The source of the music was a compact disc player connected to Telstra's telecommunications network.

APRA contended that Telstra had breached its diffusion right when it caused the transmission of its copyright works to conventional telephone subscribers, and its broadcasting right when it caused the transmission of its copyright works to mobile phone subscribers. (A "diffusion service" right was defined in section 26(1) as the right to transmit the work "in the course of a service of distributing broadcast or other matter (whether provided by the person operating the service or by other persons) over wires, or over other paths provided by a material substance, to the premises of subscribers to the service" .)

Ruling & Reasoning

A majority of the High Court held that in all three situations (a), (b) and (c) outlined above, Telstra had caused APRA's music works to be transmitted to subscribers to a diffusion service, where the callers used conventional telephones, and had thus breached the diffusion right. The court held that Telstra operated a diffusion service as the music was spread in a systematic and organized way to the caller, even though it might not have been wanted by the caller, and that the dispersal of the music might not have been simultaneous to more than one caller. The court noted that under section 26(5) of the Australian Copyright Act, the callers were deemed to have been subscribers to the diffusion service.

The whole court held that in all three situations outlined above, Telstra had caused APRA's music works to be broadcasted where the callers used mobile telephones. Even though the transmission was to individuals in private circumstances, it could still be a transmission "to the public". Justices Dawson and Gaudron would consider relevant the relationship of the audience to the owner of the copyright as significant, and noted that the music-on-hold facility was available to members of the public generally. Justice Kirby would consider relevant, the presumptions that a performance was a

public performance if (i) it was not taking place in a domestic and private setting, (ii) it was taking place in connection with a commercial activity, and (iii) the audience was a group which the copyright owner could contemplate as being part of his public for purposes of earning royalties. The court held that the callers constituted the “copyright owner’s public” because organizations had paid for the music-on-hold service by way of a commercial arrangement with Telstra. Thus Telstra had also breached the broadcast rights in the music works.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 10(1), 26 (since repealed), 31(1)(a)(iv), (v)

Commentary

The split in the judgments of the Australian High Court was partly caused by the different interpretations given to the “diffusion right” (as opposed to the “broadcast right”) in the Australian Copyright Act. Thus, Justice McHugh for the dissenting minority noted that as the definition of a “diffusion right” referred to a “broadcast”, music sent to conventional telephone callers over wires could not be a “broadcast”. However, pursuant to the Australian Copyright Amendment (Digital Agenda) Act 2000, the “diffusion right” has been superseded by the “right of communication to the public”, and a broadcast has in turn been defined to mean a “communication *to the public* delivered by a broadcasting service”. This change closed the gaps in copyright protection which had been based on technology-specific modes of transmission, gaps which were exposed by the advent of new communications technologies such as modern wireless and mobile communications and the Internet. With the Copyright Amendment (Digital Agenda) Act 2000, Australia also became one of the first countries to implement Article 8 of the WIPO Copyright Treaty and Article 15 of the WIPO Performances and Phonograms Treaty.

However, the reasoning of the High Court as regards the scope and nature of a “communication” to the public (as a broadcast) through a telephone transmission system to individual telephone callers is likely to remain influential. At first instance, Justice Gummow had concluded that music sent to the callers in the course of their private communications did not constitute a *public* broadcast. But the High Court disagreed, noting, in various formulations of what constitutes a “copyright owner’s public”, that it was undisputed that the playing of music on hold was a commercial activity or had a commercial quality. Subsequent cases such as *Universal Music Australia Pty. Ltd. v. Sharman License Holdings Ltd.* (Case 1.7 below) and *Cooper v. Universal Music Australia Pty. Ltd.* (Case 1.8 below) have adopted the premise that Internet transmissions are “communications *to the public*”. Yet outside of the context of massive communications of infringing musical content, such as one where an individual unwittingly hosts unlicensed content on his private blog for his close circle of friends, there may be room for this premise to be challenged.

1.5 Phonographic Performance Co.of Australia Ltd. v. Federation Commercial of Australian Television Stations

High Court of Australia

Justices Gaudron, McHugh, Gummow, Kirby and Hayne

Decided 20 May 1998

[1998] HCA 39, 195 CLR 158, 154 ALR 211, 72 ALJR 924

on appeal from

In the matter of a reference by the Copyright Tribunal of a question of law arising in proceedings before it between EMI Music Australia Pty Ltd & Ors and Phonographic Performance Company of Australia Ltd and Federation of Australian Commercial Television Stations NG 577 of 1996

Federal Court of Australia

Justices Lockhart, Wilcox and Sundberg

Decided 2 May 1997

[1997] FCA 323, 37 IPR 129

Keywords

Sound Recording, Cinematographic Work, Sounds embodied on Sound Track to a Film, Broadcast of Film as Broadcast of Sound Recording, Licences for TV broadcasters

Facts/Issue(s)

The applicants, record companies which owned the copyright in various sound recordings, applied to the Australian Copyright Tribunal for an order to determine the amount payable by certain commercial TV licensees in respect of the broadcasting of sound recordings controlled by the applicants. The respondents were represented by the Federation of Australian Commercial Television Stations (FACT).

To determine the amount payable by commercial TV licensees, the Tribunal was required to take into account the extent to which the broadcaster used certain records embodying the sound recordings in which the copyrights subsisted. FACT however contended that the Australian Copyright Act excluded a sound track from the definition of a sound recording for all purposes, and "extinguished" the sound recording copyright in a film.

A reference was made to the Federal Court. By a 2-1 majority, the court held that section 23(1) of the Australian Copyright Act excluded a sound-track from the definition of a "sound recording" and extinguished the copyright of a sound recording embedded in the sound track of the film. Consequently, the reproduction of the sound recordings during the course of broadcasting the films was not a broadcast of the sound recording.

Justice Lockhart dissented. After a review of the legislative histories of the U.K. Copyright Act 1956 and the Australian Copyright Act, his Honour concluded that the relevant amendments were made to ensure that the owner of the copyright in the film does not have vested in him the further right of copyright in the sound recording. Section 23(1) was not intended to alter but to leave intact and subsisting the copyrights which existed independently of the film, or to divest the owners of the copyright in the sound recording of their right once it was embodied in the sound track as a necessary part of the film.

An appeal was taken to the High Court.

The issue was: If a published sound recording was embodied in the sound track of a cinematograph film, did the copyright in the sound recording merge in the film, so that the broadcast of the film did not constitute a broadcast of the sound recording?

Ruling & Reasoning

The High Court, by a 3-2 majority, reversed the Federal Court and upheld the dissent of Justice Lockhart.

The majority noted that section 113(1) of the Australian Copyright Act affirmed the independent and concurrent subsistence of copyright in works and in sound recordings, broadcasts and cinematograph films. Sounds embodied in a sound track of a film would have constituted a sound recording and provided the filmmaker with an additional and concurrent copyright in respect of a sound recording. But section 23(1) prevented a filmmaker from acquiring such a separate sound recording copyright.

However, section 23(1) did not have the effect of denying the broadcasting of a film (with its sound track) the character of a broadcast of the sound recording. The majority held that section 23(1) only had the effect of deeming the aggregate of sounds embodied in a particular form - the sound track of a film - not to be a "sound recording". Broadcasting the film would broadcast the sound track (which was not a sound recording), but it would also broadcast the aggregate of sounds which constituted the sound recording. For this reason, the majority held that the owner of the copyright in a sound recording retained copyright in the recording notwithstanding that it had been embodied in the sound track of a film. Thus, a broadcast of a cinematograph film with its sound track also involved a broadcast of the sound recordings.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 23(1), 24, 85(1)(c), 86(c), 110(3), 152

Commentary

The decision of the Australian High Court affirmed the separate existence of the exclusive right to broadcast an original work and the derivative rights awarded to a broadcaster. Its holding as regards the copyright in a sound recording which has been incorporated into the sound track of a film has been noted by the Singapore High Court in *The Performing Right Society Ltd. v. United Artists Singapore Theatres Pte. Ltd.* (Case 8.1 below) and followed by the Malaysian High Court in *Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd.* (Case 5.2 below).

1.6 Australasian Performing Right Association Ltd. v. Metro on George Pty. Ltd.

Federal Court of Australia
Justice Bennett
Decided 31 August 2004
[2004] FCA 1123

Keywords

Public Performance of Musical Works on Music Venue, Authorisation to Perform, Control over Premises and Promoter, Joint Tortfeasor

Facts/Issue(s)

The applicant, Australasian Performing Right Association Limited (APRA) was a copyright society whose members included authors, composers, music publishers. The members had appointed APRA as their agent to collect fees for the public performance and communication rights (including broadcasting rights) of their works.

The first respondent, Metro on George Pty Limited ("Metro"), was the registered proprietor of a prominent music venue, and the second and third respondents were directors. Public performances of APRA's works took place on the first respondent's premises on the relevant occasions.

APRA sought a declaration that the respondents had infringed its copyright in a number of musical and literary works and sought orders restraining the respondents from performing those works in public, authorizing the performance of the works in public and permitting a place of public entertainment to be used for such performances. APRA also sought damages or an account of profits from the respondents. The respondents denied liability, contending that they were not aware of and had no reasonable grounds for suspecting that any performance would be an infringement of copyright.

APRA on the other hand relied on the respondent Metro's application for a licence with APRA to establish that it knew its performers had to be licensed. The respondents acknowledged the need for a licence but contended that this was the responsibility of the promoters of the performances, over whom they had no control. The respondents also contended that they did not permit or countenance the infringing performances.

The issue is whether the respondents were liable for authorizing the infringing performances on their premises?

Ruling & Reasoning

The court found for the appellant APRA, holding that the respondent Metro knew or had reason to anticipate or suspect that infringing performances, although not necessarily the particular act, was to be or was likely to be done on its premises (as Metro had advertised the performances). The court also held that the respondent had the power to prevent the infringing performance (by not allowing it or by insisting in advance that a licence be obtained by the promoter) and made default in some duty of control or interference (duty to ensure that a licence was in fact obtained, and continuing to facilitate the performance).

Though there was a clause in the Metro contract with the promoters that disclaimed Metro's responsibility for seeking licences for performances, as Metro received notice from APRA that a licence was required, its knowledge that unauthorized performances were taking place and its failure to take any action under the circumstances then existing where it would have been reasonable to take action amounted to a degree of indifference from which the court could infer permission.

The court also held that there had to be control before there could be authorizing infringement – where there was no control, even knowledge of a likelihood that there would be infringing use would not constitute authorization. On the facts, Metro had control over the infringing performances as it was in control of the premises, operated the box office, contracted with the promoters and these gave it a measure of control over the use of the premises in circumstances where Metro knew or had grounds to believe that unlicensed performances were to take place or were in fact taking place at Metro.

The court held the second respondent as the director in charge was also liable for authorizing the infringement and was a joint tortfeasor in respect of the first respondent Metro's authorization of the infringement.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 13, 101

Commentary

The decision of the court in *APRA v. Metro on George* elucidates the elements of authorization, and affirmed the applicability of the twin requirements of knowledge and control in *Moorhouse* to found liability for authorizing infringement. It should be noted that the court was satisfied that there was no requirement for actual knowledge of the infringement – it was enough that Metro had reason to suspect that some performances would be infringing, or that it had tolerated, permitted and countenanced the infringing performances through a continued course of conduct. This requirement of “reasonable knowledge” to found authorizing infringement was applied and further elucidated and expanded in the subsequent decisions of *Universal Music Australia Pty. Ltd. v. Sharman License Holdings Ltd.* (See 1.7 below) and *Cooper v. Universal Music Australia Pty. Ltd.*, (See 1.8 below).

1.7 Universal Music Australia Pty. Ltd. & Ors. v. Sharman License Holdings Ltd. & Ors.

Federal Court of Australia, Australia
Justice Wilcox

Decided 5 September 2005

[2005] FCA 1242, 220 ALR 1, 65 IPR 289, [2005] AIPC 92-127, 2005 WL 2119310, [2006] ALMD 2010

Keywords

Sound Recordings, Internet P2P file sharing, Authorizing Infringement of P2P Developer and Operator

Facts/Issue(s)

The 30 plaintiffs were Australian and foreign owners of copyrights in various sound recordings. They sued the defendants, who were owners of the Sharman group of companies, as developers and operators of the Kazaa computer software system ("Kazaa"). Other defendants included Altnet Inc. and Brilliant Digital Entertainment Inc., American companies (the "Altnet defendants") which provided the online content for the Kazaa software and for the Kazaa defendants.

The Kazaa system consisted of millions of individual Kazaa users each having the Kazaa software installed on his own computer. Each Kazaa computer (a "node") was in turn connected to other Kazaa computers, with a small percentage of these more powerful computers functioning as a "supernode". When an ordinary Kazaa user typed in a search term in the Search for Files box on the Kazaa search page, the search request would be sent to that computer's supernode, which would search for the requested files on each node computer. The supernode would also forward the search request to other supernodes. The search was done on the data associated with files stored on each node computer ("metadata"). These could include the name of the file, its title, name of artist, description of the file quality and file size. Where a search request was met, the files were returned as matching files ("Blue Files"), and the Kazaa user could, by clicking on the download icon next to the Blue Files, cause the Kazaa software to download the files from the node (another Kazaa user's computer) where that file was located. The Kazaa software also sped up the simultaneous download of different parts of the same file by sending requests for transfer to different sources simultaneously. This direct transfer of files between users made the Kazaa system a "peer-to-peer" (P2P) network.

The Kazaa software also worked with the Altnet defendants as follows. Through the search results on the Kazaa software, the Altnet defendants would prepare a list of available matching files. Through their computers, which were in communication with Kazaa's nodes, Altnet would present them as Gold Files for the user's download. Kazaa users would have to pay for downloading these Gold Files.

There was evidence that the Kazaa software was used extensively by Kazaa users to download and share copyright material, and that there was evidence, from the various campaigns, advertisements and documents by the defendants, that the Kazaa defendants intended it should be so used, and that at all material times, each of the defendants was so aware that its use was to download popular music.

The issue before the court was: Whether the defendants had authorized the Kazaa users to reproduce and communicate the plaintiffs' sound recordings through the Kazaa software and system, thereby infringing the plaintiffs' copyright?

There was also an ancillary issue of whether the defendants were liable for allegedly misleading and deceptive conduct under the Australian Trade Practices Act, but this issue and its holding will not be summarized here.

Ruling & Reasoning

The court held that three of the Sharman defendants and three of the Altnet defendants had authorized the infringement of the plaintiffs' copyright by Kazaa users. They did this both individually and as joint tortfeasors pursuant to a common design, by way of the close collaboration between Sharman and Altnet in developing and operating the Kazaa and Altnet systems.

As regards the Sharman defendants, the court held that the factors to be taken into account in assessing whether there has been authorizing infringement are set out in section 101(1A) of the Australian Copyright Act. Applying *Moorhouse*, the court held that to authorize meant to sanction, approve or countenance, and inactivity or indifference may reach such a degree as to support an inference of authorization or permission. The Sharman defendants had actively encouraged its users to share files and knew that the files shared were predominantly infringing copies. On the facts, the Sharman and Altnet defendants had the power to control (and curtail) the users' activities, through the application of keyword filters on the Kazaa users' searches as well as the use of "Gold File" flooding to overwhelm users with false positives when using Kazaa to search for infringing materials. They failed to take any action to implement those measures and were held to have authorized the Kazaa users' infringements.

The court also rejected the defendants' reliance on section 112E of the Australian Copyright Act, holding that the provision did not provide a general immunity against a finding of authorization.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 10, 13(2), 22(6), 85, 101, 112E.

Australian Trade Practices Act 1974 (Cth), Sections 52, 52A

Commentary

The court has in this case found against the defendants as operators and developers of the P2P software for authorizing infringement, even though it was the users of the software and not the defendants who were engaged in the act of infringement by sharing and downloading the unlicensed files. A controversial aspect of the decision is the holding that the failure of the defendants to take hypothetical measures, which the court itself conceded were ineffective, nonetheless rendered it liable for authorizing infringement. Section 101(1A)(a) describes this as "the extent (if any) of the person's power to prevent the doing of the act concerned" and (1A)(c) describes this as "whether the person took any other reasonable steps to prevent or avoid the doing of the act". Although the same reasoning was adopted by the Federal Court in *Cooper v. Universal Music Australia Pty. Ltd.* (Case 1.8 below), it remains to be seen if this interpretation of the elements for authorizing infringement as statutorily enacted in section 101 of the Australian Copyright Act will be accepted by the High Court.

This decision should be compared and contrasted with the U.S. Supreme Court in the case of *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*,¹ where the Supreme Court sanctioned the legal validity of the Morpheus and Grokster P2P software, but held the defendants liable to the copyright holders for "inducing" their users to infringe by sharing unlicensed copyright content.

Other examples of cases from other jurisdictions which have held the developer and provider of P2P file sharing services liable include the Chinese District People's Court decisions in *Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing FashionNow Co. Ltd.* (Case 2.7 below) and *Guangdong Zhongkai Cultural Development Co. Ltd. v. Beijing Zhongsou Online Co. Ltd.* ("The Promise" Case) (Case 10.8 below), the Japanese High Court decision in *File Rogue* (Case 4.4 below) and the Korean Supreme Court decision in *Soribada* (Case 7.5 below),

¹ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

1.8 Cooper & Ors. v. Universal Music Australia Pty. Ltd. & Ors.

Federal Court of Australia

Justices French, Branson and Kenny

Decided 18 December 2006

[2006] FCAFC 187, 156 FCR 380, 71 IPR 1, [2007] AIPC 92-236, 2006 WL 4043855, [2007] ALMD 3676 on appeal from

Universal Music Australia Pty. Ltd. & Ors. v. Cooper & Ors.

Federal Court of Australia

Justice Tamberlin

Decided 14 July 2005

[2005] FCA 972, 150 FCR 1, 65 IPR 409, [2005] AIPC 92-116, 2005 WL 1650233, [2006] ALMD 2934

Keywords

Sound Recordings and MP3 files, Website provided Hyperlinks, Reproduction as Infringement, Communication to the public, Authorizing Infringement

Facts/Issue(s)

The plaintiffs/respondents were Australian or foreign record companies that were owners or exclusive licensees in Australia of the copyright in large catalogues of music sound recordings. The first defendant/appellant, Cooper, was the registered owner of the domain name mp3s4free.net and owner and operator of the mp3s4free.net website (Website). The second and third defendants/appellants were Internet Service Providers (ISPs) for Cooper, who provided free web hosting for Cooper in exchange for the display of their logo on Cooper's Website. They also derived benefits from an advertising and traffic sharing arrangement with Cooper. (The fourth and fifth defendants were the director and employee of the defendant ISPs.)

The plaintiffs alleged that by operating the Website, which provided organized catalogues, charts, search engine services and links to various music sound recordings (in the form of MP3 files) for downloading for free by users, Cooper had directly infringed the plaintiffs' exclusive rights to make copies of the sound recordings and to communicate them to the public, and had also authorized Internet users, including those users who submitted MP3 links to the website and who downloaded MP3s via the website, to make copies of the recordings and authorized the users and the defendant ISPs to communicate them to the public.

The plaintiffs also alleged that the ISPs had infringed copyright as a joint tortfeasor by entering into a common design with Internet users and with Cooper.

The issue was whether the defendant Cooper, by allowing on its Website, users to access and download infringing copies of MP3 recordings on other websites, and allowing users to add and contribute hyperlinks to illegal MP3s on third party websites to the Website, had, without permission of the plaintiffs, (1) communicated or made available the plaintiffs' sound recordings, or (2) authorized the copying and public communication of sound recordings, thereby infringing the plaintiffs' copyright.

Ruling & Reasoning

The first instance court rejected the plaintiffs' claim that the defendant Cooper had "made available" by communicating the MP3s on third party websites to the plaintiffs, because no music sound recordings were actually stored on the defendant Cooper's Website. When a link was selected and the downloading triggered from the Cooper Website, it was the third party website which made the music file available.

However, the court held that the defendant Cooper had authorized the infringement of the plaintiffs' recordings. The court noted that the Website was carefully structured and highly organized and was clearly designed to and did facilitate and enable the infringing downloading. There was evidence that the defendant Cooper knowingly permitted or approved the use of his Website in this manner and designed and organized it to achieve this result. The court accepted evidence that a website operator was always able to control the hyperlinks on his Website, either by removal of the links or by requiring measures to be taken by the remote site prior to adding a link. Even if the Website was designed to automatically accept hyperlink suggestions from Website visitors, the court held that Cooper had sufficient control of his own Website to take steps to prevent the infringement, regarding both the user accessing his Website and the operator of the remote placing hyperlinks on his Website.

The first instance court also held that the disclaimers on the defendant Cooper's website in fact indicated Cooper's knowledge of the existence of illegal MP3s on the Internet and his failure to make any attempts to ascertain the legality of submitted hyperlinks to these MP3s meant that Cooper abstained from action which under the circumstances then existing it would have been reasonable to take, or exhibited a degree of indifference from which permission ought to be inferred.

The court found the defendant ISPs liable for authorizing the infringing communications, as they could have taken the step of taking down the website, but instead took no steps to prevent the acts of infringement. The court also rejected defences by the defendant ISPs that they had merely provided facilities for the making of communications, because they had assumed an active role by agreeing to host the website and assisting with its operation, which were necessary steps to effectively trigger the downloading of the copyright material. This took them outside the legal protection of section 112E of the Australian Copyright Act. The court also found the fourth and fifth defendants liable.

However, the court rejected the claims of joint tortfeasorship as it was not persuaded that there was a common design between the defendant Cooper with either Internet users or with the defendant ISPs to make copies of the music sound recordings or to communicate them to the public.

The defendants appealed.

On appeal, with the exception of finding the fifth defendant not liable on the basis of lack of evidence, the Full Court of the Federal Court of Australia affirmed the holding of the trial court.

The Full Court held that the defendant Cooper had infringed the plaintiffs' copyright in their sound recordings by authorizing Internet users to make copies and communicate these sound recordings, because he had the power to prevent the copying or communication of the recordings as he was responsible for creating and maintaining his Website.

The court rejected the defendant Cooper's analogy with Google, holding that the defendant Cooper's Website was a specialist website designed to facilitate the downloading of music files. It also held that the power to prevent the doing of an act comprised in a copyright included the person's power not to facilitate the doing of that act by, for example, making available to the public a technical capacity calculated to lead to the doing of the act. "The evidence leads to the inexorable inference that it was the deliberate choice of Mr Cooper to establish and maintain his website in a form which did not give him the power immediately to prevent, or immediately to restrict, internet users from using links on his website to access remote websites for the purpose of copying sound recordings in which copyright subsisted." The court also rejected arguments that Cooper could not control the usual way in which links were added to the Website, noting that it was Cooper's deliberate choice to establish his website in such a way to allow the automatic addition of hyperlinks, and that he could have either not established the link in the first place or subsequently disabled or removed the link. Given that "the overwhelming majority" of Internet music sound recording resources were illegal, the court held that Cooper did not take any steps to ascertain the legality of the MP3s which were linked.

The appeal court also found the defendant ISPs and the fourth defendant liable for authorizing the acts of infringement that resulted from the use of Cooper's Website, because they could have exercised their power to withdraw the hosting of Cooper's Website, and they could not rely on the protection of section 112E of the Copyright Act as they did more than just provide facilities for making the communications of the sound recordings as they also derived a commercial advantage from the operation of the Website over and above payment for hosting services.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 3, 13, 85, 89, 101(1), (1A), 112E

Australian Copyright Amendment (Digital Agenda) Act 2000 (Cth)

Australian Acts Interpretation Act 1901 (Cth), Sections 18A, 21

Australian Federal Court Rules 1979 (Cth), Order 52, Rule 22

Commentary

This decision is seminal for two main points. The first is the (unchallenged) ruling by the first instance court that the defendant Website could not be said to be communicating to the public third party resources by simply providing links to them on its Website. This aspect of the decision is similar to the decision of the United States 9th Circuit in *Perfect 10, Inc. v. Amazon.com, Inc.*¹ as well as the Beijing High Court decisions in *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)* (Case 2.4 below) and *EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd.* (Case 2.9 below).

The second is that the provision of these hyperlinks can amount to authorizing infringement where the defendant has the power to take down these links, knows that these links may be used for infringing purposes, and fails to take any steps to prevent such infringement. As noted above, this reasoning process regarding authorizing infringement is similar to that deployed in *Universal Music Australia Pty. Ltd. v. Sharman License Holdings Ltd.* (Case 1.7 above). But one key difference is that a website like the one operated by the defendant may be entitled to the "safe harbour" defence in Sections 116AF and 116AH under the Australian Copyright Act as revised in 2004 as a "Category D" activity as long as, among other conditions, the website operator acts expeditiously to remove or disable access to a "reference" (hyperlink) residing on its system or network (a) upon receipt of a take-down notice that the copyright material to which the hyperlink refers has been found to be infringing by a court, or (b) where it becomes aware that the material to which the hyperlink refers is infringing or becomes aware of facts or circumstances that make it apparent that the material to which the hyperlink refers is likely to be infringing.

¹ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

2.1 Dalian Audio-Video Publishing House v. Audio-Video Art Service Agency of Haidian District of Beijing

Haidian District People's Court Of Beijing Municipality
Decided 27 May 1991
Reported in LawInfoChina

Keywords

Master Tape of Songs from TV series, Cassette Tapes, Exclusive Right to Publish and Distribute

Facts/Issue(s)

The plaintiff, Dalian Audio-Video Publishing House, sued the defendant, Audio-Video Art Service Agency of Haidian District of Beijing, for infringing upon its exclusive right to publish and distribute cassette tapes of songs in the TV series, "Winlass, Women and Well". In October 1990, the plaintiff and Dalian TV Station entered into a contract with Zhang Li and Xu Peidong, the authors and composers of the songs in the aforesaid TV series, wherein it was agreed that the master tape of the cassette tapes of songs and the rights of duplication, publication and distribution in China and abroad would vest in the plaintiff and Dalian TV Station. Dalian TV Station in turn authorized the plaintiff to organize the publication and distribution of cassette tapes of songs for the TV series, thus conferring upon the plaintiff the aforesaid exclusive rights.

In April 1991, the defendant, Audio-Video Art Service Agency of Haidian District of Beijing, purchased 2,000 sets of colour front covers of cassette tapes of songs of the TV series, "Winlass, Women and Well" from a sales person, Jiang of China Film Press. It then produced 600 cassette tapes of songs in the aforesaid TV series by using a copy of the cassette tape purchased from the market as the master tape, and sold 565 of them.

The issue for the court was whether the defendant should assume civil liability for publishing and distributing the cassette tapes without permission from the plaintiff? [This action preceded the coming into force of the PRC Copyright Law on 1 June 1991.]

Ruling & Reasoning

The court held that the defendant had purchased the colour front covers of the cassette tapes of the songs in the TV series "Winlass, Women and Well" and duplicated cassette tapes of the songs of the said series without permission from the plaintiff. By Article 118 of the General Principles of Civil Law of the People's Republic of China, the court held that the defendant had infringed upon the exclusive right of publication and distribution of the plaintiff, and should assume civil liability for infringement.

With the consent of both parties and pursuant to the General Principles of Civil Law of the People's Republic of China, the court mediated between the parties before judgment was rendered. The parties reached an agreement in which the defendant would immediately desist from infringing upon the plaintiff's exclusive right, publish a statement of apology to the plaintiff and compensate the plaintiff RMB 22,070 for economic loss.

Laws Cited

PRC General Principles of Civil Law 1986, Article 118

Commentary

This is one of the first “copyright” infringement cases in China, and it involves both the unlicensed duplication and sale of pirated cassette tapes. It was resolved in favour of the plaintiff rightholder, prior to the enactment of the PRC Copyright Law in 1991, pursuant to the principles set out in Article 118 of the General Principles of Civil Law of the People’s Republic of China, which had come into force in January 1987. Article 118 provides that if the rights of authorship are infringed, the author has “the right to demand that the infringement be stopped, its ill effects be eliminated and the damages be compensated for.”

A similar case involving the same facts where a defendant made unauthorized duplications of a rightholder’s cassette tapes and sought to sell them as the rightholder’s can be seen in the Malaysian case of *Dunia Muzik WEA Sdn Bhd v. Koh Tay Eng* (Case 5.1 below).

2.2 Music Copyright Society of China v. Netease Com., Inc. & Mobile Communications Corporation

No.2 Intermediate People's Court of Beijing Municipality
Decided 20 September 2002
(2002) Er Zhong Min Chu No. 3119

Keywords

Ringtones as Musical Works, Internet ringtone download service, Mobile Operators and Mobile Services, Communication to the Public and Network Dissemination

Facts/Issue(s)

The plaintiff, Music Copyright Society of China (MCSC), had concluded in January 1994 a music copyright contract with the author of the music "Blood-shed Elegance", Su Yue. Together with a contract concluded in October 2001, the author authorized MCSC to manage the right to the public performance, broadcasting, recording and distribution of the music work, and the right to upload, download and disseminate via the Internet of the music work.

The defendant Netease Com. (Netease) had established a "Netease short message centre" service on the website 163.com. It had also collected a lot of music works in the section of the website entitled "Show Your Love with Ring Tones", wherein users may choose the listed works as ring tones for their mobile phones. One of the works listed was Su Yue's "Blood-shed Elegance". Netease did not get either Su Yue or MCSC's permission for this purpose, nor did it pay any remuneration to Su Yue.

Netease's ringtone service was operated through the special equipment of the mobile communications operators and under the technical conditions stipulated by them. Users of mobile phones have to first log on to 163.com and choose the songs they need. At that point, Netease's servers will "edit" the song into the appropriate binary music format, transmit it via the Internet to the mobile operator's mobile messaging platform, and send it to the mobile phone users.

In November 2001, Netease and the Mobile Communications Corporation (MCC), a mobile operator in China, entered into a co-operation agreement. The co-operation agreement stipulated that MCC as an agent of Netease would collect the fees from the mobile phone users for downloading the songs, and Netease would pay MCC 15% service fees. MCC also collected RMB 0.05 from Netease for each short message containing the transmitted song sent by MCC to the user.

The court noted that due to existing technical limitations, MCC could not identify, record or edit the music information in the message it transmitted when it provided the transmission service, nor could it eliminate or filter the transmission for any specific music information. It was held to be unable to control the transmitted message when it is received and transmitted through automated equipment.

Netease would charge each user one (1) RMB for downloading a normal quality ringtone, and two (2) RMB for a high fidelity ringtone. By 28 November 2001, the hit-count for the song "Blood-shed Elegance" had reached 15,091.

The issue was whether the defendants Netease and MCC were liable for infringing the plaintiff MCSC and the author Su Yue's rights in the work, and if so, compensate them for losses arising thereto.

Ruling & Reasoning

The court held that Netease did not succeed in its challenge of the copyright formalities between Su Yue and MCSC. It held that MCSC had the legal rights to bring the lawsuit in this case as a plaintiff based on Su Yue's authorization.

Under Item 12, Paragraph 1, Article 10 of the PRC Copyright Law, a copyright owner shall have the right of information network dissemination – the right to provide the public with works through the Internet or by other wired or wireless information transmission network. The court held that Netease's act of collecting and recording the music work "Blood-shed Elegance" on 163.com, displaying it publicly without permission and providing the mobile ring-tone download service constituted an infringement of the copyright holder's right to network dissemination of information. It was held liable for the infringement and for the plaintiff's damages. Since MCSC offered no legal basis in its claim for compensation, damages were determined on the basis of the ways of using the work in question, the actual amount of profits made by Netease and other factors. The court ordered Netease to compensate RMB 10,000 in damages to MCSC.

Since MCSC had failed to prove that Netease had infringed upon the personal rights of the copyright owner, Su Yue, and brought negative effects upon him, the court would not support MCSC's request for Netease to apologize to Su Yue and MCSC.

The court also held that MSCS could only hold MCC liable if it proved that (1) MCC had directly released and disseminated the infringing work in question on the Internet, (2) MCC was negligent in its duty, if it had such an obligation, to examine the work being transmitted, or (3) MCC was able to stop the transmission of the infringing work but it failed to act after the copyright owner so informed it. The court held that MCC was merely providing a technical and passive service of network dissemination to Netease, by way of providing a basic technical link service for receiving the message sent by Netease and forwarding the message to mobile phone users to enable bilateral communications between mobile phones and the Internet. When the musical work was being transmitted by Netease to MCC, and re-sent by MCC to mobile phone users, the work was sent in binary form throughout the whole process. MCC was unable to select the contents of the message it transmitted or separately delete the information the message contained, and was not responsible for examining the contents of the message it transmitted when providing transmission services to its mobile users and to Netease. It was not at fault for the occurrence of the infringement and there was therefore no legal basis for Netease to request that it undertook liability for contributory infringement. Liability should stop with Netease. If liability extended to MCC, this would not be in the public interest nor would it facilitate the application and development of network technologies. Nor did MCC's act of charging fees for providing basic equipment services amount to the reason for it to be held liable.

Laws Cited

PRC Copyright Law 2001, Article 10 Paragraph 1 Item 12 [right of information network dissemination], Article 47 Item 1

Commentary

Neither party appealed the judgment and the first instance judgment received legal effect.

This is one of the first cases to establish civil liability for making available copyrighted ring tones on the Internet. For a similar case regarding a criminal prosecution over ring tones, see *HKSAR v. Lau Ying Wai* (Case 2.13 below)

The court distinguished between the liability of Netease and MCC by equating their roles to that of a content hosting provider and an Internet service provider (ISP) respectively. It is true that Netease's service offering is more proximately and closely connected to the infringing work (the unlicensed ring tone). However, equating MCC's role to that of an Internet service provider may not be entirely correct on the facts of this case, because MCC's profit sharing agreement with Netease as described

in the judgment seems to entitle it to make more profits (at RMB 0.05 per message) whenever Netease transmits a messages containing a transmitted song. While this distinction may not be critical at the time of the decision, this distinction is currently critical by virtue of the promulgation of the Regulations on the Protection of the Right to Network Dissemination of Information Networks 2006. If MCC's role is characterized as that of a network service provider providing transmission services, it would be entitled to the safe harbour defence as an ISP under Article 20 of the Regulations on the Protection of the Right to Network Dissemination of Information Networks 2006. On the other hand, if the MCC is characterized as a network service provider providing the work to the general public through its information network, one of the conditions of the safe harbour defence in Article 22 of the Regulations on the Protection of the Right to Network Dissemination of Information Networks 2006 is that the network service provider should not obtain " any economic benefit from the provision of the works ... to its service objects" .

2.3 Government of Sipai Hezhe Nationality Township v. Guo Song, CCTV & Beijing North Star Shopping Center

Higher People's Court of Beijing Municipality
Decided 17 December 2003
(2003) Gao Min Zhong Zi No. 246

Keywords

Folklore and Folk Song, Adaptation

Facts/Issue(s)

The plaintiff, Hezhe Township Government, claimed that the first defendant's song Chanty of Wusuli (《乌苏里船歌》) was a folk song of the Hezhe nationality, and belonged to the expressions of folklore protected under the Copyright Law of China. On 12 November 1999, at an evening party entitled "Nanning International Folk Song Arts Festival" organized by CCTV, a song was sung by the first defendant, Guo Song, and the CCTV compère described the song as "Chanty of Wusuli" and noted that it was created by Wang Yuncai and Guo Song. He also opined that "we have been considering [the song] as a traditional folk song of the people of the Hezhe nationality." The plaintiff took issue with this representation, contending that this implied that the Chanty of Wusuli was not a folk song and thus infringed upon the copyright rights of the Hezhe Township Government in the tune of the song. It thus sued the alleged author Guo Song (the first defendant), the national broadcaster CCTV (the second defendant) and the Beijing North Star Shopping Center, which had distributed copies of the song for sale.

The defendants challenged the plaintiff's application, contending that in bringing the lawsuit, the plaintiff township government did not represent all the people of the Hezhe nationality in its claim for the rights concerning expressions of folklore. The first defendant Guo Song contended that the Hezhe traditional folk tune "Longing for Her Lover" from which he took the basic tune was merely an old four-sentence "xiao" tune (melody) without lyrics, while the defendant's composition Chanty of Wusuli included both the newly created melody and lyrics, and was created by him jointly with two other composers in the style of Western music. The second defendant CCTV contended that as a broadcaster, it had fulfilled its examination obligations as to the facts, which were what the compère had stated, and that there was no authoritative indication of the authorship of the Chanty of Wusuli as folklore. It also contended that it did not profit from the distribution of the VCDs transcribed from the broadcast, as they were presented as gifts and were not sold. The defence of the third defendant, Beijing North Star Shopping Center, was that it had obtained the VCDs for sale through lawful channels.

The two issues were: firstly, whether the plaintiff Hezhe Township Government had a right to bring a lawsuit in its own name for the protection of the civil musical works of the Hezhe nationality, and secondly, whether the tune of the musical work Chanty of Wusuli was adapted from the folk tunes of the Hezhe nationality.

Ruling & Reasoning

Upon the application by parties for both sides, the Beijing No. 2 Intermediate Court appointed the Music Copyright Society of China to authenticate the musical work Chanty of Wusuli and the relevant tunes including Longing for Her Lover. The conclusion of the 3 appointed music experts was that Chanty of Wusuli was a tune arranged or adapted from the folk songs of the Hezhe nationality such as Longing for Her Lover. While the first and second defendants objected to the authentication report, the Intermediate Court held that there was insufficient evidence to prove that there was any flaw in the report, overruled the defendants' objections and accepted it.

On the first issue, the Intermediate Court opined that folk literature and arts entering the public domain would have undividable historical and psychological connections with the groups in various regions. And as folk tunes were passed from generation to generation, as part of the folk literature and arts, they remained part of the spiritual cultural wealth jointly created by the groups and enjoyed by each member, although they did not belong to any particular member of the group. Each group and each member of every nationality had the right to prevent its folk literature and the arts of its own nationality from being infringed. The court held that when the folk literature and arts of the Hezhe nationality were infringed, the Hezhe Township Government as a local state power was the political representative of some groups of the Hezhe nationality and the public interest representative of such groups. Its application in this lawsuit to represent the Hezhe nationality in its own name conformed to the legal institution of regional autonomy as established in the PRC Constitution and laws and did not violate any prohibitive legal provision. The defendants' objection that Hezhe Township Government did not have the *locus standi* as a litigant was rejected.

On the second issue, the Intermediate Court held that the first defendant did not deny that he used part of the tune from Longing for her Lover when creating the principal and middle tune for Chanty of Wusuli. The authentication by the Music Copyright Society of China also showed that the thematic tune in the middle part of Chanty of Wusuli was basically the same as the tune for Longing for Her Lover and My Hunting Lover Comes Back. The Intermediate Court affirmed that the principal tune of Chanty of Wusuli was a work adapted by the first plaintiff and his fellow composers, through an artistic recreation of the Hezhe folk tune, Longing for Her Lover, and rejected the first and second defendants' assertion that Chanty of Wusuli was an original work. As copyright expressions of folklore were protected by copyright, a person who made use of an expression of folklore for recreation should state the source of the newly created work. The Intermediate Court ordered the first and second defendants to indicate, when using the musical work Chanty of Wusuli, that it was adapted from folk tunes of the Hezhe nationality. The third defendant was also ordered to immediately stop selling any publication of the musical work which did not indicate the source of adaptation.

The first and second defendants appealed the first instance judgment, on the basis that the plaintiff did not have the status of a litigant, and also challenged the authentication as to the origin of the musical work in question made by the Music Copyright Society of China.

The Beijing Higher Court confirmed the facts as verified by the Beijing No. 2 Intermediate Court. It upheld the *locus standi* of the plaintiff Township on the same grounds, and dismissed the challenge as to the authentication of the origin of the musical work Chanty of Wusuli.

The court noted that an adaptation would mainly make use of an independently created part of a pre-existing work. In respect of the adaptation of musical works, the adapted work would use the basic contents or important contents of the pre-existing musical work, and while it might have creatively amended the original melodies, that did not clear away the pre-existing melodies. In this case, though the beginning and ending of Chanty of Wusuli were original and highly artistic, the entire composition Chanty of Wusuli would lose its fundamental component if the middle part was abandoned. As the middle part of the music composition Chanty of Wusuli was an adaptation from folk tunes of the Hezhe nationality and this constituted the principal part of the composition, the entire composition Chanty of Wusuli was held to be an adapted work.

The adjudication by the Beijing No. 2 Intermediate Court was upheld.

Laws Cited

PRC General Principles of the Civil Law 1986, Article 4, Article 134 Paragraph 1 Item 9
PRC Copyright Law 1990, Article 12

Commentary

This is one of the first cases to be heard by the PRC courts regarding the copyright protection of folklore and folk music. Although Article 6 of the PRC Copyright Law 1990 provides that regulations for the protection of copyright in expressions of folklore shall be established separately by the State Council, the draft Regulations on the Protection of Works of Folklore of China were never enacted. That notwithstanding, the court in this case has demonstrated that its absence did not hinder the application of PRC Copyright Law and the recognition of the folk tunes of the Hezhe nationality as musical works under the copyright regime. Even though the authorship of the Hezhe folk tunes could not be ascribed to their creative individuals, the assertion by the Intermediate Court that each member of the folk community has jointly created the work and each member has the right to prevent its folk literature from being infringed seemingly melds the author-centric system in copyright into matters pertaining to folklore. It is perhaps for this reason that the court rejected the defendants' challenge as to the *locus standi* of the plaintiff municipality because it was both the *de jure* political and the *de facto* public representative of the interests of the "authors" of the folk music. In this regard, it cannot be gainsaid that the plaintiff was clearly the "competent authority" who was in a position to grant authorization for use of the folklore under the UNESCO-WIPO Model Provisions for National Laws on the Protection of Expressions of Folklore against Illicit Exploitation and Other Prejudicial Actions 1985. But questions such as the duration of protection given to the Hezhe folk tunes and whether a member of the Hezhe nationality may himself produce an adaptation of the folk tunes without the licence of the defendants are not easily resolved. Here, comparisons would be made with Article 15(4) of the Berne Convention, which provides that where folklore is an unpublished work and the author is unknown, and there is every ground to presume that the author is a national of a Berne Convention country, the legislation of that country might designate a competent authority to represent the rights of the author in all the countries of the Union.¹

Interestingly, the result arrived at in this case based on copyright principles should be contrasted with that under the same Model Provisions. Section 4(1)(iii) of the said Model Provisions would have permitted borrowing of expressions of folklore without authorization for creating an original work. What this case also illustrates is the issue of the extent to which works of folklore should be regarded as being in the public domain and thus accessible to all. It is noteworthy that the remedy afforded to the plaintiff in this case - to require the defendants to acknowledge the Hezhe folklore as the source of its musical work - is the same remedy that is afforded under section 5(1) of the said Model Provisions. It is a remedy which, pursuant to section 5(2) of the Model Provisions, is otherwise unavailable in instances of borrowing of folklore to create an original work.

¹ See also Tunis Model Law on Copyright for Developing Countries, s. 6.

2.4 Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)

Beijing High Court

Judges Chen Jinchuan and Wei Xingling, Deputy Judge Zhang Dongmei

Decided 2 December 2004

(2004) Gao Min Zhong Zi No. 713

on appeal from

Beijing No.1 Intermediate Court

Presiding judge: Liu Yong; Deputy judges: Zhang Xiaoxia, Yi Jun

Decided 23 April 2004

(2004) Yi Zhong Min Chu Zi No. 400

Keywords

Albums available for Downloading, Communication to the Public, Network Service Provider, Search Engine, Abetment and Joint Liability

Facts/Issue(s)

The plaintiff, Go Label Entertainment Co. Ltd. (H.K.), claimed that the defendant, Beijing Century Technology Co. Ltd, disseminated on its website www.chinamp3.com 35 songs from three albums of a female singer without the plaintiff's authorization, infringed the plaintiff's legal right as a record producer and caused it economic damage. (The defendant had organized and sorted the various recordings listed on its website.) The plaintiff sought a court order to require the defendant to stop disseminating the songs and providing the downloading service, to apologize publicly for the infringement and to compensate the plaintiff in damages and legal fees for this claim.

The defendant argued that it only provided links to the recordings on its music website www.chinamp3.com but did not provide any downloading service. It claimed that as an influential professional music website, it had freely supplied the news of singers, albums and other public information to its users. It would search the Internet, find the links to other websites for the songs it wanted to introduce and put these links on its own website. Furthermore, the defendant had explained on its website that it was only a conduit: the downloading pages only offered links and not downloads from the defendant and that by clicking the "download", users would be linked to the other websites and exchange data with these websites. As no copies of any sound recordings were produced or kept on the defendant's server, it was not liable for any illegal copying or disseminating. The defendant also claimed that the law did not clearly stipulate the duty of care of a website that provided links, nor was a request made to the defendant as a "link provider" to check the legality of the contents it linked to.

Finally, pursuant to Article 5 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003), the defendant contended that the plaintiff rightholder should have served a notice on an Internet service provider such as the defendant but did not do so. Nonetheless, the defendant had already terminated the links to the recordings in question.

Before the court of first instance (Beijing No.1 Intermediate Court), the court found the defendant liable, holding that it had, without permission and for commercial purposes, benefited from the provision of links to the infringing sound recordings on third party websites. It had organized the links to the music resources to make its site more useful and attractive to users, and had developed a close and proximate relationship to the infringing resources. When the recordings were downloaded, it appeared to a user of the defendant's website that the recordings were downloaded from the defendant's website and not from third party sites. The court accepted that the defendant's website

was only a conduit and that the infringing sound recordings were stored on third party sites. But the court held that as the defendant had positioned itself as a professional music website, it had an obligation to choose the resources it linked to, and its intentional failure to choose to link to legitimate resources had amounted to fault which rendered it liable. However, the court rejected the plaintiff's assessment of its damages, which were based on Apple Inc.'s charges for downloading songs on its iTunes website. It found the plaintiff's assessment to be unsupported by evidence and an inappropriate standard for assessment. Instead, the first instance court ordered the defendant to terminate the links to the plaintiff's recordings, and compensate the plaintiff RMB 100,000 for economic losses and reasonable litigation expenses.

The defendant appealed, the key grounds being: (1) there was no evidence that the third party websites had infringed the plaintiff's copyright by making the recordings available, (2) as the defendant only provided links to the resources, and not download services, the defendant did not copy or disseminate the plaintiff's recordings and should not be liable, (3) as the law of copyright relating to liability of Internet intermediaries was unclear, the defendant could not be held liable for intentionally causing the infringement of the plaintiff's rights.

The main issue in the case was: By providing links to recordings on third party websites, did the defendant infringe the plaintiff's right to the network dissemination of these recordings?

Ruling & Reasoning

The High Court rejected the appeal.

The court noted that there was no evidence that the plaintiff had authorized any website to disseminate the plaintiff's sound recordings and thus the first ground of appeal was rejected.

The court held that the defendant had, by providing links to the resources, not reproduced or disseminated the plaintiff's recordings and was not liable on this ground. It noted that even though the defendant had organized the links to various music recordings on its site by region, singer, song, lyrics etc., this selection, layout and organization was applied to the links, and not to the plaintiff's recordings in question. The defendant was not in control of the linked sites' resources, and these third party sites could deny the users' downloads via the links supplied by the defendant.

However, the court held applicable to the defendant, China's General Principles of Civil Law, in a claim for copyright infringement. It noted that a perpetrator was liable for causing property or bodily harm to the victim if he was at fault, and he was at fault if he breached his obligation of care and caution. Whether or not he was at fault depended on whether he should take care, and whether he was in a position to take care. This principle was equally applicable to the issue of the liability of a network intermediary.

On the facts, the court noted the applicability of Article 5 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003) (which would have rendered the defendant liable only if it knew of the users' act of infringement or had been so warned by the copyright owner and failed to take measures to remove the infringing contents). The court noted that this provision only applied in the context of a network service provider who had difficulty managing the huge volume of online information and the ever-changing nature of such content, which made the assessment and screening of their legality impossible, to absolve such a service provider of liability.

However, the defendant in this case had been selecting, organizing and finalizing the links to the infringing recordings, and providing a sequential process to enable users to download them. In the provision of these services and links, the defendant had demonstrated the ability to discriminate between the legitimate and illegitimate links to the recordings. As a result, the defendant was unable to demonstrate that it was not at fault, and could not rely on the defence of Article 5 of the

Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003).

The court was not convinced that it was in the public interest to provide a service similar to that offered by the defendant, and that its denial would impede technological progress. Conversely, the court was of the view that if such services were allowed, this would only lead network service providers to ignore the legitimate rights and interests of third parties and to disregard their legitimate duties to act with caution and diligence to avoid inducing infringements.

On balance, while the defendant's provision of links to the resources was not illegal, by the defendant's own ignorance of its duties and its intentional participation in the illegal dissemination of recordings by the third party websites, by Article 130 of the General Principles of the Civil Law and Article 4 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003), the defendants were at fault and had breached the plaintiff's rights to the network dissemination of such recordings. The court upheld the first instance's court's order that the defendant stop such infringements, and that the plaintiff be compensated for its economic loss. The court also found that the first instance court's award of compensation was not too high.

Laws Cited

PRC General Principles of the Civil Law 1986, Article 130

PRC Copyright Law 2001, Article 10 Paragraph 1 Item 12, Article 41, Article 47 Item 4

PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003), Articles 4, 5

Commentary

Article 4 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003), referred to by the High Court, is now Article 3 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006). Article 4 (now Article 3) provides that:

In case an Internet Service Provider is involved in any other person's act of infringement on copyright through the network, or abets any other person to commit or assists any other person in committing an act of copyright infringement, the people's court shall subject the Internet Service Provider and other doers or persons directly committing the infringement act to the contributory infringement liabilities according to the provisions of Article 130 of the General Principles of the Civil Law.

It is noteworthy that the court held the defendant not liable for reproducing or communicating the unlicensed musical works by providing links to these resources. This conclusion parallels that reached by the Australian Federal Court in *Cooper v. Universal Music Australia* (Case 1.8 above). But like *Cooper* and its finding of authorizing infringement, the defendant was nonetheless held liable because by its selection and organization of the links, the court held that the defendant had intentionally facilitated and assisted the third party websites in their dissemination of the illicit recordings. Liability was founded on civil law principles regarding abetment and contributory liability in Article 130 of the PRC General Principles of the Civil Law.

The court's ruling that the safe harbour defence in Article 5 (now Article 4) of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003) is also noteworthy. Even though the provision in question states that the safe harbour defence is inapplicable where a content service provider "is aware of the Internet users' act of infringement ... or has been warned by the copyright owner with good evidences [*sic*]", the High Court in this case chose to interpret this defence narrowly to apply only to the case of an "innocent" service provider. The approach adopted here

echoes that adopted by the U.S. Supreme Court in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster* (where the Supreme Court rejected the defendant's reliance upon the Sony defence because the defendant was held to have acted intentionally to induce their users' copyright infringement).¹

The decision of the court in this case regarding the liability of a defendant Internet intermediary for providing links to infringing music resources on third party websites can be usefully compared with another Chinese court decision, *Go Eastern Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd.* (2007) (Case 2.10 below) as well as the decision by the Australian Federal Court in *Cooper v. Universal Music Australia* (Case 1.8 above).

¹ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

2.5 Beijing Feitong Music Co. Ltd. v. Heilongjiang Radio Station

Harbin Intermediate Court
Presiding Judge Li Jinghai, Deputy Judges Wang Ligang and Chang Yude
Decided 14 December 2005
(2005) Ha Min Wu Chu Zi No. 81

Keywords

Album Music promoted via Online Streaming, Communication to the Public and Network Dissemination, Radio Station Internet Music Broadcast

Facts/Issue(s)

The plaintiff was the copyright holder of eight sound recordings in a female singer's new album. After this new album was released, the plaintiff mailed a copy of the album to the defendant, the Heilongjiang Radio Station. The original purpose of the plaintiff was to let the defendant promote the album by broadcasting its songs on the defendant's music program, as was customary between record companies and radio stations.

However, the defendant took the album and provided an "online listening" service for these eight sound recordings on its website, www.fm958.com, by way of streaming technology. Although the defendant did not provide the links for downloading these songs, its users could download them by using third party software such as Xunlei. The plaintiff considered that its own interests were damaged by the situation and sued the defendant, contending that the latter had infringed its rights of network dissemination to its music works by providing online listening and downloading. The defendant's defence was that even though there were no written arrangements, the defendant was authorized by the plaintiff to provide "online listening" of the sound recordings as part of the promotion arrangements between the parties.

Upon the commencement of this action, the plaintiff immediately stopped the "online listening" services on its website.

The issue in this case was whether the defendant was liable for making the sound recordings available for "online listening" on its website, as part of its promotional arrangements with the plaintiff, where the music was available for downloading by Internet users (even though streaming technology generally prevented such downloads) and thus breached the plaintiff's right of network dissemination.

Ruling & Reasoning

The court held that the defendant should immediately stop providing the online broadcasting of the sound recordings whose copyrights were owned by the plaintiff as a record producer.

The court found that the plaintiff was the rightholder and had the right of network dissemination of the eight sound recordings in this case. And although there was no written contract between the plaintiff and the defendant, it was clear from all the facts and evidence that there was a relationship between the two parties in this case to promote the albums that the plaintiff would post to the defendant. The issue was whether the promotion of the album on the defendant's website went beyond the terms of the contract.

The court held that according to the custom between records companies and radio stations, the latter generally broadcasted new songs provided by the former as they attracted new listeners and helped the former advertise the new albums at the same time. This reciprocal process which did not

involve any payment could be seen as an implied contract between the two parties. By broadcasting the sound recordings on its radio station via radio waves and also providing for online listening on its website via streaming technology, the defendant had engaged in a proper way of promoting the new songs according to the implied contract between the two parties. The onus was on the plaintiff rightholder to prescribe limits or conditions for the defendant's promotional use of the album. Given the ambiguity of the contract, it was not illegal for the defendant to provide the "online listening" service.

In any event, the defendant had fulfilled its duty of care to the plaintiff because it did not provide the links for downloading the sound recordings, and it was not possible to download the sound recordings as they were streamed. Even if it was possible to download the recordings through the use of some special third party software, it was unfair for the plaintiff to blame the defendant. There were no terms in the contract that required the defendant to make it impossible or difficult for others to download the recordings. It was otherwise unfair to impose such a heavy burden on the defendant to prevent the plaintiff's sound recordings on the defendant's website from being downloaded.

As such, it was reasonable for the plaintiff to ask the defendant to stop the provision of the "online listening", which the defendant had already done so. All other claims by the plaintiff against the defendant were dismissed.

Laws Cited

PRC Contract Law 1999, Article 93 Paragraph 1

Commentary

In this case, the court analysed the rights and obligations between the parties based on the implied contract between them. In the process, the court affirmed the right of the plaintiff record label to the network dissemination of its sound recordings, and implicitly accepted that this was a right that was separate from the right of the plaintiff to broadcast the sound recording. (Article 10 Paragraph 1 Item 11 of the PRC Copyright Law describes the right of broadcast as a right to "communicate to the public" a work by wireless, wired or relay means, and Article 10 Paragraph 1 Item 12 also describes a right of communication of information on networks as a right to "communicate to the public" a work by wire or wireless means in such a way that members of the public may access these works from a place and at a time individually chosen by them.) It should be noted that Article 41 of the PRC Copyright Law refers to the right of a producer to "communicate to the public on an information network" a sound recording but makes no reference to the right to broadcast the same.

The ruling of the court also accepted the right of the rightholder to terminate an implied licence to the broadcaster to promote a sound recording but did not further explore the circumstances in which such a license may be terminated or where it may be inequitable to terminate the licence rights granted to the broadcaster, especially where the broadcaster has committed substantial financial resources to promote the sound recordings in question.

Reference should also be made to Article 43 of the PRC Copyright Law, not referred to by the court, which states that a radio or TV station that broadcasts a published sound recording does not need to obtain permission from the rightholder, but shall pay remuneration to the copyright owner, unless the parties have agreed otherwise. A similar provision exists in Article 42 in relation to the broadcast of a published work by a radio or TV station. Both provisions were not referred to by the court in its judgment.

2.6 Zhejiang FanYa Co. Ltd. (5fad.com) v. Beijing Yahoo! China & Alibaba Information Technology Co. Ltd.

Beijing No.2 Intermediate Court
Presiding Judge Zhang Xiaojin, Deputy Judges He Xuan and Ge Hong
Decided 15 December 2006
(2006) Er Zhong Min Chu Zi No. 07905

Keywords

Licensed Downloads of Songs, Search Engine as Internet Service Provider, Hyperlinks, Access control for Protected Web Pages, Internet safe harbour, Take-down Notices

Facts/Issue(s)

The plaintiff in 2003 established an entertainment website, 5fad.com, and made available songs whose copyright it owned for download for a fee on this website. The plaintiff owned the copyright in about 1000 songs. The plaintiff discovered that through the defendants' search engine, users could search for and download various sound recordings from the plaintiff's website without having to subscribe to the plaintiff's download service. The plaintiff claimed that the defendants had, through the mechanism of "deep linking", circumvented the protective measures for its website, exposed the URLs of 25 songs from the plaintiff's website on the defendants' "Yahoo! music" website, and provided the defendants' users free download to the plaintiff's songs, thereby infringing the plaintiff's right of network dissemination and causing the plaintiff economic loss. The plaintiff sought a court order against the defendants to stop the infringement, make a public apology and compensate the plaintiff.

The first defendant, Beijing Yahoo! China argued that this case had nothing to do with it since it was not the operator of the "Yahoo! music" website, and sought the dismissal of the plaintiff's claim against it.

The second defendant, Alibaba Information Technology Co. Ltd. (Alibaba), argued for the dismissal of the plaintiff's claim, contending, *inter alia*, that the search engine used on the "Yahoo! music" website run by Alibaba had operated on a "spider program" to collect the URLs of resources it seeks and indexes. Alibaba contended that the plaintiff had failed to use the industry-accepted "ROBOTS.TXT" protocol to protect its web pages from being searched and indexed by search engines. It noted that though the search engine's "spider program" could not search and index the protected pages on the plaintiff's website, the spider program was nonetheless able to obtain the URLs of the plaintiff's music resources from third party websites. Alibaba also contended that it could not be held liable, because the plaintiff failed to serve it a take-down notice, to inform it to terminate the links to the songs according to the Regulations on the Protection of the Right to Network Dissemination of Information Networks (2006) before it commenced proceedings against the defendants.

The court accepted the evidence that the plaintiff was the rightholder of the songs in question, and that the defendant Alibaba had already terminated the links on the Yahoo! music website to the plaintiff's songs on its website.

The main issues before the court were:

Did Alibaba circumvent the protective measures set up by the plaintiff and was liable as it enabled users to download the plaintiff's songs without the need for a user ID and password?

As the provider of the search service, did the defendant Alibaba infringe the plaintiff's copyright in the music and lyrics in the 25 songs by making available links to these sound recordings?

Ruling & Reasoning

The court dismissed the plaintiff's claim.

The court noted that the plaintiff was the copyright owner in the music and lyrics in the 25 songs, and under China's Copyright Law, the producer required the authorization from the copyright owner in the music and lyrics in the musical composition before it could make a sound recording. (It also needed to secure authorization from the performer.) Thus as the copyright owner in the music and lyrics in the 25 songs, the plaintiff was entitled to bring an action for the unauthorized network dissemination of the sound recordings for these songs.

As regards the first defendant, the court held that it was not the operator of the Yahoo! music website and rejected the plaintiff's claims against it.

As regards the second defendant, the court held that there was insufficient evidence to prove that the defendant Alibaba had circumvented the plaintiff's protected pages via its search engine/spider program. The court accepted that it was possible that the defendant Alibaba had obtained the URLs of the plaintiff's music resources from third party websites. The court observed that the plaintiff as a website operator should have known of and used the industry "ROBOTS.TXT" protocol to prevent search engines from locating and searching the plaintiff's deep pages to locate the aforesaid resources. The plaintiff's failure to do so meant that it permitted the use of search engines to index its website's deep pages and to link to them.

The court also held that the second defendant was not liable as it operated merely as a search engine. The automated nature of search engines meant that it was not possible to control the search engine's access to and index of infringing resources. Under Article 14 of the Regulation on the Protection of the Right to Network Dissemination of Information (2006), a rightholder who believed that his network dissemination right to his Internet resources had been infringed could serve a take-down notice to the search engine operator to terminate the search engine's link to the aforesaid resource, by including on the notice the rightholder's name, address and contract details, the name of the resource whose link to be terminated, the address or link of the resource (URL) and also preliminary proof of infringement of the copyright.

On the facts, the plaintiff failed to issue a take-down notice to the defendant Alibaba with the requisite information about the URLs and comply with the procedure set out in the Regulation on the Protection of the Right to Network Dissemination of Information. The defendant Alibaba actually terminated the links to the plaintiff's resources after learning about the URLs when the instant action was commenced. As the plaintiff had not exhausted its obligations to notify the defendant, the plaintiff's claims were dismissed.

Laws Cited

PRC Copyright Law 2001, Article 10 Paragraph 1 Item 12 [right of communication on networks], Article 47 Item 1

PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006), Article 14

PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006), Article 3, Article 7 Paragraph 1

Commentary

This decision explains in detail the policy behind the enactment and the operation of the safe harbour defences for search engines as set out in the Regulation on the Protection of the Right

to Network Dissemination of Information (2006). The decision denied the plaintiff its remedy for infringement because of its failure to issue the requisite take-down notices to the defendant Alibaba. There was also evidence to suggest that the plaintiff was complicitous in allowing search engines to index and locate the fee-paying music resources on the "deep" pages of its website, thereby making it possible to access and download its music resources for free. It was for that reason that Alibaba's assertion that its search engine had collected the URLs (or links) to these resources from third party sites plausible. Both would be valid grounds for denying relief to the plaintiff rightholder: the former because the Regulation offered a search engine the requisite safe-harbour protection, and the latter because on these facts, it would be hard to prove that Alibaba had accessed, reproduced or communicated the fee-paying resources to the public through its search engine by its publication of the URLs to these resources. For another case which illustrates this last point, see *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)* (Case 2.4 above).

2.7 Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing FashioNow Co. Ltd.

Beijing No. 2 Intermediate Court
Presiding Judge Zhang Xiaojin, Deputy Judges Feng Gang and Ge Hong
Decided 19 December 2006

Keywords

Albums as Sound Recordings, Developer of P2P client software and Operator of P2P Network, Communication to the Public and Network Dissemination, Joint Liability

Facts/Issue(s)

The plaintiff of this case was Shanghai Push Sound Music & Entertainment Co. Ltd. The two defendants in the case were Beijing FashioNow Co. Ltd. and Beijing Bo Sheng Fang An Technology Co. Ltd. The second defendant did not appear in court. As the two defendant companies had the same address and telephone number, the court considered them as common infringers.

The plaintiff was the holder of the rights in 53 sound recordings as the record producer. This could be proved by the signature on the package of the albums which contained those songs, the contracts between the plaintiff and the singers and some other materials. The plaintiff claimed that the defendants, without any authorization from the plaintiff, were using the software “Kuro” (酷乐) to disseminate those recordings to the public by providing sharing, downloading and searching services. The plaintiff alleged that the defendants infringed the plaintiff’s rights as a record producer and caused them severe economic loss. The plaintiff sought an order from the court against the defendant to stop the infringement immediately, and to compensate the plaintiff for its economic loss and legal fees for the case.

The defendants entered no substantial defence.

The other facts, as found by the court, were that the defendants were the copyright owner in the software “Kuro” and also the operator of the website www.kuro.com.cn which provided the “Kuro” software and its related information and provided technical support for the software. “Kuro” was a P2P software which could be used to search for, listen to and download music and even burn the music onto disk. The software also offered its users several music channels and categories of music for download purposes. It costs RMB 20 per month to become a register user of “Kuro”.

The main issue of this case was that did the defendants infringe the plaintiff’s legal rights by providing and operating the software “Kuro”?

Ruling & Reasoning

The court ordered the defendants to stop their infringement, and ordered them to compensate the plaintiff. The amount of the compensation awarded was RMB 210,000, including legal costs.

The court held that the plaintiff had proven that it was the genuine rightholder of the recordings in question as it was the record producer for the recordings, and that it had not authorized anyone to disseminate the recordings online. As it had been proved that the recordings downloaded by the “Kuro” software came from the same audio sources as the 53 recordings sold by the plaintiff, in the absence of any evidence to the contrary, the court found that all the downloaded records were illegal.

The court held that in law, an internet service provider who, through the network, infringed the

copyrights of others, or abetted, or helped others to infringe copyright, should shoulder the same responsibility as the person who directly committed the infringement.

The court noted that the defendants, through their “Kuro” software and in conjunction with the website www.kuro.com.cn, had provided a selection, classification and categorization of the recordings that they disseminate online. This included categories such as “the latest recordings”, “top of the charts”, “new themes” and “strongly recommended”. The defendants also provided a wide range of search methods to download and listen to the songs and recordings and heavily promoted its services to attract users.

The court held that as companies engaged in the provision of music file transmission network services, the defendants should have known that the 53 recordings, which were popular pop music, had been uploaded by their sources without the plaintiff’s permission. The defendants adduced no evidence to show that these recordings were licensed uploads by users, or that they had taken any measures to prevent these recordings from being shared. The defendants developed a range of services to organize and offer a selection of recordings, and provided numerous features to facilitate the search for and the downloading and listening of the recordings and burning of the recordings onto CDs. And the defendants sought to profit from their activities by offering these as a subscription service for its users. For these reasons, the court held that the defendants had intentionally provided assistance through its “Kuro” software to assist users who, without the permission of the plaintiff, shared and infringed the plaintiff’s copyright in its recordings. It was held liable pursuant to Article 3 of the Interpretations of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006) and Article 130 of the PRC General Principles of the Civil Law and ordered to compensate the plaintiff for the infringements.

Thus, judgment for the plaintiff was given.

Laws Cited

PRC Copyright Law 2001, Article 41 Paragraph 1, Article 47 Item 4, Article 48

PRC General Principles of the Civil Law 1986, Article 130

PRC Interpretations of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006), Article 3

Commentary

This is the first case in China to involve an action against a P2P service provider. The court in this case held the developer of a P2P product – a client download software for downloading music recordings – liable, because of the tight integration between the software and the various services and functions that the defendants had developed to further encourage and facilitate the sharing of recordings. The basis of liability is that of abetting or assisting another to commit an act of copyright infringement under Article 130 of the PRC General Principles of the Civil Law. The same basis of liability was also applied by the court in the earlier case of *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)* (Case 2.4 above) to a website offering links for downloading infringing sound recordings.

However, in *Guangdong Zhongkai Cultural Development Co. Ltd. v. Beijing Zhongsou Online Co. Ltd. (“The Promise” Case)* (Case 10.8 below), the court held the P2P service provider liable for an unlicensed communication of the movie to the public via an information network through the provision of links and the supply of P2P software for downloading the infringing movie. The court did not refer to Article 130 as the basis for holding the service provider liable. The distinction between the *Guangdong Zhongkai* case and the instant case appears to be that the court in *Guangdong Zhongkai* rejected the service provider’s argument that it was only providing links for downloading the movie and accepted the possibility that the service provider could be itself making the movie available for download.

Similar cases regarding P2P service providers include the decision by the Australian Federal Court in *Universal Music Australia Pty. Ltd. v. Sharman License Holdings Ltd.* (Case 1.7 above), the Japanese High Court decision in *File Rogue* (Case 4.4 below), the Korean Supreme Court decision in *Soribada* (Case 7.5 below), and the U.S. cases of *A&M Records, Inc. v. Napster, Inc.*¹ and *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*.²

¹ *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1024 (9th Cir. 2004), *aff'g* 114 F.Supp.2d 896 (N.D.Cal. 2000).

² *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

2.8 Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Baidu Technology Co. Ltd.

Beijing First Intermediate People's Court
Presiding Judge Liu Yong, Judge Su Hang, Deputy Judge Dong Xiaomin
Decided 19 December 2006
(2006) Yi Zhong Min Chu Zi No. 2491
on appeal from
Beijing Haidian District People's Court
Presiding Judge: Li Dongtao; Judge: Lu Zhengxin; Deputy Judge: Wang Kenan
Decided 16 September 2005
(2005) Hai Min Chu Zi No. 14665 (first instance)

Keywords

MP3 Sound Recordings, Digital downloads, Search Engine, Network Dissemination as Communication to the Public, Network Service Provider

Facts/Issue(s)

The plaintiff, Shanghai Busheng Dafeng Music Culture Media Co., Ltd., claimed that through the defendant, Baidu Technology Co. Ltd.'s download service at www.baidu.com, 46 sound recordings (in the MP3 format) whose copyright belonged to the plaintiff could be downloaded. The plaintiff tendered evidence of various management agreements it has entered into with various recording artists to affirm its rights to the record production, publication and distribution and its use thereto and the right to obtain compensation.

The defendant's defence was that its search engine automatically collected information from the Internet, searched third party websites for sound recordings and provided that information to users seeking those sound recordings. The defendant did not provide the music for download to the user, but only links to the websites the user was searching for.

The issue was whether the defendant search engine had, by locating and making available the plaintiff's sound recordings provided by third party websites for download, infringed the plaintiff's right in those sound recordings to communicate the recordings to the public.

Ruling & Reasoning

The District People's Court found that plaintiff had the copyright to the sound recordings and the exclusive rights as phonogram producers to enjoy publishing and distribution rights and the right to obtain compensation for the recordings, which included cassettes, CDs, VCDs, DVDs, and future video and audio formats and carried as MTV. The court held that the defendant had infringed the plaintiff's copyright by making those sound recordings available for download via its search engine, even though the sound recordings were uploaded by third party websites. The court opined that a search engine was limited to the services of collecting and collating information for Internet users, rather than the use of the collected information for profit. Where the defendant's search engine only supplied, in response to a search inquiry, the name of the song, the name of the artist and its web directory classification, this should not be regarded as infringement. But where the defendant search engine went beyond merely providing information location services, and used those sound recordings to make a profit (through the provision of web advertisements) without checking on their origin or legality, the defendant had impaired the plaintiff's right to disseminate those sound recordings.

The Court ordered the defendant to stop providing the plaintiff's sound recordings for download and to compensate the plaintiff RMB 68,000 for economic losses, in addition to litigation expenses.

The defendant was dissatisfied with the judgment and lodged an appeal. In the course of a hearing, the parties reached an agreement, and the defendant settled with the plaintiff for a sum of RMB 30,000.

Laws Cited

PRC Copyright Law 2001, Articles 40, 41, 47 Item 4, 48 Paragraph 2

Commentary

In holding a search engine service provider liable for providing links to infringing material, this case is unlikely to carry much precedential value because it preceded the promulgation of the PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006). Article 23 of the said Regulation would have absolved the search engine of its liability to make compensation to the rightholder, if it took steps to object or cut off the link to any infringing works upon receiving notice from the right. A decision which carries greater precedential value is the subsequent decision of *EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd.* (Case 2.9 below), where court interpreted and applied the Regulation and found the same defendant search engine Baidu not liable.

2.9 EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd. EMI

Beijing District High Court (on appeal)
Presiding Judge Liu Hui, Deputy Judges Zhang Dongmei and Cen Yuhong
Decided 28 April 2007
(2007) Gao Min Zhong Zi No. 593
on appeal from
Beijing District No. 1 Intermediate People's Court
Presiding judge: Liu Yong. Deputy judges: Yi Jun, Yui Songyan
Decided 17 November 2006
(2005) Yi Zhong Min Chu Zi No. 8488

Keywords

Sound recording, Downloads and Online Streaming, Search Engine, Network Service Provider, Internet safe harbour, Take-down Notices

Facts/Issue(s)

The plaintiff EMI claimed that the defendant Baidu infringed its copyright by putting up four of the plaintiff's sound recordings online for streaming and downloading without the plaintiff's permission. During the trial, the plaintiff retracted their claim regarding three of the four sound recordings.

The defendant Baidu's defence was that they were in the business of providing search engine services, and though these included mp3 searches, they were technically the same as searches for websites, news, images and other resources. Baidu claimed that it did not change or alter the information it captured. The service was fully automated, and only the website address where the information could be found was provided, not the substantive contents. Baidu also claimed that its search engine accessed information within the boundaries of unrestricted websites, and as it did not make any technical act of arranging or organizing the content, it should not be liable for infringement.

Although International Federation of the Phonographic Industry (IFPI) served a notice to Baidu requesting that Baidu stop the infringement and pay damages, the notice did not include the name of the work, the author of the work and the web address where the work was found. Baidu replied to IFPI's notice with a request for the abovementioned information and indicated that it was willing to cooperate. However IFPI did not reply.

In addition, upon receiving complaints from seven record companies, Baidu replied and requested for the abovementioned information and promised to take down the alleged infringed content. Again, no replies from the companies were received.

The defendant Baidu also claimed it did not have the ability and was under no obligation to check whether the music found via its search website was pirated or not.

The first issue was whether the defendant's search engine service infringed the plaintiff's copyright in the sound recordings.

The second issue was whether the "sampling" and "download" functions in the defendant's search engine infringed the plaintiff recording company's rights to network dissemination of the recordings.

The third issue called for a consideration of the steps that a copyright owner should take when it had determined that the search engine had infringed its copyright by making available its work for access and downloading.

Ruling & Reasoning

On the first issue, the court held that search engines services were a new technology whose objective was to help web users to look for the information they needed. With the advent of non-textual data, search engines for different data formats had emerged. The court noted that Baidu's mp3 search engine service used music data formats as search objects, and searched through all the unrestricted websites on the Internet for music files.

Whether or not the search engine could link to third party websites depended on whether these websites had uploaded music files in the necessary format and whether these sites banned hyperlinks to them. Two main factors to determine its liability were: firstly, the existence of any restrictions which the uploading website had put in place to prevent the content from being searched and the inability of the search engine provider to predict, distinguish or control the contents on the third party websites it searched, and secondly, where the third party websites did not have an agreement to bar hyperlinks to the websites, this implied that contents on the site could be linked and the information shared. As a result, the defendant was subjectively not at fault in providing MP3 search engine services and did not infringe on the rights of the copyright owners to disseminate their works.

On the second issue of "sampling" and "downloading" music files and sound recordings from unrestricted third party web servers, the provision of sampling services to the user was only a method to let a user determine if the material was that which he wanted. The court found that the transmission of the files took place between the user and the third party website which had allowed its contents to be linked. Currently, search engines could not explicitly regulate and limit their searches, and the plaintiff could not prove that the defendant had knowingly violated the rights of others or should have known that it would violate the rights of others by linking to the work. For this reason, the defendant search engine could not be held liable for infringing the plaintiff's network dissemination and reproduction rights in the works.

On the third issue, the third party websites should have used the "robots.txt" file to restrict the operation of search engines in accessing and indexing their sites. If the copyright owner wished to pursue his redress against the search engine, he could have sent a take-down notice to the relevant owner of the search engine and requested that the search engine break the link, by explicitly identifying the website. The search engine should accordingly remove the link immediately. In the network environment, the rightholder should take positive and effective measures to safeguard its legitimate interests, not only through the use of search engine services to detect copyright violations, but also to pursue legal remedies in a timely manner. In this case, the plaintiff EMI did not issue the defendant Baidu with the take-down notice before commencing the litigation.

As the Internet is a resource-sharing, interoperable environment, rightholders should take steps to protect their content through the deployment of technological protection measures. The court took the view that PRC Copyright Law and its Interpretations had clear stipulations on this issue. Any circumvention or destruction of technological protection measures would be subject to various remedies, including the elimination of those circumvention measures and compensation for losses.

Pursuant to Article 8, Paragraph 1 of the PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2004), the plaintiff EMI's claims were thus dismissed.

EMI sought to appeal the judgment, but before the appeal was heard, EMI and Baidu reached a settlement agreement, and the appeal was withdrawn.

Laws Cited

PRC Copyright Law 2001, Article 10 Paragraph 1 Item 12, Article 41

PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2003), Article 8, Paragraph 1 (now Article 7, Paragraph 1, PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006)).

Commentary

Article 8, Paragraph 1 of the PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2004) (now Article 7, Paragraph 1, PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006)) states:

Where any copyright owner who, upon finding out the infringing information, warns the Internet service provider about this or requests for the network registration material of the infringer, [but] is unable to produce proofs of his [the copyright owner's] identification, ownership of the copyright and the circumstance of the infringement, such warning or request shall be deemed not to have been made.¹

It would seem that the court is offering two separate reasons for the rejection of the plaintiff's claim against the defendant. First, the reference to Article 8 implies the court's opinion that EMI's take-down notice to Baidu was to be rejected because the notice did not comply with the requisite formalities, which would have required EMI to specify the names of the works, their authors and the web addresses where the infringing works were found. The formalities indicated in Article 8 are echoed in Article 14 of PRC State Council's Regulation on the Protection of the Right to Network Dissemination of Information 2006, which was not referred to by the court, presumably because the action was commenced before its promulgation on 18 May 2006.

However, the court went on to opine that search engines are *prima facie* not liable for linking to infringing resources because their indexing engines could not predict, distinguish or control the contents of unrestricted websites it searched. In this regard, reference should also be made to Article 23 of the PRC State Council's Regulation on the Protection of the Right to Network Dissemination of Information 2006, the effect of which is to affirm the existence of a "safe harbour" for search engines providing links to infringing resources similar to that under the U.S. Digital Millennium Copyright Act. However, a careful perusal of Article 23 will indicate that this "safe harbour" for search engines is qualified: a search engine which is "fully aware or should know that any of the works ... it has linked to constitutes any infringement ... shall be subject to the liabilities of *joint infringement*." This same qualifier is arguably also found in the judgment, where the court observed that the plaintiffs could not prove that the defendant had knowingly violated the rights of others or should have known that it would violate the rights of others by linking to the work.

Thus while the decision absolved the defendant search engine of liability, unlike the earlier Beijing High Court decision in *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd.* (ChinaMP3.com) (Case 2.4 above), it is not patently clear from the judgment whether this was because the defendant was not liable for reproducing and communicating an infringing work by providing links to it, or because the defendant search engine was not jointly liable with the infringing users. Cases which have absolved a search engine or portal of primary liability for reproducing or communicating an infringing work but have held it secondarily liable include *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd.* (ChinaMP3.com) (Case 2.4 above) (for "contributory infringement"), *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd.* (Case 2.10 below) (for "joint infringement") and the Australian Federal Court decision in *Cooper v. Universal Music Australia Pty. Ltd.* (Case 1.8 above) (for "authorizing infringement").

¹ This official translation of Article 8 of the Interpretations of the Supreme People's Court on Several

As an aside, it should also be noted that in January 2008, the Music Copyright Society of China sued Baidu for 1 million RMB for allegedly infringing the plaintiff's copyright by providing lyrics of more than 50 of the plaintiff's songs on its search results. During the proceedings, Baidu's defence was that it functioned purely as a search engine and had collected the lyrics from third party websites. The parties have since settled the action out of court in November 2008.

2.10 Go East Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd.

Beijing High Court

Presiding Judge Liu Hui, Deputy Judges Zhang Dongmei and Cen Hongyu

Decided 20 December 2007

(2007) Gao Min Zhong Zi No. 616

on appeal from

Beijing No.2 Intermediate Court

Presiding judge: Zhang Xiaojin; Deputy judges: Ge Hong, He Xian

Decided 24 April 2007

(2007) Er Zhong Min Chu Zi No. 02627

Keywords

Sound recordings, Network Service Provider, Network Dissemination as Communication to the Public, Search Engine, Joint Liability

Facts/Issue(s)

The plaintiff in this case, Go Eastern Entertainment Co. Ltd. (H.K.), held the rights as record producer of the 26 sound recordings in issue in this case. The plaintiff claimed that the defendant, Beijing Alibaba Technology Co., Ltd, without any valid authorization, had disseminated these 26 sound recordings via its website by providing an “online listening and downloading” service. Although the defendant did this by providing links to the music provided by third parties rather than directly providing the sound recordings, it made various arrangements such as music charts, lists of best male and female singers, etc. available for its users’ convenience. It also made available a piece of software, “The Music Box”, for its users to store the searched links and to listen to or download the recordings.

The plaintiff thus considered that the defendant made it possible for its users to listen to or download recordings without leaving the defendant’s website. The plaintiff alleged that the defendant was not merely a search engine as it had taken on the resources in other websites as its own. The defendant’s conduct thus amounted to copying and disseminating the songs owned by the plaintiff. The plaintiff also claimed, in the alternative, that the defendant lured and helped its users to infringe the plaintiff’s rights and was thus also liable to the plaintiff.

Prior to this action, the plaintiff had served take-down notices to the defendant to terminate links on its search engine to the illegal music online. But the defendant only terminated 15 of those links whose URLs were supplied by the plaintiff (and kept links to the other 11 recordings). The plaintiffs sued the defendant for damages, sought a court order to stop the infringement and requested that the defendant apologise to the plaintiff.

The defendant’s defence was that it was only a search engine provider which provided the URLs of third party resources at its users’ requests. The users would themselves connect to the third party resources if they clicked on the results of their searches and would retrieve the resources directly from the third party websites. These search results were generated automatically by the computer – the defendant made no selection or arrangement. The provision of music charts and lists made no difference because the users could still key in these terms as search terms for their searches. The defendant claimed that the provision of “The Music Box” software was no different from the feature in Internet Explorer where favourite links were stored. And lastly, the defendant claimed that it had rigorously fulfilled its duty by terminating, within one month, the links whose URLs were supplied by the plaintiff pursuant to the take-down notices.

The issues before the court were:

1. Was the plaintiff the proper rightholder of the rights as producer of the 26 sound recordings in question?
2. Was the defendant liable for infringing the plaintiff's rights through the provision of the search engine and other services to enable users to download infringing copies of the plaintiff's sound recordings?

Ruling & Reasoning

The court held that the defendant should immediately delete the links in its search engine to all 26 recordings, compensate the plaintiff RMB 10,400 in damages and costs of the litigation. However the court rejected the other claims of the plaintiff.

The court affirmed that the plaintiff was the rightholder and producer of the albums in question, based on authentication of the albums from IFPI.

The court also affirmed that the defendant was a search engine. Regardless of whether the searches were made by inputting the keyword or by following search categories prescribed by the defendant, in actual fact, all the results were just links to the URLs of third parties. After the searches were made, the exchange of data took place between the third parties and the users.

The court found that "The Music Box" only stored the links to the recordings rather than the recordings themselves.

The court noted that the defendant's search engine provided some convenient services for the users to listen to and download the recordings. It did not make the recordings its own. As the sources of the recordings were shown on the download page, the users could not mistake the defendant as the provider of the recordings. Thus the defendant's behaviour did not constitute the dissemination of the recordings online. The plaintiff adduced no evidence to prove that the defendant controlled the recordings in question.

However, under Chinese law, an online service provider who provided a search or linking service should terminate the links to the allegedly infringing works after receiving the rightholder's takedown notice. Otherwise, it would be responsible for the infringement.

On the facts, there were 26 allegedly infringed recordings, but the defendants only terminated links to 15 of them whose URLs were supplied to the defendant by the plaintiff. These URLs were samples in the plaintiff's notice to the defendant to terminate the links to all 26 of its recordings. After it was supplied with these notices, the defendant should know that its music search services contained infringing links to the plaintiff's recordings. But in terminating links to only 15 of the recordings with the supplied URLs, it was negligent in the discharge of its duty to take steps to terminate the links to the other recordings. The court held that it had indulged in the infringement, was intentionally helping others infringe the plaintiff's right and should thus shoulder legal responsibility. The court held the defendant jointly liable for infringing (and degrading) the plaintiff's right of network dissemination and the right to remuneration for its recordings and ordered the defendant to remove all the links to all 26 of the plaintiff's recordings.

In its discretion, the court awarded the plaintiff RMB 10,400 in damages.

[On appeal, the defendant Alibaba contended that the first instance court had no jurisdiction to hear the case, since the plaintiff Go Eastern Entertainment was a Hong Kong Special Administrative Region of China-registered company. This ground of appeal was rejected by the High Court. It held that according to the Civil Procedure Code, in a civil litigation action, the courts of the defendants (the Chinese courts) have jurisdiction over the case. The appeal was thus dismissed and the original ruling upheld.]

Laws Cited

PRC Copyright Law 2001, Article 41, Article 47 Item 1, Article 48

PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006), Article 14, Article 15, Article 23

PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006), Article 3

Commentary

This is one of the first decisions by a Chinese court to consider the PRC State Council's Regulation on the Protection of the Right to Network Dissemination of Information as well as the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network.

Like the previous decision in *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)* (Case 2.4 above), the court held that the defendant was not liable for reproducing and communicating an infringing work by providing links to it. However, the court went on to hold the search engine liable for failing to act expeditiously to remove all the links to the infringing works after receiving the take-down notice. The court's references to Article 23 of Regulation on the Protection of the Right to Network Dissemination of Information read with Article 3 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network are instructive. They suggest that the search engine was "fully aware or should know" that it was linking to the infringing works as highlighted in the Article 14 notices it had received, and its failure to take steps to remove links to those works even though the URLs were not supplied was negligent and amounted to an involvement in or abetment of its users' infringements. In this regard, this aspect of the court's reasoning is similar to that by the Australian Federal Court in *Cooper v. Universal Music Australia Pty. Ltd.* (Case 1.8 above), where the defendants' knowledge of and failure to take steps to remove the hyperlinks or take down the website to prevent the acts of infringement were held to amount to authorizing infringement.

The court gave no explanation as to why the search engine's delay or failure to remove the links to the other works where the rightholder supplied no URLs to them in its take-down notices amounted to negligence. On the facts, however, there was a lapse of one month between the issue of the notices and the eventual removal of the links by the search engine. There was also a dispute between the parties as to whether the search engine had removed all the links to the infringed recordings. Given that the court ordered the search engine to do the same, the decision would have been more instructive if it had explicated the scope and method the defendant should deploy in its manual search for the links to the infringed records, in cases where the plaintiff did not supply the offending URLs.

Similar cases from the Chinese courts involving the liability of the search engines for providing links to infringing music resources on third party websites include *Go Label Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)* (2004) (Case 2.4 above)¹, *Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Baidu Technology Co. Ltd.* (Case 2.8 above) and *EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd.* (Case 2.9 above).

¹ *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)*, (2004) 高民终字第 713 号 (Beijing High Court, PRC).

2.11 Shanghai Xinchuan Online Co. Ltd. v. Tudou.com Co. Ltd. (“The Crazy Stone case”)

Shanghai No. 1 Intermediate Court
Presiding Judge Liu Junhua, Deputy Judges Shen Qiang and Liu Jing
Decided 10 March 2008
(2007) Hu Yi Zhong Min Wu (Zhi) Chu Zi No. 129

Keywords

Cinematographic work, Internet Hosting Provider providing Online Video services, Download or Online Viewing Service, Communication to the Public and Network Dissemination, Contributory Infringement

Facts/Issue(s)

The plaintiff of this case claimed to be the holder of the network dissemination right in the movie “The Crazy Stone”. It discovered that, without any authorization or payment, the defendant, Shanghai Quantudou Internet Technology Co. Ltd, had provided the aforesaid movie through its website, www.tudou.com. The plaintiff alleged that this infringed its legal right and served an infringement notice on the defendant but obtained no response. The plaintiff brought this action against the defendant, seeking a court order to stop the defendant’s infringement, and compensate the plaintiff in damages and legal costs.

The defendant’s website, the equivalent of YouTube in China, was a very popular online streaming video website. The defendant argued that it was not liable as it was a mere network storage provider, that all the materials on its website were uploaded by its users and that it would immediately delete a material once it was been found to be infringing. It also contended that it operated a filtering mechanism upon the materials on its website based on signature recognition, but this automatic feature did not work on the movie in question as it had no signature. Thus it was not possible for the defendant to know of the existence of alleged infringement without receiving a copyright notice from the right holder. It claimed it had never received such a notice, and had immediately taken down the movie upon the commencement of this action. Hence by the provisions of Article 22 of the PRC Interpretations on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006), the defendant claimed that it was not liable.

In its investigation into the facts, the court confirmed the plaintiff’s status as the right holder of the movie and as a proper plaintiff. The court also checked the backend filtering mechanisms on the defendant’ website, and confirmed that it was a network storage provider providing its users with free information storage services and that all the videos on its website were uploaded by its users. The court also noted that during the process of the daily management of uploaded videos, the defendant would censor and recommend the videos uploaded by its users.

The issue before the court was: Was the defendant as a network storage service provider liable to the plaintiff for making available the plaintiff’s video which was uploaded by the defendant’s users onto the defendant’s video sharing website?

Ruling & Reasoning

The court ordered the defendant to immediately delete the infringing materials on its website, and compensate the plaintiff RMB 50,000 for its economic loss and the legal costs in this case.

Firstly, the court noted the huge financial and human resources expended to produce a movie. For this reason, it was common sense that film producers would generally not publish on the Internet

their movies for free online viewing or download and would not permit others to make available their films for free on a video sharing network. As a professional video sharing website, the defendant should have basic knowledge of what content on their website would possibly infringe copyright, and should be aware that there would inevitably be copyright issues when a popular film was shared by its users. When the defendant was aware of the availability of the movie "The Crazy Stone" on its website and took no steps to remove it, it would be held to be at fault and to be liable.

The court observed that the defendant had, in its website terms and conditions, indicated that it did not have the capacity to adequately monitor the videos shared on the website for infringement and that it was not responsible for the infringing activities of its users. However the court held that the defendant could not disclaim its legal responsibilities in this fashion. Furthermore, in its daily backend operations, the defendant had the capacity to censor and make recommendations regarding the videos uploaded by its users. This indicated that they had the right and ability to control and prevent infringement from taking place. And in setting up various "channels" on its website such as "Originals", "Music", "Movies" and "Advertisements" for the convenience of its users, including the uploading users, the defendant should focus its review on materials uploaded on the "Movies" channel as there was a strong possibility that infringing materials would be uploaded there.

The court rejected the defendant's reliance on Article 22 of the PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006). It noted that this exemption of the network service provider from liability only applied where the service provider did not know and had no reasonable grounds to know that the materials on its network were infringing, wherein the rightholder would submit a written notice to warn the service provider and to request the removal of the infringing materials.

For these reasons, the court found the defendant liable, because it knew of the possibility that infringing works would be uploaded on its website, but was negligent in overseeing and monitoring these uploads. The failure to expeditiously remove these infringing uploads led to the repeated sharing by its users of the popular movie "The Crazy Stone" on the website. The defendant was held to be subjectively at fault in assisting others to violate the plaintiff's right of network dissemination of the aforesaid movie, and failed to qualify for the safe-harbour defence in Article 22 of the PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006).

Laws Cited

PRC Copyright Law 2001, Article 10 Paragraph 1 Item 12, Article 48

PRC General Principles of the Civil Law 1986, Article 130

PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006), Article 22

PRC Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (2006), Article 4

Commentary

Article 22 of the PRC Regulation on the Protection of the Right to Network Dissemination of Information (2006) states that where a network service provider provides storage space to its users, who use the space to provide infringing works to the general public, the network service provider is exempted from liability if various conditions are met. These include the condition that he has "no knowledge of or justifiable reason to know that the user has infringed copyright in the works" and that after he has received a notice from the owner, he has to delete those works that the owner regards as infringing according to the Regulation.

Article 4 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network likewise states:

In case an Internet Service Provider providing content services is aware of the internet users' act of infringement on any other people's copyright through the network, or has been warned by the copyright owner with good evidences [sic], but fails to take such measures as removing the infringement contents so as to eliminate the consequences of the infringement, the people's court shall, in accordance with the provisions of Article 130 of the General Principles of the Civil Law, impose contributory infringement liabilities on the Internet Service Provider and the internet users.

Although this is not a case about music or sound recordings, this is a very important decision because of its emphasis that the safe harbour defences found in the PRC Regulation on the Protection of the Right to Network Dissemination of Information and the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network do not apply where the defendant hosting service provider knows or has justifiable reason to know that the hosted materials are infringing, and takes no steps to remove them. The facts in this case parallel those of the pending litigation between Viacom, Inc. and YouTube regarding the availability of MTV programming on YouTube and YouTube's reliance on the US DMCA safe harbour defences. And as was in "The Crazy Stone" case, Viacom is seeking to deny YouTube the safe-harbour defence because it is claiming that YouTube knew of the infringement or had failed to expeditiously take down material when they found out that they were infringing copyright.

The key issue in this case would be proving whether the defendant actually knew or had justifiable reason to know that the plaintiff's movie was available on its website, so that its reliance on the safe-harbour defence would be denied. The court pointed to the fact that the "Movie" channel set up by the defendant would be a magnet for users to upload and share popular movies, and for that reason, subjected the defendant to a duty to monitor and censor the uploaded contents. While it may be trite for the defendant to identify and remove the plaintiff's movie "The Crazy Stone" as it was at that point in time a very popular movie showing in Chinese cinemas, this confluence of factors may not exist in other circumstances. For instance, what decision should a hosting provider make if a user uploaded an allegedly infringing movie that is a parody of the original movie, or a mashup, or some other kind of adaptation, which is allowed as a "fair use" work or a work created for purposes of film criticism and review?¹ These may be difficult judgment calls for a network service provider to make, and case law developments in this area would usefully explicate the duties of a network service provider.

¹ An example of such an incident arose when a parody of a popular movie, "The Promise" (the subject matter of the case *Guangdong Zhongkai Cultural Development Co. Ltd. v. Beijing Zhongsou Online Co. Ltd.*, (2006) Hai Min Chu Zi No. 24968, where a separate case where the movie was shared on a P2P network) was released on video sharing sites on the Internet in China. The parody, "The Bun that Led to a Murder", became so popular that Chen Kaige, the director of the movie "The Promise", threatened in February 2006 to commence legal proceedings against the maker of the parody, Wu Ge, for copyright infringement, because the parody spliced together different segments from the original movie to create a separately cogent and humorous story. However, the parody can today still be found on various video sharing websites, including YouTube. See Wikipedia, "A Murder Case Caused by a Bun", <http://zh.wikipedia.org/wiki/%E4%B8%80%E4%B8%AA%E9%A6%92%E5%A4%B4%E5%BC%95%E5%8F%91%E7%9A%84%E8%A1%80%E6%A1%88> and Wikipedia, "The Promise (2005 film)", [http://en.wikipedia.org/wiki/The_Promise_\(2005_film\)](http://en.wikipedia.org/wiki/The_Promise_(2005_film)) (accessed 13 Feb. 2009).

2.12 Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Yobo Century Technology Co. Ltd.

Beijing Haidian District People's Court
Judges Chen Jian, Jin Wei Ke and Liu Wei Xin
Decided 23 June 2008
(2008) Hai Min Chu Zi No. 6939

Keywords

Sound Recording, Communication to the Public and Network Dissemination, Safe harbour, Hosting Services Provider or Content Provider

Facts/Issue(s)

The plaintiff, Shanghai Push Sound Music & Entertainment Co., Ltd., claimed that the defendant, Beijing Yobo Century Technology Co. Ltd., infringed its copyright as a producer of sound recordings by putting up 37 songs for which it held the copyright onto the defendant's Yobo.com website for "online broadcasting", and sought recovery for RMB 148,000 in economic losses and RMB 21,000 court fees.

The defendant claimed that the songs were uploaded by its Internet users, and not by the defendant. Its defence was that, upon receipt of the plaintiff's notice, the defendant stopped the streaming of the 37 songs, and should be absolved from copyright liability. It also claimed that its storage service was offered free to Internet users and it did not stand to gain from the infringing activity.

The issue was whether the defendant was liable for infringing the plaintiff's sound producer copyright when the plaintiff's copyrighted music content was ostensibly made available on the defendant's website for public access.

Ruling & Reasoning

The District People's Court held that the defendant infringed the plaintiff's copyright to communicate its sound recordings to the public on an information network when the 37 recordings were put up on its website without the permission of the plaintiff. The court found no evidence that the music was uploaded by the defendant's users. Yobo.com's website writeup also showed that the defendant admitted to being the content provider for its website.

The court also held that the defendant profited from its infringing activities. By making available the infringing sound recordings on its website for "online broadcasting", the defendant enriched the contents on its Yobo.com website, increased Internet viewership and page views and attracted the placement of advertisements on its Yobo.com website for commercial gain. The court assessed the compensation based on the costs incurred by the plaintiff and the profits gained with reference to the production of a regular sound recording, and ordered the defendant to compensate the plaintiff RMB 74,000 in economic loss.

Laws Cited

PRC Copyright Law 2001, Article 41 Paragraph 1, Article 47 Item 4

Commentary

Neither party appealed the first instance judgment.

Unlike one of the earliest hyperlink cases to be heard by the Chinese courts, the decision of the Beijing Second Intermediate People's Court in *Bookoo Inc. (California, USA) v. Beijing Super Channel*

Network Co. Ltd. (Beijing, PRC) and Tom. Com Ltd. (H.K. SAR),¹ and unlike the cases on search engines previously examined above, on the evidence before the court in this case, the court characterized the role of the defendant as an Internet content provider than as an Internet service provider who had provided links to the infringing resources or hosting services for its users. In rejecting the defendant's evidence that the unlicensed music was uploaded by third party Internet users, the court found that the defendant had itself breached the plaintiff's copyright to communicate its sound recordings to the public on an information network when it streamed the recordings in question on its website.

For this reason, the court made no reference to Articles 14, 15 and 23 of the PRC Regulation on the Protection of the Right to Network Dissemination of Information as well as Articles 3 and 4 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network because the defendant was held to be the primary infringer in this case.

For another example of an online "music streaming" case, please refer to the Korean District Court decision in *Bugs Music* (Case 7.3 below).

¹ *Bookoo Inc. (California, USA) v. Beijing Super Channel Network Co. Ltd. (Beijing, PRC) and Tom. Com Ltd. (H.K. SAR)* (Beijing No. 2 Intermediate Court, 27 Apr. 2001).

2.13 HKSAR v. Lau Ying Wai

Magistrates Appeals, Hong Kong SAR
Deputy High Court Judge E Toh
Decided 6 May 2004
[2004] HKCU 487

Keywords

Mobile Phone Ring Tones, Infringement by Making of Infringing Copy for Sale or Hire, Defence of Innocent Infringement

Facts/Issue(s)

At an anti-piracy operation by the officers of the HK Customs and Excise Department, an officer went to Shop F108 at Sincere Shopping Centre, Mong Kok and requested to have the ring tone "Doctor and Me". On being paid HK\$10, the defendant used the notebook computer in the shop and the software Logo Manager, transmitted via infra red communications the MIDI file of "Doctor and Me" to the officer's mobile phone.

The defendant was then arrested and charged with the offence of "making for sale or hire an infringing copy of a copyright work" without the licence of the copyright owner contrary to section 118(1)(a) and section 119(1) of the HK Copyright Ordinance. The prosecution adduced evidence that the ring tone was an infringing copy of a copyright musical work belonging to the company "Hilarious", for which EMI Music Hong Kong Limited was the exclusive licensee. Both companies affirmed that they did not produce telephone ring tones and did not authorize any person at Shop F108 to use the musical work "Doctor and Me".

The defendant was a policeman. His defence was that the shop belonged to his girlfriend, and that as he had on a number of previous occasions downloaded this ring tone from the Internet and did not believe that such downloading could violate the Copyright Ordinance. He also testified that as far as he knew, the record companies did not produce any musical ring tones and therefore claimed that what he did could not violate the law.

The defendant was convicted by the court below. He appealed.

The issue for the court was: Whether the defendant has made out his statutory defence that he did not know and had no reason to believe that the copyright in question was an infringing copy of the copyright work?

Ruling & Reasoning

The appeal court allowed the defendant's appeal.

It held that the trial judge had found the defendant to be an honest and reliable witness and believed that the defendant did not know that the ring tone which he helped to transmit to the officer's mobile phone was an infringing copy. The court also accepted the unchallenged defence that the ring tone in question was available to all on the Internet for three years and that no steps had been taken in these three years to remove it. The appeal court found that the trial court had not provided the basis for disbelieving the defendant and with that doubt, the defendant's conviction was quashed.

Laws Cited

HK Copyright Ordinance (Cap. 528), Sections 118(1)(a), (3), 119(1)

Commentary

Section 118(3) of the HK Copyright Ordinance (which has substantively remained unchanged after the 2007 revisions) read as follows:

It is a defence for the person charged with an offence under subsection (1) [or (2A) - amended by Act 15 of 2007], to prove that he did not know and had no reason to believe that the copy in question was an infringing copy of the copyright work.

This case demonstrates the importance of the “innocent infringement” defence in the Hong Kong Copyright Ordinance, where defendants have to prove that they did not know and had no reason to believe that the works in question were infringing. A close analysis reveals two parts to the analysis: that the defendant *actually* did not know that the copy in question was infringing and that *objectively*, there was no reason to doubt that the copy was unlicensed. The defendant managed to discharge this burden in this case because he showed that he actually did not know that the ring tone was unlicensed (he believed that one “To B” was the producer and owner of the ring tone) and that he adduced unchallenged evidence that the ring tone was widely available on the Internet for a period of three years up to 1 August 2003 (the date of the offence).

Thus the context in which this case was decided must be taken into account: the trial and appellate courts accepted the defendant’s evidence that in 2003-2004, the widespread availability of illegal ring tones on the Internet led the defendant to suppose that these ring tones were not illegal. With greater awareness of copyright in ring tones and the provision, especially by mobile operators, of fee-paying services for downloading ring tones, it would be conceivably be more difficult to mount this defence at present. In fact, it could be argued that the more closely a ring tone is associated with the sound track of a popular movie, the lower would be the probability that its free availability is authorized, unless it has been released as part of a movie marketing plan or promotion blitz.

2.14 HKSAR v. Lam Shuen Shuen & Anor.

Magistrates Appeals, Hong Kong SAR
Justice Beeson
Decided 6 July 2004
[2004] HKCU 796

Keywords

Video and Music CDs, Infringement, Casual Retail Employee and Shop Proprietor, Distinctions in Sentences for Proprietor and Employee

Facts/Issue(s)

At an anti-piracy operation by the officers of the Customs and Excise Department on the second defendant's (A2) shop selling VCDs and CDs in Kwai Chung Plaza, an officer purchased two suspected infringing music CDs from the first defendant (A1) at the price of HK\$30 for them. A1 was arrested. (One of the purchased music CDs was subsequently found to be infringing.) A search on the shop revealed two infringing music CDs and 1,885 infringing VCDs. Soon afterwards, A2 approached one of the officers and claimed she was the proprietor of the shop. She was also arrested.

The total value of the seizure was HK\$334,312.90.

A1 was charged and convicted of the offence of offering to sell infringing copies of copyright works, contrary to section 118(1)(e)(ii) and section 119(1) of the HK Copyright Ordinance, and being in possession of infringing copies of copyright works, contrary to section 118(1)(d) and section 119(1) of the Copyright Ordinance. A2 was charged and convicted of the offence of possessing infringing copies of copyright works, contrary to section 118(1)(d) and section 119(1) of the Copyright Ordinance. Both A1 and A2 were sentenced to 10 months imprisonment.

A1 and A2 appealed their convictions on the basis that the magistrate had not properly directed himself to the evidence and the issues. These grounds of appeal were dismissed by the appeal's court.

A1 and A2 also appealed against their sentences.

The issue for the court was: Whether there should be a difference in the sentences between A1 as the casual employee and A2 as the shop proprietor?

Ruling & Reasoning

The court allowed A1's appeal against her sentence but dismissed A2's appeal.

It held that there should be a greater distinction between A1's sentence, given her role as a casual employee, and that imposed on A2 as the owner. Taking into account the range of sentences, the number of discs and the comparatively lowly role of A1, the court held that justice would be served if A1 was sentenced to as short a term of imprisonment on the charges as would allow her immediate release.

On the other hand, given the seriousness of the offence and A2's position as the owner of the shop, A2's appeal against her sentence was dismissed.

Laws Cited

HK Copyright Ordinance (Cap. 528), Sections 118(1)(d), (e)(ii), 119(1)

Commentary

Section 118(1)(d) and (e)(ii) of the HK Copyright Ordinance (as it then stood - prior to the legislative changes explained below) read as follows:

- A person commits an offence if he, without the licence of the copyright owner-
- (d) possesses for the purpose of, in the course of, or in connection with, any trade or business with a view to committing any act infringing the copyright;
 - (e) for the purpose of, in the course of, or in connection with, any trade or business-
 - (i) sells or lets for hire;
 - (ii) offers or exposes for sale or hire;
 - (iii) exhibits in public; or
 - (iv) distributes; ...
- an infringing copy of a copyright work.

The same provisions of the revised section 118 (after the 2007 changes) now read:

- (1) A person commits an offence if he, without the licence of the copyright owner of a copyright work-
 - (d) sells, lets for hire, or offers or exposes for sale or hire an infringing copy of the work for the purpose of or in the course of any trade or business;
 - (f) possesses an infringing copy of the work with a view to-
 - (i) its being sold or let for hire by any person for the purpose of or in the course of any trade or business; or
 - (ii) its being exhibited in public or distributed by any person for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works; or ...

This decision is instructive as regards the sentencing principles which the court will apply to a conviction for copyright infringement. The variation in custodial sentences between an employee and a shop proprietor, both of whom were engaged in the sale of infringing copyright works, affirmed the sentencing principle that the duration of the sentence will depend on the seriousness of and level of managerial participation in the infringing activities. For another case that elucidates the sentencing principles regarding copyright infringement, see *Police v. Vile* (Case 6.4 below).

A discussion of section 118 of the HK Copyright Ordinance would not be complete if it did not note the introduction of changes pursuant to the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 to section 118 to criminalize the end user possession of infringing materials in the course of employment. However, following a public outcry from educational and consumer groups, the substantive effect of these changes was limited to movies, television dramas, sound recordings and computer programs pursuant to the Copyright (Suspension of amendments) Ordinance 2001. Section 118 has again been revised pursuant to the Copyright (Amendment) Ordinance 2007, which has largely codified the previously enacted changes to section 118, and introduced (in section 118(2H)) new offences against directors or partners of businesses who are responsible for their employees' criminal end-user liabilities. As the instant case demonstrated in its sentencing principles, greater legal responsibility should be borne by the directors and partners as the directing mind and will of businesses. Likewise, the changes pursuant to the Copyright (Amendment) Ordinance 2007 echo the same principle by presuming the directors and partners to have authorized the employees' end-user infringement¹ and require them to adduce sufficient evidence to satisfy the court they have allocated sufficient resources or incurred sufficient expenditure for the acquisition of licensed copies of the works, introduced policies or practices against the use of infringing copies or have taken action to prevent the use of infringing copies within their businesses. See section 118(2H) and (2J), HK Copyright Ordinance.

¹ Although this did not change the legal burden on the prosecution to prove beyond reasonable doubt that the director or partner has authorized the infringing act. See Hong Kong Copyright Act, s 118(2I).

2.15 HKSAR v. Ng Ping Kwan

Magistrates Appeals, Hong Kong SAR

Justice Pang

Decided 9 November 2004

[2004] HKCU 1323

Keywords

Music CDs, Infringement by Possession for Sale, Failure to Prove Ownership and Subsistence of Copyright

Facts/Issue(s)

At a raid by the officers of the Customs and Excise Department on the defendant's shop in Luen Wo Hui, Fanling in the New Territories, 45 compact music discs suspected of containing pirated music were seized and at the trial, the magistrate found that five of the discs contained pirated music. The defendant was convicted of possessing for the purposes of, or in the course of, any trade or business of infringing copies of copyright works with a view to committing any act infringing the copyright without the copyright owners' licence, contrary to section 118(1)(d) and section 119(1) of the Copyright Ordinance.

The defendant's grounds of appeal were that (1) he did not know and had no reason to believe that the copy in his possession was an infringing copy, and (2) the prosecution had failed to prove the ownership of and subsistence of copyright in the sound recordings in the pirated CDs.

At the trial, there was an affidavit made to affirm the ownership of copyright, but the trial judge rejected the affidavit because the statutory requirement in section 121(10) of the Hong Kong Copyright Ordinance that it be read out in court was not satisfied. To remedy the defect, prosecution had called two witnesses to testify that Sony Music and Capitol Artists were the copyright owners of the music contained in some of the seized discs. The trial judge had convicted the defendant based on evidence from these two witnesses and found as a fact that copyright was proved.

The appellate court rejected (1), as the defendant did not give evidence.

The issue for the court was: Whether the prosecution had proved the copyright ownership and its subsistence in the seized CDs by calling for oral evidence from witnesses, where it failed to meet the requirements for providing ownership and subsistence via affidavit evidence pursuant to section 121(1)(a) to (e) of the Hong Kong Copyright Ordinance?

Ruling & Reasoning

The court held that the prosecution had failed to meet the requirements regarding affidavit evidence which were set out in section 121(1)(a) to (e) of the Hong Kong Copyright Ordinance. The court held that section 121 was a piece of legislation which provided a means whereby copyright ownership and its subsistence could be proved by affidavit evidence, and simplified its proof which would otherwise require the prosecution to call multiple witnesses from overseas copyright owners. The affidavit had to (a) contain the date and place of the work that was made or first published, (b) contain the name and domicile of the author of the work, (c) contain the name of the owner of the work, (d) confirm that the copyright subsisted and (e) exhibit a copy of the work with the affidavit. Finally, section 121(10) provided that the affidavit had to be read out in court before it could be admitted into evidence unless the court directed otherwise.

In this case, the affidavit was not read out in court by the deponent and when the oral evidence was tendered to remedy this defect, the appellate court held that there was "a significant absence of detail in the evidence of the two witnesses regarding the statutory requirements of the affidavit." The court held that the effect of this absence of copyright ownership information meant that no

reasonable tribunal could have found that the prosecution had discharged the burden of proving that the contents of the five discs contained copyright music.

The appeal against the defendant's conviction was allowed.

Laws Cited

HK Copyright Ordinance (Cap. 528), Section 121

Commentary

The appeal court in this case emphasised that the prosecution had to prove subsistence and ownership of the copyright material. Where affidavit evidence is tendered in the prescribed format and deposed in accordance with section 121, the affidavit shall be admitted without further proof in any copyright proceedings. In this sense, section 121 facilitates proof of the subsistence and ownership of the copyright material, and as the HK Court of Appeal said in *Tse Mui-chun v. HKSAR*, if the 'statutory shortcut' route was taken in providing ownership of copyright which was only permitted because of the potential difficulties which would be involved if such a course was not possible, strict compliance with the provisions of section 121(1) was required.¹ However, in the absence of such affidavit evidence, the court in the instant case opined that "one expects that the witnesses called should give evidence to meet the requirements which are stated in section 121(1)(a) to (e) of the Ordinance". The oral evidence in this case was deficient, but the court seems to have taken the view that oral evidence must supply *all* the information spelled out in the affidavit, and a failure to do so meant that the prosecution had failed to prove the subsistence and ownership of the copyright material. But it is arguable whether section 121 was intended to *exhaustively* spell out all the facts that have to be established to prove copyright subsistence and ownership. After all, in many instances, copyright subsistence and ownership may have to be inferred from the circumstances e.g. in the absence of an agreement, copyright in an employee work vests in the employer (section 14 of the Ordinance).

It would appear that the view taken by the appeal court in this case has since been reversed pursuant to revisions made to section 121 arising from the Copyright (Amendment) Ordinance 2007. The introduction of the expression "For the purpose of facilitating the proof of subsistence and ownership of copyright, and without prejudice to the operation of sections 11 to 16 (authorship and ownership of copyright) and sections 17 to 21 (duration of copyright), an affidavit..." suggests the use of the aforesaid provisions in the copyright to supplement the contents of the affidavit, and to establish copyright authorship, ownership and subsistence.

Other revisions were made to section 121 to clarify the enumerated matters in the affidavit (arising from the HK Court of Appeal decision of *HKSAR v. Elegant Technology Limited*, [2004] HKCA 66) and to facilitate proof in both civil and criminal proceedings that the work in question or dealings with the work were not licensed by the copyright owner or that the work was an infringing parallel import. However, the power of the court to require the deponent of the affidavit to attend to give evidence has been preserved where there is a genuine issue as to the matters stated in the affidavit (section 121(8)(b)).

For an example of a decision from Malaysia regarding the use of affidavit evidence to prove copyright ownership, where the statutory requirement of producing the works was held not to be mandatory, see *Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd.* (Case 5.2 below).

¹ *Tse Mui-chun v. HKSAR*, [2004] HKCFA 12, [2004] 1 HKLRD 351, ¶153.

2.16 Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 1)

Court of First Instance, Hong Kong SAR
Deputy High Court Judge Jeremy Poon
Decided 26 January 2006
[2006] HKCFI 547, [2006] HKCU 191, [2006] 1 HKC 433

Keywords

Sound Recordings, Users' P2P File Sharing, Norwich Pharmacal Order, Disclosure of Account Information of Internet Service Subscribers engaging in P2P Copying

Facts/Issue(s)

This was an action brought by the plaintiffs, seven record labels, against the defendants, four Hong Kong internet service providers (ISPs), to obtain the names, addresses and Hong Kong ID card numbers of 22 alleged online copyright infringers pursuant to a Norwich Pharmacal discovery order. On 3, 7 and 10 November 2005, the plaintiffs and the International Federation of the Phonographic Industry (Hong Kong Group) Limited (IFPI) conducted an investigation into infringing copying activities on the Internet via the use of the WinMX P2P software, which was widely used in Hong Kong. Through their investigations, the plaintiffs discovered 22 uploaders – computer users who had used their computers as a source for others to copy songs or music by copying their chosen songs and music and storing them in folders on their computers for sharing with others. Each uploader had at least 100 song titles in his sharing folders.

As the plaintiffs only had the IP addresses of these 22 uploaders, they sought the assistance of the ISPs to obtain the identities of these uploaders. One of the defendants, concerned about its confidentiality obligations under the Personal Data (Privacy Protection) Ordinance (Cap. 486) and its licence which were granted by the Telecommunications Authority, challenged this application.

The issue for the court was: Whether the defendant ISPs were legally permitted, without breaching their obligations under the Personal Data (Privacy Protection) Ordinance (Cap. 486), their telecommunications licences and their subscribers' contracts, to disclose the identities of their subscribers pursuant to an application for a Norwich Pharmacal discovery order made by the plaintiff record labels?

Ruling & Reasoning

The court granted the plaintiffs' application and ordered the defendant ISPs to disclose the identities of these subscribers based on their IP addresses.

The court cited as applicable the following principles that (1) there must be cogent and compelling evidence to demonstrate that serious tortious or wrongful activities had taken place, (2) the alleged wrongdoer was a person whom the applicant bona fide believed to be infringing his rights in the sense that he could reasonably be assumed to be the wrongdoer vis-à-vis the applicant, it must be clearly demonstrated that the order would or would very likely reap substantial and worthwhile benefits for the plaintiff, (3) that the innocent party against whom discovery was sought, had been caught up or become involved in such activities, thus facilitating the perpetration or continuation of the activities. After establishing these elements, the applicant must demonstrate that it was just and convenient in all the circumstances for the court to exercise its discretion to grant the relief. Where the innocent party was the only practical source of information, or if the innocent party was subject to a duty of confidentiality, imposed by contract or otherwise, the court would bear in mind the competing interests in ordering or refusing disclosure.

On the evidence before the court, the court was satisfied that the unauthorized uploading of the plaintiffs' musical works constituted copyright infringement, arising from the issuing and making available of copies of the works to the public, and knowingly transmitting copies by telecommunication (sections 24(2), 26(2) and 32(2) of the HK Copyright Ordinance respectively). The court accepted that the copyright infringements alleged by the plaintiffs were very serious as they revealed massive online infringement activities. Even if, as was common practice in Hong Kong, a subscriber whose details were disclosed by the ISPs may have shared his accounts with others, the court held it was reasonable to infer that the subscriber had consented to or authorized others to use his Internet account for uploading the music files. Thus the subscriber was likely to be an infringer, and the defendant ISPs had been innocently caught up or involved in the uploading of the music works in question.

The court rejected the defendants' claim that ordering disclosure would breach their obligations under the Personal Data Privacy Ordinance to protect subscriber information. The court noted that the exception in section 58(2) of the Personal Data Privacy Ordinance applied, in that the copyright infringement constituted unlawful or seriously improper conduct, and that the failure to access such subscriber information would be likely to prejudice the plaintiffs' rights to prevent, preclude or remedy the copyright infringements.

The court also held that Special Condition 7 of the defendants' Public Non-Exclusive Telecommunications Service Licences did not prevent an order for disclosure to be made by court, as the defendant licensees would be required to so act pursuant to a court order by law.

The court noted that there was no practical source of the subscribers' information other than the defendants, that the application was the last resort for the plaintiffs to track down the infringers, that the ease, speed and scale of online infringement was alarming and unprecedented and had hurt the music industry, and that refusing the relief would give copyright infringers the impression that they could infringe with impunity behind the cloak of anonymity afforded by the Internet. On the other hand, the court noted that granting the relief would not compel the defendants to act in breach of the Personal Data Privacy Ordinance or their duty of confidentiality under the Public Non-Exclusive Telecommunications Service Licences, that the ambit of the information sought was not unduly wide and that the information could only be used for the purpose of enforcing the plaintiffs' copyrights and related rights. Any abuse of the court order would make the plaintiffs liable to be committed for contempt.

Laws Cited

HK Copyright Ordinance (Cap. 528), Sections 24(2), 26(2), 32(2)

UK Data Protection Act 1988 (c. 29), Section 35

HK Personal Data (Privacy) Ordinance (Cap. 486), Sections 57, 58(1)(a), (b), (c), (d), (f), (2), (3), 61, Schedule 1

Commentary

This case sets out the principles upon which the Hong Kong courts will order the disclosure of private subscribers' information to rightholders in a Norwich Pharmacal discovery application. In essence, the court needs to strike a balance between the administration of justice and the protection of privacy relating to personal data. The assessment by the court calls for a determination that the rightholder has made out a cogent case of infringement against the alleged infringer, that the ISP had been involved in providing Internet access services to the infringer which facilitated the infringement, and that it was just and convenient in all the circumstances for the court to exercise its discretion to grant the discovery order against the ISP as it was the only source of the infringing subscriber's information.

In making the discovery order, the court in this case indicated that it was satisfied with the cogency of the rightholder's claim of copyright infringement against the alleged infringers. But in the subsequent case of *Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors*

(No 2) (Case 2.17 below), the court disagreed with the instant court and doubted if the subscribers had breached the plaintiffs' transmission right by simply making available the music files for sharing. This affirms the importance of the role of the court to undertake a close and neutral assessment of the cogency of the plaintiffs' case of infringement against the *ex parte* infringers.

In response to the defendants' argument that a subscriber might not be the infringer as he could have shared his Internet account with the actual infringer, the court in this case opined that at the current stage in the proceedings, the plaintiffs were not required to prove as a matter of fact that the subscribers were the uploaders, and that it was sufficient if the subscribers could reasonably be assumed to be the wrongdoers. The court in its judgment noted that as the terms and conditions of Internet service provided that the subscriber should only have the service for his personal use, it was reasonable to infer that the subscriber had consented to or authorized others to use his Internet account for uploading music files. It is accepted that rightholders have limited means of distinguishing between an IP address used exclusively by a subscriber and one shared between a subscriber and the infringer, and that on its own should not deny it access to the ISP's information to secure the identity of the subscriber. After all, if the subscriber is a large business institution, the rightholder may need a further discovery order against the institution to secure the identity of the actual infringer. But the argument overreaches itself when it asserted that an Internet subscriber is liable because he has authorized another to use his account for infringing purposes. This necessarily imports qualitative assessments as to the factual circumstances in which this "authorization" is granted, for which neither the rightholders nor the ISPs are in a position to provide cogent answers.

The Singapore High Court had a similar opportunity to review the principles relating to the discovery of Internet subscribers' information pursuant to an application for a discovery order. See the Singapore High Court decision in *Odex Pte. Ltd. v. Pacific Internet Ltd.* (Case 8.2 below)

2.17 Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 2)

High Court, Hong Kong SAR
Deputy High Court Judge L Chan
Decided 28 August 2006
[2006] HKCFI 1028, [2006] HKCU 1500

Keywords

Sound Recordings, Users' P2P File Sharing, Norwich Pharmacal Order, Disclosure of Account Information of Internet Service Subscribers engaging in P2P Copying

Facts/Issue(s)

This was an action brought by the plaintiffs, 10 record labels, against four Hong Kong internet service providers (ISPs) to obtain the names, addresses and Hong Kong ID card numbers of 49 alleged online copyright infringers pursuant to a Norwich Pharmacal discovery order. Between 1 and 3 April 2006, the plaintiffs and the International Federation of the Phonographic Industry (Hong Kong Group) Limited (IFPI) conducted an investigation into infringing copying activities on the Internet via the use of the WinMX P2P software, which is widely used in Hong Kong. Through their investigations, the plaintiffs discovered 49 uploaders – computer users who had used their computers as a source for others to copy songs or music by copying their chosen songs and music and storing them in a folder on his computer for sharing with others. Each uploader had at least 82 songs in their sharing folders and one user had 5,000 songs to share. Some of the songs had not yet been released to the public.

As the plaintiffs only obtained the IP addresses of these 49 uploaders, they sought the assistance of the ISPs to obtain the identities of these uploaders. The defendants, concerned about their obligations under the Personal Data (Privacy Protection) Ordinance (Cap. 486) and the Telecommunications Authority licences, challenged this application.

The issue for the court was: Whether the defendant ISPs are legally permitted, without breaching their obligations under the Personal Data (Privacy Protection) Ordinance (Cap. 486) and their telecommunications licences and their subscribers' contracts, to disclose the identities of their subscribers pursuant to a Norwich Pharmacal discovery order made by the plaintiff record labels?

Ruling & Reasoning

The court granted the plaintiffs' application and ordered the defendant ISPs to disclose the identities of these subscribers based on their IP addresses.

The court accepted that the uploaders had, by storing the music files and records on their shared folders, such that they can be shared by others using the WinMX software, constituted (a) the issuing of copies of a work to the public – the putting into circulation copies not previously put into circulation in Hong Kong or elsewhere – without the consent of the copyright owner (Section 24(2)), (b) the making available of copies of a work to the public, by wire or wireless means, in such a way that members of the public in Hong Kong or elsewhere may access the work from a place and at a time individually chosen by them, such as the making available of copies of works through the Internet (Section 26(2)). However, the court doubted if the uploaders had, by simply storing the files on the shared folder, without evidence of any further copying by transmission, breached the rightholder's right of transmitting the work by means of a telecommunication system (Section 32(2)).

The court found that the plaintiffs were entitled to the information regarding the identities of the 49 uploaders from the defendants under a Norwich Pharmacal discovery order. The court agreed with the previous decision in *Cinepoly Records Company Limited v. Hong Kong Broadband Network*

Limited (No. 1) (Case 2.16 above) and held that the uploaders' identities were exempted from protection as personal data under the Personal Data Privacy Ordinance because it was for purposes of the prevention or detection of a tortious activity and for the apprehension, prosecution or detention of such improper activities under section 58(2) of the Privacy Ordinance.

The court also found that the contracts between the defendant ISPs and the uploaders and the defendants' telecommunications licences did not prevent an order for disclosure to be made by court.

However, the court ordered the plaintiffs not to share (or pool) the subscribers' information between themselves, and limited access to such information to those plaintiffs' whose copyrights had been infringed, although for purposes of enforcement of their copyrights and related rights, the court allowed the plaintiffs to divulge the information of the uploaders to IFPI.

Laws Cited

HK Copyright Ordinance (Cap. 528), Sections 24(2), 26(2), 32(2)

HK Personal Data (Privacy) Ordinance (Cap. 486), Section 58(2)

Commentary

This case is one in a series of two cases where the Hong Kong courts have ordered the disclosure of private subscribers' information to rightholders in a Norwich Pharmacal discovery application. It is interesting to note the court's injunction as regards the sharing or pooling of information between rightholders, but the court's practical concession to the rightholders to nonetheless share the information with IFPI for enforcement purposes.

As a decision rendered barely seven months after the earlier decision of *Cinepoly Records Company Limited v. Hong Kong Broadband Network Limited (No. 1)* (Case 2.16 above), it is also interesting to note the court's pointed disagreement with the analysis of the earlier decision on the issue of whether sharing a work constituted the transmission of a work by means of a telecommunication system under section 32(2) of the HK Copyright Act. As the HK Court of Final Appeal in *HKSAR v. Chan Nai Ming* (Case 10.9 below) has given an expansive interpretation to the right of "making available of copies of a work to the public" under section 26(2) of the HK Copyright Act, this issue would be largely moot to rightholders as proving a breach of the transmission right in section 32(2) would also require the additional proof that the infringing subscriber knows or has reason to believe that infringing copies of the work will be made "by means of the reception of the transmission".

For a similar case in which a Singapore court reviewed the principles relating to the discovery of Internet subscribers' information pursuant to an application for a discovery order, see *Odex Pte. Ltd. v. Pacific Internet Ltd.* (Case 8.2 below)

3.1 Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association & Ors.

Supreme Court of India

Justices Jaswant Singh and V.R. Krishna Iyer

Decided 14 March 1977

[1977] INSC 84, AIR1977SC1443, (1977)2SCC820, [1977]3SCR206

Keywords

Musical Work, Composer/Author, Assignment of Future Copyright, Cinematographic Film Producer, Right over Sound Track of Cinematographic Work

Facts/Issue(s)

The plaintiff/appellant, Indian Performing Right Society Ltd. (IPRS), was incorporated as a company for the purpose of carrying on the business in India of issuing or granting licences for performance in public of all Indian musical works in which copyright subsisted in India. It proposed a tariff laying down the fees, charges and royalties that it proposed to collect. The Cinematograph Exhibitors Association of India and various associations of producers of cinematographic films, who claimed to be the owners of the films and the sound track thereof, filed objections before the Indian Copyright Board in respect of the tariff on the basis that the IPRS members did not have the authority to grant licences for the performance of musical works which were incorporated in the sound track of cinematograph films, and to collect any fees, charges or royalties thereof.

The plaintiff/appellant relied principally on section 13(4) of the Indian Copyright Act for its case, which provided as follows:

(4) The copyright in a cinematograph film or a record shall not affect the separate copyright in any work in respect of which or a substantial part of which, the film, or as the case may be, the record is made.

The defendants/respondents, comprising the Cinematograph Exhibitors Association of India and various associations of producers of cinematographic films, relied principally on section 14(1)(c) of the Indian Copyright Act, which provided as follows:

(1) For the purposes of this Act: "copyright" means the exclusive right, by virtue of, and subject to the provisions of, this Act,--

(c) in the case of a cinematograph film, to do or authorise the doing of any of the following acts, namely- (i) to make a copy of the film; (ii) to cause the film, in so far as it consists of visual images, to be seen in public and, in so far as it consists of sounds, to be heard in public; (iii) to make any record embodying the recording in any part of the sound track associated with the film by utilising such sound track; (iv) to communicate the film by radio-diffusion;

The Copyright Board ruled in favour of the plaintiff/appellant IPRS, and the defendants/respondents, comprising the Cinematograph Exhibitors Association of India and various associations of producers of cinematographic films, appealed. Their appeal was allowed by the High Court. The plaintiff/appellant IPRS in turn appealed to the Supreme Court.

The issues before the Supreme Court were: (1) Whether a music composer and lyricist were able to assign a future right of copyright in their respective "works"? (2) Whether a composer or lyricist

who composed music or lyrics for valuable consideration for a cinematograph film acquired any copyright in respect of the film or its sound track which he was capable of assigning (either to the producer or to the collecting society)?

Ruling & Reasoning

The Supreme Court held that under section 18 of the Indian Copyright Act, a music composer and lyricist could assign an existing as well as a future right of copyright in their respective works, subject to satisfying the conditions spelt out in sections 18 and 19, which included the requirement that the assignment be in writing and signed by the assignor or by his duly authorized agent.

The Supreme Court held that construing section 13(4) and section 14(1)(c) of the Indian Copyright Act harmoniously, once the author of a lyric or musical work parted with a portion of his copyright by authorizing a film producer to make a cinematograph film in respect of his work and thereby had his work incorporated or recorded on the sound track of a cinematograph film, on completion of the film, the producer acquired by virtue of section 14(1)(c) of the Act the exclusive right, *inter alia*, of causing the visual images to be seen in public and the acoustic portions including a lyric or musical work to be heard in public without securing any further permission from the author or composer of the lyric or a musical work for the performance of the work in public. Consistently with section 13(4), this distinct copyright in the cinematograph film as a whole did not derogate from the separate rights of the author, composer or lyricist to perform the lyric or musical work in public for profit otherwise than as a part of the cinematograph film.

The court held that such an interpretation recognized the growing importance of the cinematograph film as a powerful media of expression and the highly complex technical and scientific process and heavy capital outlay involved.

The court also held that by section 17(b) and (c) of the Indian Copyright Act, when a cinematograph film producer (a) commissioned a composer or lyricist for reward or for valuable consideration, or (b) employed a composer or lyricist under a contract or service or apprenticeship, for the purpose of making his cinematograph film, or for composing music or lyrics therefore, the producer became the first owner of the copyright therein and no copyright resided with the composer or the lyricist, unless there was a contract to the contrary between the composer/lyricist and the producer.

Laws Cited

Indian Copyright Act 1957, Sections 2, 13, 13(1), 14, 14(1), 17, 18, 19, 33

Commentary

Established in 1969, the IPRS is one of the earliest collective management organizations established in Asia. The legal issues in this case first arose from IPRS commenced its operations and attempted to license cinema theatres in India. The resistance by the Eastern India Motion Picture Association and the other associations and the challenges to IPRS' authority to grant licences for the public performance of existing and future musical works incorporated in the sound tracks of films led to the instant case.

The result is a seminal decision from the Indian Supreme Court. India's well developed music and film industries depend heavily on each other, and the decision elucidates the complementary yet competing scope of copyright rights granted to music composers, lyricists and film producers. The effect of the Supreme Court decision is to recognize that the IPRS and the Phonographic Performance Ltd. have rights in the authors/composers/lyricists musical works and rights in the producers' cinematographic works (including sound recordings) respectively, and that once a musical composition has, with the permission of the author and composer, been synchronized with the visual images, the film producer has the exclusive right of "performing" the film in public - to cause it to be seen and heard in public without securing any further permission of the author and composer. The court also noted that the balance is further tilted in favour of

the Phonographic Performance Ltd. where there are composition arrangements between the authors/composers/lyricists and the cinematographic film producers.

Judge Krishna Iyer, in his Honour's separate and supporting judgment, emphasised the narrow nature of the film producer's exclusive right. For instance, the producer would need a licence from the author or composer if he picked out pieces of music from the sound track and played it in the cinema or other theatre, or, beyond exhibiting the film as a cinema show, the producer played the songs separately in a restaurant or radio station to attract an audience. Perhaps this clarification was not present in the leading judgment by Judge Jaswant Singh, the court's judgment was initially misunderstood and thought to restrict IPRS from licensing the performing rights in Indian music.¹ This operational mistake was only corrected in 1992 when it was realized that the judgment had the effect of only restricting IPRS from licensing musical works when used simultaneously with films but not when film music was used separately from films.²

For a case that confirmed this interpretation, see *Radio Today Broadcasting Ltd. v. Indian Performing Rights Society* (Case 3.4 below). See also *The Performing Right Society Ltd. & Anor. v. United Artists Singapore Theatres Pte. Ltd.* (Case 8.1 below) where the composition agreement between the composer/lyricist and the film producer was analysed to determine whether the film producer had the legal rights to the musical work embodied in the sound track of the film.

¹ Ang Kwee Tiang, *Collective Management in Asia*, in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 415 (Daniel J. Gervais ed. 2006).

¹ *Id.*

3.2 Gramophone Co. of India Ltd. v. Mars Recording Pvt. Ltd. & Anor.

Supreme Court of India

Justices S.R.Babu and S.V.Patil

Decided 3 September 2001

[2001] INSC 452, 2001VIIAD(SC)218, AIR2001SC2885, JT2001(7)SC352, 2001(6)SCALE73, (2002)2SCC103

Keywords

Films, Sound track from Films, Version Recording, Statutory/Compulsory Licence, Consent from Copyright Owner

Facts/Issue(s)

The appellant through several agreements acquired the copyright in the literary, dramatic, musical and artistic (sound trace) works relating to various Kannada films. It claimed to be the owners of original plates¹ in respect of the abovementioned films.

The first respondent notified the appellant of its intention to make an independent recording (with a different musician and different performer but the same lyrics) of the three songs from the abovementioned films (viz. '*Kallusak-karc Kolliro*', '*maduve maduve maduve*' and '*chinnada hadugalu*') and record one thousand audio cassettes for each song. It duly sent the requisite royalties payable to the appellant (as prescribed by the Copyright Board) pursuant to the compulsory licence provisions in section 52(1)(j)(ii) of the Indian Copyright Act.

The appellant refused to give consent and so informed the first respondent. Despite this, the first respondent went ahead to record and made the abovementioned audio cassettes, released them in the open market and circulated them throughout the State. The appellant proceeded to file a criminal complaint and commence civil proceedings against the first respondent.

Before the High Court of Karnataka was, the court held that while section 52(1)(j)(i) of the Indian Copyright Act provided that the sound recordings could have been made with the licence or consent of the copyright owner, section 52(1)(j)(ii) provided that the recordings could be made as long as the maker served the copyright owner the requisite notice of intention and made payment of the prescribed royalties. Reading the provisions disjunctively, the court held that even if the owner's consent was not obtained, the licence was deemed to have been granted.

The appellant appealed to the Supreme Court, the issue being whether the respondent could have been granted a licence to make a "cover version" or a "version recording" of the original recording after serving the copyright owner with the requisite notice of intention and making payment of the prescribed royalties pursuant to section 52(1)(j)(ii) of the Indian Copyright Act, without actually securing the licence or consent of the copyright owner?

Ruling & Reasoning

The Supreme Court made no pronouncement on the issue. Instead, it set aside the order made by the High Court, ordered the parties to raise the appropriate pleadings by amendments and transferred the pending suit to the Civil Court of Bangalore.

¹ A "plate" is defined in the Indian Copyright Act to include a transfer or negative intended to be used for printing or reproducing copies of any work. See Indian Copyright Act, s. 2(t).

Laws Cited

Indian Copyright Act 1957, Sections 18, 19, 20, 30, 51, 52, 52(1)

Indian Copyright Rules 1958, Rule 21

Commentary

The issue in this case is about the making of a “version recording” or a “cover version” from an earlier sound recording. A “version recording” is “a sound recording made of an already published song by using another voice or voices and with different musicians and arrangers”.² The different interpretations given to section 52(1)(j) of the Indian Copyright Act arise from the different characterizations of the licensing mechanism prescribed in the section, which reads in full as follows:

The following acts shall not constitute an infringement of copyright, namely:

- (j) the making of sound recordings in respect of any literary, dramatic or musical work, if-
 - (i) sound recordings of that work have been made by or with the licence or consent of the owner of the right in the work;
 - (ii) the person making the sound recordings has given a notice of his intention to make the sound recordings, has provided copies of all covers or labels with which the sound recordings are to be sold, and has paid in the prescribed manner to the owner of rights in the work royalties in respect of all such sound recordings to be made by him, at the rate fixed by the Copyright Board in this behalf:

Provided that-

- (i) no alterations shall be made which have not been made previously by or with the consent of the owner of rights, or which are not reasonably necessary for the adaptation of the work for the purpose of making the sound recordings;
- (ii) the sound recordings shall not be issued in any form of packaging or with any label which is likely to mislead or confuse the public as to their identity;
- (iii) no such sound recording shall be made until the expiration of two calendar years after the end of the year in which the first sound recording of the work was made; and
- (iv) the person making such sound recordings shall allow the owner of rights or his duly authorised agent or representative to inspect all records and books of account relating to such sound recording:

The approach taken by the defendant/respondent was that the provision in question was not a voluntary licence but a statutory licence which did not require the consent of the copyright owner. As the defendant’s “cover version” recording was made using a new set of musicians, the defendant would be entitled to make the recording as long as he had served the prescribed notice on the rightholder and paid the prescribed royalty. This view appears to be supported by the 1995 decision of *Gramophone Co. of India Ltd. v. Super Cassette Industries Ltd.*³ as well as the 2003 decision of *Super Cassette Industries Ltd. v. Bathla Cassette Industries Pvt. Ltd.*⁴

The approach taken by the rightholder/appellant was that a “version recording” was an infringement upon the original recording and that the Indian Parliament could not have intended to create an involuntary licence to permit “version recording”. Some support for this view can be drawn from

² *Gramophone Co. of India Ltd. v. Super Cassette Industries Ltd.*, 1995IIAD(Delhi)905, 1995(1)ARBLR555(Delhi), 58(1995)DLT99, 1995(33)DRJ333 (Delhi High Court, India).

³ *Id.*

⁴ *Super Cassette Industries Limited v. Bathla Cassette Industries Pvt. Limited*, 2003VIIIAD(Delhi)572, 107(2003)DLT91, 2003(27)PTC280(Del), 2004(1)RAJ69 (Delhi High Court, India).

⁵ *Super Cassette Industries Limited v. Bathla Cassette Industries Pvt. Limited*, 2003VIIIAD(Delhi)572, 107(2003)DLT91, 2003(27)PTC280(Del), 2004(1)RAJ69 (Delhi High Court, India).

the 2003 decision of *Super Cassette Industries Ltd. v. Bathla Cassette Industries Pvt. Ltd.*,⁵ where the High Court of Delhi held that a defendant seeking to make a “version recording” which involved alterations to the original recording had to seek the rightholder’s consent before it could qualify for the licence under section 52(1)(j) of the Copyright Act.

Nonetheless, the court in *Super Cassette Industries v. Bathla Cassette Industries* did indicate that if the defendant did not make any alteration or modification to the original recording, he was not required to secure the rightholder’s permission under section 52(1)(j). This interpretation, which was the original conclusion arrived at by the High Court of Karnataka in the instant case of *Gramophone Co. of India Ltd. v. Mars Recording Pvt. Ltd.* (before it was reversed by the Indian Supreme Court), has been supported by a learned writer as one that is consistent with Article 13 of the Berne Convention.

⁶ *Id.*, [20].

⁶ Nikhil Krishnamurthy, *The Statutory Mechanical License in India: Whose Version [of the Law] is Correct?* [2007] 1 MANUPATRA INTELLECTUAL PROPERTY REPORTS A-115.

3.3 Super Cassettes Industries v. People Infocom & Anor.

High Court of Delhi, India
Judge Swatanter Kumar
Decided 12 January 2006
2007(34)PTC273(Del)

Keywords

Injunction, Audio-visual Rights in Film, Sound Recording, "Telecom rights" in Film

Facts/Issue(s)

The second defendant was the producer of the film entitled 'Aashiq Banaya Aapne' and was the owner of the copyright in various works including literary, dramatic and musical works of the film. It entered into an assignment deed on 24 June 2005 with the plaintiff and agreed to assign the literary, dramatic, musical and artistic works of the film, including the sound recording rights in the film, to the plaintiff.

The second defendant subsequently entered into an agreement with the first defendant on 18 August 2005 to assign the "telecom rights" in the movie to the first defendant. This would include the rights to market content such as wallpapers, themes, tones, games, videos and mobile applications derived from the film. The second defendant subsequently realized its mistake and on 31 August 2005, informed the first defendant that the assignment was ineffective and returned the consideration for the assignment to the first defendant.

However, the first defendant persisted in exercising its "rights" under the August 2005 assignment, despite warnings issued by the plaintiff, and when the defendant did not stop its infringing activities and the infringing materials were discovered to be used on its website, the plaintiff commenced the current suit, seeking an injunction against the first defendant.

An interim *ex parte* injunction was granted, and the first defendant challenged the order.

The issue before the court was whether the plaintiff should be entitled to an injunction against the first defendant to stop the defendant's infringing activities and its infringing use of the plaintiff's works.

Ruling & Reasoning

The court upheld the application for the injunction and confirmed the interim protection granted to the plaintiff. When granting an interim injunction, the court was required to consider the plaintiff's *prima facie* case, the balance of convenience to the parties and the irreparable loss to the other parties to the action.

The court held that the plaintiff was able to establish a *prima facie* case based entirely on the written assignment of 24 June 2005 between the parties, and that the first defendant's rights were derived from the assignment of 18 August 2005 which had, according to the second defendant, been terminated. The plaintiff would suffer an irreparable loss if the injunction was not granted as it was difficult to compute the exact loss which the plaintiff would otherwise suffer if the first defendant was not restrained. Equitable considerations also favoured the plaintiff as it had paid consideration to the second defendant for the assignment and had exploited its rights under the agreement. The court further held that it was in the interest of justice that the rights and obligations of the parties were not interjected by any further assignments to third parties and by the continued acts of infringement by the first defendant.

Laws Cited

Indian Companies Act 1956

Indian Copyright Act 1957, Sections 19(4), 62(2)

Indian Civil Procedure Code 1908, Section 151, Order 39, Rules 1, 2 and 3

Commentary

In this decision, in granting the interim injunction, the court applied the relevant equitable principles in making its assessment, namely the strength of the plaintiff's *prima facie* case, the balance of convenience to the parties and the interests of justice. These principles have been reiterated by the High Court of Delhi in another case, *Mirabai Films Pvt. Ltd. v. Siti Cable Network & Ors.* (Case 10.1 below). A plaintiff will be able to make out a *prima facie* case if he shows that he has copyright in the work in question, that the copyright in the work has been infringed by the defendant, that the infringement is substantial and that he is likely to suffer irreparable injury, and that the defendant has no legitimate reason for his allegedly infringing use of the work.¹ For another Indian decision where the application for a grant of an injunction was rejected, see *Lahari Recording Company Limited v. Master Audio Video Manufacturing Co. (P) Ltd.* (Case 3.6 below).

This decision is also notable for the implicit legal recognition of the importance of "telecommunications" rights in the digital environment. Although the nature of this right was not explored in detail in this decision, reference should be made to the right of communication to the public, which is defined section 2(ff) of the Indian Copyright Act as:

"communication to the public" means making any work available for being seen or heard or otherwise enjoyed by the public directly or by any means of display or diffusion other than by issuing copies of such work regardless of whether any member of the public actually sees, hears or otherwise enjoys the work so made available.

Explanation.- For the purposes of this clause, communication through satellite or cable or any other means of simultaneous communication to more than one household or place of residence including residential rooms of any hotel or hostel shall be deemed to be communication to the public;

This definition is relatively modern, considering that it was introduced in 1994 to deal with satellite and cable transmissions. This amendment took place before the introduction of the "communication to the public" and the "making available" right in the WIPO Copyright Treaty 1996 and the WIPO Performances and Phonograms Treaty 1996. But as the language of section 2(ff) is different from the formulation of a "communication to the public" right as spelt out in the WIPO treaties, it has been suggested that the section be revised to include an explanation to further affirm its application and relevance to the digital environment, though at the time of the writing of this note, India is not a party to either treaty.²

¹ RG Chaturvedi and Sanjay Upadhyay, T R SRINIVASA IYENGAR'S THE COPYRIGHT ACT, 1957 at 443-444 (New Delhi, 6th ed. 2000).

² As of 17 Feb. 2009. For the latest status regarding these treaties, see WIPO, WIPO Copyright Treaty: Contracting Parties, http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=16 and WIPO, WIPO Performances and Phonograms Treaty: Contracting Parties, http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=20.

3.4 Radio Today Broadcasting Ltd. v. Indian Performing Rights Society

High Court of Calcutta, India
Judge Ashim Kumar Banerjee
Decided 26 April 2006
2006(4)CHN366, 2007(34)PTC174(Cal)

Keywords

Film Songs and Non-film Songs, Copyright and Performers' Rights, Rights held by Producers or by Lyricists, Composers

Facts/Issue(s)

The plaintiff, Radio Today Broadcasting Ltd., wished to run a radio station on the FM band, known as "Radio Today", and intended to play both film and non-film songs on their radio station. They paid licence fees to the producers of the film and non-film songs, who were members of Phonographic Performance Limited ("PPL"). However, they did not intend to pay any royalties to the lyricists, composers and other artists, who were members of the Indian Performing Rights Society ("IPRS"), the defendant. The defendant threatened the plaintiff with violation of copyright law if the songs were played on their radio station, and the plaintiff filed the instant action claiming protection under section 60 of the Copyright Act 1957.

The plaintiff filed the present suit to seek an injunction against the continuance of threats of infringement, and the defendant filed a counter-claim alleging copyright infringement by the plaintiff.

The issue before the court was whether the plaintiff radio station was obliged to pay any royalty and/or licence fees to IPRS for the songs broadcasted through its radio station in addition to the licence fees paid to PPL, a society of producers.

Ruling & Reasoning

The court held, following the Indian Supreme Court decision in *Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association* (Case 3.1 above), that though the right of a composer or lyricist in respect of a song that was put into the sound track of a film was "extinguished" when he was paid, he could nonetheless still claim copyright in his song and reserve his right to assign it to others for commercial exploitation of his work in other modes if there was an express agreement between him and the producer of the film reserving his copyright.

In the present case, the plaintiff radio station did not contend that the IPRS members had assigned their exclusive rights to the producers by agreement. The court held that unless it was shown that these exclusive rights of the IPRS members were expressly assigned in favour of the members of PPL, IPRS was entitled to claim royalties from the plaintiff if it wanted to exploit the work by broadcasting the songs on its proposed radio station.

Laws Cited

Indian Copyright Act 1957, Sections 17, 18, 19, 60

Commentary

This decision is noteworthy for it affirmed, following the Indian Supreme Court decision in *Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association* (Case 3.1 above), the separate nature of the authorship rights of composers and lyricists in their musical compositions, and the derivative rights of producers in the sound tracks of their movies. It resolved the misunderstanding that the Indian composers' and lyricists' as authors could not licence their songs for use with other media once they were assimilated into the producers' films as sound tracks. On the facts, the

plaintiff radio broadcaster was held to require licences from both IPR (representing the composers and lyricists) as well as PPL (representing the producers of both “film” and “non-film” songs) in order to secure permission to broadcast all the songs on their radio station. With the liberalization of the broadcasting industry by the Indian government since October 1999 to grant licences for private FM stations to provide entertainment-related broadcasting services, this decision affirmed the necessity for FM broadcasters to seek both IPR and PPL licences for the broadcast of music.

The independent and concurrent subsistence of copyright in authorship works and in sound recordings, broadcasts and films, and in particular, sound recordings in films, has also been affirmed by the Australian High Court in *Phonographic Performance Co. of Australia Ltd. v. Federation of Australian Commercial Television Stations* (Case 1.5 above).

See also the Singapore decision in *The Performing Right Society Ltd. & Anor. v. United Artists Singapore Theatres Pte. Ltd.* (Case 8.1 below) as well as the Malaysian decision in *Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd.* (Case 5.2 below) where the same issues were discussed.

3.5 Indian Performing Right Society Ltd. v. Debashis Patnaik & Ors.

High Court of Delhi, India
Judge Gita Mittal
Decided 15 January 2007
MIPR2007(1)323, 2007(34)PTC201(Del)

Keywords

Playing of Musical Works in Hotels, Communication to the Public, Injunction

Facts/Issue(s)

The plaintiff, Indian Performing Right Society Ltd., was a non-profit copyright society of authors, composers and publishers of literary and musical works, registered in India and other countries. It had exclusive ownership of the public performance rights in respect of the literary and musical works of its members, who had executed assignment deeds in its favour. The plaintiff society would collect royalties from users of music and disburse the same to the copyright owners whom it represented.

The defendants were owners of hotels, which the plaintiff confirmed was playing music at their hotel premises in violation of the copyright possessed by the plaintiff without the plaintiff's licence and without making payment of the licence fee. Invoices sent by the plaintiff to the defendants for payment of the licence fee for communicating to the public the plaintiff's literary and music works were ignored, and the plaintiff sought injunctions against the defendants. Several of the defendants ignored a court order to appear in court.

The issue before the court was whether it should grant a permanent injunction against the defendants and whether it should award damages to the plaintiff rightholders.

Ruling & Reasoning

The court found that the plaintiff had conclusively established its copyright in the musical and literary works which had been assigned in its favour by its members. The court also held that no person would have any right to undertake a public performance or communication to the public of such literary and musical works without a licence from the plaintiff, as holder of the exclusive rights in these works.

As the defendants were guilty of continued and deliberate infringement of the plaintiff's copyright, and as the acts of the defendants were deliberate, knowing and made *mala fide*, the court granted permanent injunctions against the defendants restraining them from playing music at their hotels.

The court held that the award of compensatory damages was aimed at compensating the rightholder for the loss suffered by him. The award of punitive damages was aimed at deterring a wrong doer and the like minded from indulging in such unlawful activities. On these principles, the court awarded the plaintiff both compensatory and punitive damages, in the amounts of Rs. 1,41,788.57 and Rs. 3,00,000.00 respectively.

Laws Cited

Indian Copyright Act 1957, Section 33, 33(3)
Indian Companies Act 1956
Indian Evidence Act 1872, Section 12

Commentary

This decision affirms the *locus standi* of the Indian Performing Right Society to commence infringement proceedings against an alleged infringer. In contrast to the facts of *Phonographic Performance Ltd. v. Hotel Gold Regency* (Case 3.9 below), the Indian Performing Right Society was held to have been granted exclusive ownership of the public performance rights by the copyright owners. This entitled it to institute legal proceedings on behalf of the copyright owner, without the need to join the copyright owner as a party to the proceedings.

The court also found that a hotel that played music on its premises without a licence was violating the plaintiff's right of communication to the public in its music. The scope of this right of "communication to the public" was further explored in the subsequent Indian decision of *Supercassette Industries v. Nirulas Corner House (P) Ltd.* (Case 3.7 below).

3.6 Lahari Recording Company Limited v. Master Audio Video Manufacturing Co. (P) Ltd.

High Court of Madras, India

Justices S.J. Mukhopadhaya and M. Venugopal

Decided 3 March 2008

2008(3)CTC385, MIPR2008(2)341, 2008(37)PTC121(Mad)

Keywords

Audio Rights in Pictures, Assignment, Commercial Dealings in Unlicensed Cassettes, Cessation of Manufacture, Injunction

Facts/Issue(s)

The first respondent/plaintiff had sought and obtained a declaration that it was the absolute owner of the audio rights in the films in question and that it had obtained exclusive rights to make and release copies of the audio recordings in the form of audio cassettes and CDs from the second respondent/first defendant, who were holding the rights to the films in question. It alleged that the appellant/fifth defendant continued to exploit the audio rights in the films by making and marketing cassette tapes even though the audio rights assigned to the appellant/fifth defendant came to an end by March 1997, and sought a declaration for the appellant/fifth defendant's limited copyright and for a permanent injunction restraining the appellant/defendant.

The appellant/fifth defendant's defence was that it had stopped manufacturing cassettes after the expiry of the period of its copyright licence and that any sales of the cassettes were made by third party distributors in the market.

The issue before the court was whether it should grant a permanent injunction against the appellant/fifth defendant.

Ruling & Reasoning

The court denied the first respondent/plaintiff's request for a permanent injunction against the appellant/fifth defendant. It noted that while the vital relief against infringement was one of injunction, the grant of the remedy was at the discretion of the court, and the court had to weigh the possible damage to the plaintiff if an injunction was not given against the possible damage to the defendant if it was granted. " [I]t is quite evident that once the infringement and its continuance is proved, a party as plaintiff will generally be entitled to the relief of injunction. However, the relief of injunction will not be granted if the damage caused to the defendant by granting the injunction be out of all proportion to the seriousness of the infringement or to the possible damage to the plaintiff." ¹

The court held that there was no evidence that the appellant/fifth defendant was manufacturing or marketing or selling the audio rights or audio cassettes after the expiry of the assignment period and that any sales in the market of the cassettes were made by distributors. Thus the first respondent/plaintiff was not entitled to claim the relief of a permanent injunction.

Laws Cited

U.K. Copyright Act 1911, Sections 2, 2(1), 2(2), 13

Indian Copyright Act 1957, Sections 14, 51, 55, 58

Indian Civil Procedure Code 1908, Order 1 Rule 3, Order 2 Rule 3

¹ *Id.*, at [17].

Commentary

This case illustrates the discretionary nature of the grant of an injunction, and the significance of the court's evaluation of the interests of the parties. The court in this case accepted the lower court's findings that the first respondent/plaintiff was the absolute owner of copyright of the works in question. However, it refused the grant of an injunction against the appellant/defendant because the injunction would have no operative effect on the appellant, who had since ceased to manufacture the infringing cassette tapes in question, and who had no control over the third party distribution and sale of the tapes in the market.

For Indian decisions outlining the principles regarding the grant of an interim injunction, see *Super Cassettes Industries v. People Infocom & Anor.* (Case 3.3 above) and *Mirabai Films Pvt. Ltd. v. Siti Cable Network & Ors.* (Case 10.1 below).

3.7 Super Cassette Industries v. Nirulas Corner House (P) Ltd.

High Court of Delhi, India
Judge S. Ravindra Bhat
Decided 17 March 2008
148(2008)DLT487, 2008(37)PTC237(Del)

Keywords

Audio and Video Works, Broadcast played in hotel, Communication to the Public

Facts/Issue(s)

The plaintiff, Super Cassette Industries, was the copyright holder of various audio and video works. It manufactured and sold VCDs, DVDs and cassettes containing these works and also licensed to others the right to exploit its works. In May 2007, the plaintiff discovered that a few of the audio works of the plaintiff were played in different channels on the televisions in the defendant's hotel rooms without first obtaining a licence from the plaintiff. The plaintiff alleged that such a transmission of works amounted to an infringement of the copyright as the defendant would be performing or communicating the works of the plaintiff to the public, and sought an injunction against the defendant to restrain it from the alleged public performance.

The issue before the court was whether there was infringement of the plaintiff's copyright under sections 51 and 52 of the Indian Copyright Act by the defendant's playing of the plaintiff's audio works through TV channels in its hotel rooms.

Ruling & Reasoning

The court held that there was an infringement of the plaintiff's copyright by broadcasting of the plaintiff's audio works. Under section 2(ff) of the Indian Copyright Act, a broadcast was deemed to be a communication to the public. And under section 51(ii), infringement occurred if anyone permitted for profit, any place to be used for the communication of the work to the public where such communication constituted an infringement of the copyright in the work, unless he was not aware and had no reasonable grounds for believing that such communication to the public would be an infringement of copyright. The exception in section 52(1)(k), which absolved the causing of a recording to be heard in an enclosed room or hall meant for the common use of residents in any residential premises as part of the amenities provided exclusively or mainly for the residents therein, did not apply as hotels or similar commercial establishments were expressly excluded.

The court noted the legislative intent of treating the use of TVs and sound recordings in hotels as communications to the public. It also reviewed case law and textbooks which confirmed the presentation of a film in a single hotel room, even to only one person, amounted to public performance as the presentation was in fact public since the character of the audience was as guests of the hotel and not as individuals in a private or domestic situation. The court held that the use by the defendant of cable connections to extend TV facilities to their patrons in the hotel rooms for payment amounted to a broadcast. Both the content of songs and video broadcasts were communicated to the public and amounted to infringement if done without the permission of the plaintiff.

The court upheld the interim injunction granted.

Laws Cited

Indian Copyright Act 1957, Sections 2(ff), 14, 37, 51, 51(ii), 52, 52(1), 55
Indian Civil Procedure Code 1908, Order 7, Rule 11, Order 39, Rules 1, 2

Commentary

This case is an important one for elucidating that the broadcast of programming for receipt by individual guests in a hotel amounts to a broadcast or communication to “the public”, even if the broadcast rights were licensed from the TV channels. This is because it was held that such a broadcast was for commercial purposes of the hotel.

For a similar case in which the defendants, owners of hotels, were held liable for infringement of copyright by playing the plaintiff’s music at their hotel premises, see *Indian Performing Right Society Ltd v. Debashis Patnaik & Anor* (Case 3.5 above).

3.8 Entertainment Network (India) Ltd. v. Super Cassette Industries Ltd.

Supreme Court of India

Justices S.B. Sinha and Lokeshwar Singh Pantia

Decided 16 May 2008

2008(4)ALD47(SC), JT2008(7)SC11, MIPR2008(2)129, 2008(37)PTC353(SC), 2008(9)SCALE69

Keywords

Musical works, Broadcasting via FM radio, Compulsory Licence, Jurisdiction of Copyright Board, Licences Previously Granted

Facts/Issue(s)

The appellant, Entertainment Network (India) Ltd. ("EN"), was a leading FM radio broadcaster, broadcasting under the brand name "Radio Mirchi". It was also a member of the appellant Phonographic Performance Limited ("PPL"), the copyright society. The first respondent, Super Cassette Industries Ltd. ("SCIL"), was one of the leading music companies in India engaged in the production and acquisition of rights in sound recordings. It had copyright over the T-series of cassettes and CDs, as well as copyright in cinematographic films and sound recordings.

The appellant EN was awarded a licence by the Indian government for operating a private FM broadcast channel. Between October 2001 and May 2002, it was found to have been broadcasting songs in respect of which SCIL had ownership over the copyright. The appellant EN was under the belief that as a member of PPL, it was playing music for which it paid royalties to PPL at the rate of Rs. 400/- per needle hour pursuant to the order passed by the Calcutta High Court dated 28 September 2001.

EN sought to obtain a licence from SCIL for the rights to broadcast its songs (SCIL had licensed other broadcasters to broadcast its songs), but the negotiations failed. This led SCIL to file suit before the Indian High Court for an order restraining EN from playing and broadcasting the music belonging to them on any of EN's radio stations, and for EN to file an application before the Indian Copyright Board for the grant of a compulsory licence under section 31(1)(b) of the Indian Copyright Act. When the licence was granted, EN filed an appeal against the order before the Indian High Court, questioning the rates of compensation. SCIL also filed an appeal questioning the grant of the licence. SCIL's appeal was allowed and EN appealed.

The main issue was whether the Indian Copyright Board had jurisdiction under section 31 to direct the owner of a copyright in any Indian work or a registered copyright society to issue compulsory licences for broadcasting such works by EN when such works were already available to the public through licences that the rightholder had granted to other radio broadcasters.

The other issues for consideration were: (a) Whether such a compulsory licence could be issued to more than one complainant pursuant to section 31 of the Copyright Act? (b) What were the relevant considerations for the Copyright Board when deciding whether to issue a compulsory licence and the terms on which the licence may be issued?

Ruling & Reasoning

The Indian Supreme Court held that the Indian Copyright Board had jurisdiction to entertain an application for the grant of a compulsory licence. By virtue of section 31(1)(b) of the Indian Copyright Act, if the copyright owner refused to allow the communication to the public of a sound recording on terms which the complainant considered reasonable, a complaint to the Copyright Board for the issuance of compulsory license was maintainable. If the grounds of refusal by the copyright owner were not reasonable, the Registrar of Copyright could be directed by the Board could grant a

licence to the complainant. The complainant could also approach the Board and an application of grant of compulsory licence could be entertained if there was any unreasonableness in the terms imposed by the copyright owner.

In the present case, since it was a case of abuse of rights for SCIL to deny a licence to EN, the Board had the jurisdiction to entertain EN's application for the grant of a compulsory licence. The appeal was allowed and the matter remitted to the Board for its reconsideration.

The Supreme Court also noted that the under section 31(2) of the Indian Copyright Act, compulsory licences could be granted to more than one broadcaster. Section 31(1)(b) did not create an entitlement in favour of an individual broadcaster even if a compulsory licence was granted only once to that broadcaster to cover every single part of the country. Other broadcasters could approach the Board when they consider the terms of the offer for grant of a licence unreasonable, or where a licence was only granted for a limited period.

The Court also opined that compulsory licenses were an exception to the general freedom of the copyright owner to contract, and when granting compulsory licenses, the court had to strike a balance between rights of the owner of the copyright and the other persons' right to get a compulsory license. If the owner of a copyright could be characterized as having a right akin to the right of property, even the right of property would be subject to reasonable restrictions, e.g. where under Article 300A of the Indian Constitution, it might be wholly or in part acquired in public interest and on payment of reasonable compensation.

Thus the Court set aside the order of the Copyright Board and remitted the matter back to the Board for a fresh consideration of the application on its merits.

Laws Cited

Indian Copyright Act 1957, Sections 2, 3, 4, 6, 11, 13, 13(4), 14, 14(1), 16, 17, 18, 19, 19A, 27, 30, 30A, 31, 31(1), 31(2), 31A, 31A(4), 32, 32(1A), 32A, 32B, 33, 33(3), 34, 34A, 34A(2), 35, 50, 51, 55, 63, 72, 74, 78

Indian Juvenile Justice Act 1986

Indian General Clauses Act 1897

Indian Copyright Rules 1958, Rules 3(3), 9, 11A, 11C(4), 11D, 14I, 14J, 14K

Indian Constitution, Articles 14, 19(1), 300A

International Instruments:

Agreement on Trade Related Aspects of Intellectual Property Rights 1994 (TRIPS Agreement)

Berne Convention 1886 (1971 revision), Articles 11, 11*bis*

International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations 1961 (Rome Convention), Articles 3(f), 12

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European Convention on Human Rights (" the Convention"), Article 6

J.A.L. Sterling, " World Copyright Law" (Second Edition)

Commentary

Section 31, which provides for the grant of a compulsory licence by the Indian Copyright Board, reads as follows:

Compulsory licence in works withheld from public.- (1) If at any time during the term of copyright in any Indian work which has been published or performed in public, a complaint is made to the Copyright Board that the owner of copyright in the work-

(a) has refused to republish or allow the republication of the work or has refused to allow the performance in public of the work, and by reason of such refusal the work is withheld from the public; or

(b) has refused to allow communication to the public by broadcast of such work or in the case of a sound recording the work recorded in such sound recording on terms which the complainant considers reasonable, the Copyright Board, after giving to the owner of the copyright in the work a reasonable opportunity of being heard and after holding such inquiry as it may deem necessary, may, if it is satisfied that the grounds for such refusal are not reasonable, direct the Registrar of Copyrights to grant to the complainant a licence to republish the work, perform the work in public or communicate the work to the public by broadcast, as the case may be, subject to payment to the owner of the copyright of such compensation and subject to such other terms and conditions as the Copyright Board may determine; and thereupon the Registrar of Copyrights shall grant the licence to the complainant in accordance with the directions of the Copyright Board, on payment of such fee as may be prescribed.

Explanation.- In this sub-section, the expression "Indian work" includes-

- (i) an artistic work, the author of which is a citizen of India; and
- (ii) a cinematograph film or a sound recording made or manufactured in India.

(2) Where two or more persons have made a complaint under Sub-section (1), the licence shall be granted to the complainant who in the opinion of the Copyright Board would best serve the interests of the general public.

The judgment of the Indian Supreme Court in this case centres on its determination of the scope and extent of the power of the Copyright Board to grant compulsory licences. In expounding the broad jurisdiction of the Copyright Board, the court referred to India's obligations under the compulsory licence provisions in Article 11 *bis*(2) of the Berne Convention and Article 12 of the Rome Convention, which provide that the author and performer have a right to equitable remuneration for the broadcasting or communication to the public of their works, in the absence of agreement between the parties. The court was also influenced by the argument that even if copyright is akin to a right to property, property rights may be wholly or partly acquired in the public interest and on payment of reasonable compensation. The court also seemed influenced by the view that it had to discourage the monopolistic exercise of a right to a property which the public "must have access" such that "withholding the same from [the] public may amount to unfair trade practice".

It should be noted that on the facts of this case, the respondent SCIL did licence its songs to other broadcasters (All India Radio and some other radio broadcasters). The Supreme Court rejected the argument that because SCIL had licensed its songs to other broadcasters, it was entitled to reject EN's application, and that the compulsory licence provisions in section 31(2) did not apply. And as regards what would be "unreasonable" terms of the licence, the Supreme Court rejected a narrow construction based on "commercial interest". "For the purpose of interpretation of a statute, the court must take into consideration all situations including the interest of the person who intends to have a licence for replay of the sound recording in respect whereof another person has a copyright."¹

¹ *Entertainment Network v. Super Cassette Industries Ltd.*, at [80].

Even though the section was entitled "compulsory licence in works *withheld from public*", which would suggest that a compulsory licence cannot be sought under section 31(1) if it had been voluntarily licensed for broadcast, the Court opined that this marginal note in the section would only apply to section 31(1)(a) (which expressly refers to withholding a work from a refusal to republish or allow public performance) as opposed to section 31(1)(b) (which refers to a refusal to allow communication to the public by broadcast, but does not expressly refer to withholding the work from the public).² The Court further opined that "[i]f a compulsory licence is granted only once covering every single part of the country, the same cannot be lead to a conclusion that no other person can approach the Board."³ The populist approach coupled with the Court's reference to "public interest" suggest that the Court viewed section 31(1), where it refers to "communication to the public by broadcast", as giving the public general access to all works via broadcast, regardless of geographical locality or transmission medium, and ensuring a multiplicity of access routes, media and mechanisms to the same work.

It has been observed that the Court's equation of public access to all broadcast works to "public interest" has been to stretch the latter concept to meaninglessness.⁴ The Court itself seems to place much emphasis on the alternative broadcaster's "narrow" commercial interest in securing the broadcast licences and treating that as being in the interest of the public. It is submitted that notwithstanding the introduction of public interest considerations into section 31(1), which the Court itself admitted was an "unruly horse"⁵, the elements due for consideration as spelt out in the proviso to section 31(1) would seem to call for the Copyright Board to make assessments based on commercial considerations, and not otherwise.

² *Id.*, at [93].

³ *Id.*, at [79].

⁴ Kruttika Vijay, *Compulsory Licensing and the Copyright Holder: Entertainment Network Limited v. Super Cassettes Industries* (7 June 2008), <http://spicyipindia.blogspot.com/2008/06/compulsory-licensing-and-copyright.html> (accessed 15 Feb. 2009).

⁵ *Entertainment Network v. Super Cassette Industries Ltd.*, at [86].

3.9 Phonographic Performance Ltd. v. Hotel Gold Regency & Ors.

High Court of Delhi, India
Judge Badar Durrez Ahmed
Decided 2 July 2008
151(2008)DLT210, MIPR2008(2)451, 2008(37)PTC587(Del)

Keywords

Sound Recordings, Collecting Society, Broadcasting in Hotels, Bars and Restaurants, Locus standi to commence infringement proceedings

Facts/Issue(s)

The plaintiff, Phonographic Performance Ltd., was a copyright society registered under section 33 of the Indian Copyright Act 1957, with which various copyright owners have entered into agreements to enable the society to administer their rights by issuing licences in respect thereof. In such agreements, the copyright owners authorized the copyright society to, *inter alia*, exercise their rights of communication to the public, grant licences, collect and distribute revenue on behalf of the owners, realize and receive all fees and licence fees payable from any person who used their works, and institute, commence and conduct civil, criminal and administrative proceedings and appoint solicitors in respect of any infringing uses of their works.

The plaintiff alleged that the defendants, hotels, lounges, bars and restaurants, played the sound recordings in respect of which the plaintiff had entered into the aforesaid agreements, without obtaining any licences from the plaintiff and had therefore infringed the copyrights of the owners thereof.

The plaintiff filed the present suit to seek relief by way of injunction to restrain the defendants from playing the sound recordings without first obtaining annual licences for the same, and to obtain a money decree against the defendants jointly and severally based on the plaintiff's tariffs for using and communicating the plaintiff's sound recordings for the period prior to the filing of the suit up to the date of the decree.

The issue before the court was whether a collecting society could maintain an action for infringement of copyright in the absence of the copyright owner as a party to the action.

Ruling & Reasoning

The court held that under sections 54 and 55 of the Indian Copyright Act, only the copyright owner and the exclusive licensee were entitled to the civil remedies for infringement of copyright. Section 34 of the Indian Copyright Act did not provide that the authorizations received by a copyright society included the right to institute an infringement action. Even if the agreements made by the copyright owners with the plaintiff copyright society enabled the plaintiff to administer the copyright owners' copyright, the plaintiff itself conceded that it was not an exclusive licensee and also not an owner of the copyright. Notwithstanding the provisions in the agreements between the copyright owners and the plaintiff, the plaintiff copyright society had no right to sue or seek civil remedies of injunction, damages, accounts, etc. The plaintiff's application and suit and all pending applications were disposed of.

Laws Cited

Indian Copyright Act 1957, Sections 30, 33, 33(1), 33(3), 34, 34(1), 34(3), 35, 35(2), 51, 53A, 54, 55, 61, 61(1), 62
Indian Contract Act 1872, Section 188
Indian Companies Act 1956
Indian Civil Procedure Code 1908, Order 7 Rule 11

Commentary

This limitation on the right of the collecting society to sue arose from the limited nature of the agreements between the copyright owners and the collecting society. The decision serves to clarify the terms and provisions of such agreements between the copyright owners and the collecting society. It also means that the copyright owner cannot both appoint an exclusive licensee for his works and at the same time, effectively authorize the collecting society (who is not his exclusive licensee) to institute proceedings on his behalf.

Unless explicitly empowered by copyright legislation, copyright societies would have to deploy one of two solutions to address this limitation. The substantive solution is to have the collecting society take an assignment of copyright from the copyright owner. That way, the collecting society can sue for the infringement of rights in its capacity as the assignee (and owner) of copyright. This is the general practice of copyright societies in the U.K. and Australia. In the U.S., however, there is statutory recognition for the contractual capacity of collecting societies to sue as beneficial owners on behalf of authors who had parted with legal title to their copyright in exchange for royalties.¹

The procedural solution is to have the collecting society join the copyright owner in the instituted proceedings. For a Singapore case that illustrates the same problem as well as the same solution, see *Odex Pte. Ltd. v. Pacific Internet Ltd.* (Case 8.2 below).

¹ See U.S. Copyright Act, 17 U.S.C. § 501(b) and the cases thereto.

4.1 One Rainy Night in Tokyo

First Petty Bench, Supreme Court, Japan

Presiding Judge Justice Kishigami Yasuo, Justices Dando Shigemitsu, Fujisaki Masato and Motoyama Toru

Decided 7 September 1978

1975 (O) No.324

This summary is adapted from an English translation provided with the kind permission of the Supreme Court of Japan

Keywords

Musical work, Infringement, Defence of Independent Creation

Facts/Issue(s)

The song "The Boulevard of Broken Dreams" (Song A), composed by Harry Warren, was the theme song for the movie, "Moulin Rouge", which was made in the United States in 1933. The musical score and a number of phonograms were sold in the United States, and the song became famous in the United States. Copyright in the song was held by an American company.

In 1960, the plaintiff Japanese music publishing company obtained the copyright to the music Song A from the American company. It published the musical score of Song A, and contracted with another company to produce and sell a phonogram in which the refrain from Song A was recorded (Song X).

However, in Japan, Song A (or a part of it, Song X), was not as well known. Only a few music experts or music aficionados were aware of it.

In 1963, the defendant Y1 wrote Song Y and, with the accompaniment and prelude, released it as his own creative work, "One Rainy Night in Tokyo" (Song B). Y1 was then working as the production manager of a broadcasting station that had a major collection of Japanese and foreign phonograms and musical scores. The defendant company Y2, who acquired the copyright of Song B, subcontracted with phonogram companies to produce phonograms of Song B.

X sought compensatory damages for lost profits against Y1 and company Y2, alleging that Song B was a reproduction of Song A and that Song Y was a development of and drew upon the melody of Song X and therefore Song B and Song Y were adaptations of Song A and Song X.

The court of first instance held that Song A and Song B were not identical and dismissed plaintiff's copyright infringement claim, holding that even if a work was identical or similar in content to an existing work, where it had been created independently, without knowledge of the existence or content of an existing work, it would not constitute an infringement of the first author's right to adapt his work. This rule applied even if it was through the latter author's negligence that he did not know of the earlier work. The first instance court noted that Song A was not well known in Japan, that the probability that Y1 had come into contact with Song A before writing Song Y was not high and that Song X and Song Y were not so alike that Song Y could not have been created without knowledge of Song X.

The plaintiff appealed, and the issue was that even if Y1 did not know of the existence and content of Song A, where Y1 was negligent, Song B (Song Y) could still be held to have infringed the copyright in Song A.

Ruling & Reasoning

The Supreme Court dismissed the appeal.

It held that even if the defendant created a work that was identical to an existing work, where there had been no drawing from the existing work to re-create the work, that newly created work did not come within the meaning of a reproduction of a work. Where a person had no opportunity to come into contact with an existing work, and hence had no knowledge of the latter's existence or content, that person bore no liability for copyright infringement, regardless of whether or not such lack of knowledge was due to his negligence.

On the facts, it could not be assumed that Y1 had the opportunity to come into contact with Song X prior to writing Song Y. Thus, the court could not find that Song Y was a reproduction of Song X, created by drawing upon Song X. The court concluded that the defendants Y1 and Y2 had not infringed the plaintiff's copyright by reproducing Song A (and Song X) in Song B (and Song Y).

Commentary

Article 2(1)(xv) of the Japanese Copyright Act 1970 defines a "reproduction" as follows:

"reproduction" means the reproduction in a tangible form by means of printing, photography, photocopy, sound or visual recording or other methods; and

(a) in the case of [play/film] scripts and other similar dramatic works, "reproduction" includes sound and visual recording of the stage performances, broadcasts or wire-broadcasts of said works; and

(b) in the case of architectural works, "reproduction" includes the completion of building in accordance with the drawings therefor;

The reasoning of the Supreme Court in this case was based on the old (pre-1970) Copyright Act. But the Court's holding that the plaintiff must prove that the defendant has access to the plaintiff's work and that the defendant's work is substantially similar to the plaintiff's work is still relevant to an action for copyright infringement under the current Copyright Act.¹ Even if both works are similar, if the defendant's work is created without access to the plaintiff's work, both works are independent creations and the defendant's work cannot be said to be a reproduction of the plaintiff's work.

However, the court may hold that the defendant has accessed the plaintiff's work if it finds similarities in the elements of expression between the plaintiff's work and the defendant's work and concludes that they cannot be made independently.² In a case involving musical scores, the court will examine the scores for substantial similarities in their melodies, harmonies, rhythms and forms.³ The lower court in this case did invite experts to testify to the similarities between Song A (and Song X) and Song B (and Song Y) based on these criteria,⁴ but held that the songs were not identical. This would support the lower court's finding that the defendant did not know of the existence of Song A even though there was a small possibility that as a production manager of a broadcasting station that had a major collection of Japanese and foreign phonograms and musical scores, Y1 had access to the plaintiff's work. It is submitted that conversely, if the court finds the parties' works to be very similar or almost identical in their elements of expression, the court would find it more difficult to accept the defendant's argument that he did not know of the plaintiff's work and had no access to it, particularly if the plaintiff's work is popular and widely available.

For an example of a case where the court held that the defendant's musical composition infringed the plaintiff author's right of adaptation or arrangement (and moral rights), see the 2003 decision of the Supreme Court of Japan in *Asei Kobayashi v. Katsuhisa Hattori*.⁵

¹ Teruo Doi, JAPANESE COPYRIGHT LAW IN THE 21ST CENTURY 44 (2001).

² *Id.* See e.g. *Yasuo Kusumoto v. Takeo Kobayashi*, 10 Mutai Saishu 287 (Tokyo District Court, 21 June 1978).

³ Teruo Doi, JAPANESE COPYRIGHT LAW IN THE 21ST CENTURY 44 (2001).

⁴ *Id.*

⁵ *Asei Kobayashi v. Katsuhisa Hattori* ("Dokomademo Iko" Case), MRR June 2003, at 56 (11 Mar. 2003, 3rd Petty Bench, Supreme Court of Japan), dismissing *Asei Kobayashi v. Katsuhisa Hattori*, HANREI JIHO (No. 1794) 3 (6 Sept. 2002, Tokyo High Court).

4.2 Club Cat's Eye/Singing at a Karaoke Lounge

Third Petit Branch, Supreme Court, Japan

Presiding Judge Sakaue Toshio, Justices Itoh Masami, Yasuoka Mitsuhiro and Nagashima Atsushi

Decided 15 March 1988

1984 (O) No.1204

This summary is adapted from an English translation provided with the kind permission of the Supreme Court of Japan

Keywords

Karaoke, Public Performance through Singing Customers

Facts/Issue(s)

The respondent, the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), was a collecting society set up by authors of musical works to manage and protect their rights in the utilization of such works. The appellants had installed in their snack bar karaoke equipment and tapes in which copyright in the music and recordings belonged to the respondent. The bar's hostesses and employees would encourage their customers to choose music from the karaoke equipment and sing along to the music. The respondent claimed that this infringed its rights of performance in the music under Article 22 of the Japanese Copyright Act.

The district court awarded a provisional injunction against the appellants, which was upheld by the court of first instance. The appellants further appealed this decision to the High Court.

The issue before the court was whether the appellants had infringed the respondent's right of performance in its music through their customer's singing of the respondent's songs.

Ruling & Reasoning

The court dismissed the appeal and found for the respondent.

In its leading decision, the court noted that the snack bar's customers sang because of the appellants' encouragement and this was part of their business strategy to enhance the atmosphere of the bar, attract customers and increase profits. Thus the court held that the singing by the customers was deemed to be under the management of the appellants, and was equivalent to the appellants themselves singing to the music and songs.

As such, the appellants infringed the respondent's performing rights. Although fees were paid to the respondent for the karaoke tapes, the court held that this was for the reproduction of the copyrighted music and for it to be freely replayed, but singing by customers accompanied by karaoke was a completely different manner of use of copyrighted music. Singing to karaoke music amounted to an infringement of the performing rights of the respondent and thus the appellants needed to obtain the copyright holder's consent to use the music in such a way.

In a concurring judgment, Justice Itoh noted that while the appellants accepted that singing by their customers was part of their business strategy, even taking into account the solicitation of singing by the appellants, it was up to the customers to decide whether they would sing or not to the copyrighted music on their own free will. Therefore it was inappropriate to regard the customers' singing as singing by the appellants.

Nonetheless, Justice Itoh would have found the appellants liable for using music for entertainment and broadcasting purposes, for the enjoyment of their customers. Justice Itoh ruled that the exception in Article 14 of the Supplemental Provisions to the Copyright Act, which was a transitory provision that allowed the enumerated business establishments to make free use of music by playing

phonograph records to entertain their customers, did not apply to the use of karaoke machines by the appellants as karaoke machines were not envisaged to be within the scope of the Provisions. In addition, Justice Itoh held that the exception was limited to the provision of music by businesses in a manner that was not directly connected to their profits.

Laws Cited

Japanese Copyright Act 1970, Article 22

Japanese Supplemental Provisions to the Copyright Act 1970, Article 14 (repealed since June 1999)

Japanese Copyright Act Enforcement Order 1970 (Cabinet Order Number 335, 1970), Article 3

Japanese Code of Civil Procedure 1890, Articles 89, 93, 95, 399, 399-3, 401

Commentary

Article 2(1)(iii) of the Japanese Copyright Act defines a performance as follows:

“performance” means the [theatrical] acting, dancing, musical performances, singing, reciting, declaiming or performing in other ways of a work, including similar acts which do not involve the performance of a work but which have the nature of public entertainment;

Article 22 of the Japanese Copyright Act reads:

Right of performance (1)The author shall have the exclusive right to perform his work publicly (“publicly” means for the purpose of making a work seen or heard directly by the public; the same shall apply hereinafter).

Right of screen presentation. (2) The author shall have the exclusive right to make his work publicly available by screen presentation.

When the Japanese Copyright Act was enacted in 1970 and became effective on 1 January 1971, transitional provisions were also enacted to allow the public performance of sound recordings in business establishments, which was allowed under Article 30(1)(viii) of the old Copyright Act. This is achieved pursuant to Article 14 of the Supplemental Provisions to the Copyright Act, which also came into force on the same date. The Supplemental Provisions would have allowed businesses such as coffee shops, hotels, pinball parlours and other establishments to make free use of music by playing phonograph records to entertain their customers. However, pursuant to the 1999 amendments to the Copyright Act, Article 14 of the Supplemental Provisions to the Copyright Act was abolished, to bring Japanese copyright law in line with the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty of 1996.¹

The difference in the reasoning between the leading judgment in this case and Justice Itoh’s reasoning is that the leading judgment would have held the singing by the appellants’ customers and patrons to be a non-mechanical performance of the respondent’s musical works, which would be a breach of the respondent’s Article 22 rights of public performance. Justice Itoh would have held that the singing by the customers was not a performance *by* the appellants. However, the use of the karaoke machines was outside the scope of the Article 14 exception and thus constituted a disallowed *mechanical* performance of the respondent’s works by the appellants.

On the facts, the leading judgment by the Court in this case seems persuasive. To the extent that the appellants actively and intentionally encouraged and solicited their customers to sing to the music, it would be hard to draw a distinction between the singing customers and the appellants. To the extent that their conduct is considered joint and tortious, the appellants would be made liable for the infringement of the respondent’s public performance right by the appellants’ customers.

For a similar case regarding the liability of *both* the business establishment where the karaoke machines were made available for the customers *and* the supplier of the karaoke machines, see *Supply of Karaoke Equipment for Business Use (“Video Mates” Case)* (Case 4.3 below).

¹ Teruo Doi, JAPANESE COPYRIGHT LAW IN THE 21ST CENTURY 29 (2001).

4.3 Supply of Karaoke Equipment for Business Use (“Video Mates” Case)

Second Petit Branch, Supreme Court, Japan

Presiding Judge Kameyama Tsugio, Justices Kawai Shinichi, Fukuda Hiroshi, Kitagawa Hiroharu and Kajitani Gen

Decided 2 March 2001

2000 (Ju) No.222

This summary is adapted from an English translation provided with the kind permission of the Supreme Court of Japan

Keywords

Contributory Infringement, Supply of Karaoke Equipment, Duty of Care, Injunction

Facts/Issue(s)

The appellant, the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), was the sole collecting society for musical copyrights in Japan. Authors of the musical work in question had transferred their copyright to JASRAC for its management.

The respondent, Video Mates, was a company engaging in the leasing and selling of karaoke equipment for business use. In 1991, it concluded a lease agreement to lease laser disc karaoke equipment to A and B, the joint managers of two pubs. The agreement contained the following stipulation: “When this property is used for commercial purposes, the lessee is requested to enter into a copyright licensing agreement with JASRAC. The lessee shall be responsible for taking action in relation to entering into the said licence.”

The respondent had orally explained the effect of this stipulation to A, but when it handed over the karaoke equipment to A, it did not verify whether A had applied for or had obtained a copyright license. In fact, A and B operated the equipment leased from the respondent until June 1995, without a licence from the appellant. This involved the playing of laser discs and screening of lyrics and having employees and customers sing to the music and lyrics to create a good pub atmosphere.

In June 1995, the appellant served an interim order on A to prohibit the use of the karaoke equipment. It was at that time that the respondent first found out that A and B had not entered into a licensing agreement with the appellant. However, on A's undertaking to the respondent to “solve the dispute in a responsible manner and not trouble the respondent”, in September 1995, the respondent concluded a new lease agreement with A and B. The respondent handed over to A two sets of karaoke machines equipped with communications devices, which A and B operated without obtaining licences from the appellant.

The appellant commenced this action, against A and B on the grounds of infringement of its screening and performance rights to its music, and against the respondent on the basis that it could be regarded as operating the karaoke equipment through A pursuant to the leasing agreement, thereby also infringing the appellant's rights to the same.

The first instance court (Tokyo High Court) found A and B liable for infringing the appellant's screening and performance rights. However, it found the respondent only partly liable, holding that it was negligent for the period commencing from September 1995 (when it learnt of the interim order against A and B) but not negligent prior to that. The court held that once the respondent had instructed A and B to enter into the licensing agreements, in the normal course of events, it was under no duty of care to confirm, after entering into the lease agreements and before handing over the karaoke equipment, that the managers A and B had indeed entered into or applied for a

copyright licence. The court also rejected the existence of a duty of care for the respondent in the business of leasing karaoke equipment to continually confirm the existence of such licensing agreements.

The appellant appealed, the issue being whether the respondent should be held liable to the appellant for copyright infringement for the breach of its duty of care up to and until June 1995.

Ruling & Reasoning

The court held that it was in the respondent's duty of care, as lessor of karaoke equipment, to advise as well as to reasonably verify that copyright licensing agreements had been concluded before transferring the karaoke equipment to the third party. This was because (i) most works shown or played by karaoke equipment were subject to copyright, (ii) it was highly likely that such equipment would be used in infringement of copyright unless there was consent from the copyright owner, (iii) copyright infringement was a criminal offence, (iv) the lessor profited from such leasing arrangements, (v) it was generally well known that the proportion of karaoke venues entering into copyright licensing agreements was low and the likelihood of infringement was foreseeable to lessors of equipment if they were unable to confirm that copyright licences were obtained; and (vi) that is easy for the lessor to verify whether the lessee had concluded or offered to conclude a licensing agreement.

The court held that on the facts, the respondent had merely advised the lessee to conclude a licensing agreement and failed to verify the existence of this agreement. This court held that the respondent had breached its reasonable duty of care owed to the appellant, that it was due to this breach that the infringements by A and B took place, and that there was a considerable degree of causality between the losses suffered by the appellant due to A and B's infringement and the respondent's breach.

The High Court's decision which held that the respondent did not breach of duty of care prior to June 1995 was reversed and damages of 7,539,239 yen were awarded against the respondent.

Laws Cited

Japanese Copyright Act 1970, Article 119

Commentary

The issue of the liability of A and B for copyright infringement through the use of the karaoke machines without licences from JASARC was not canvassed before the Supreme Court. In an earlier case (the Miruku Case), the Osaka High Court had held the operators of the Miruku Bar liable for infringing the authors' rights of performance through their use of the audio karaoke machine, and the authors' rights of performance and rights of cinematographic presentation through their use of the laser disc karaoke machine.¹

In the Miruku Case, JASARC was also successful in its claim against the karaoke equipment lessor. The Osaka High Court held it liable as a joint tortfeasor with the bar operators under Article 719, Para. 2 of the Japanese Civil Code. Obviously the approaches of the Osaka High Court in the Miruku Case and the Supreme Court in this case are influenced by the majority opinion of the Supreme Court in *Club Cat's Eye/Club Cat's Eye/Singing at a Karaoke Lounge* (Case 4.2 above), where the lounge operator was held to be the principal party to the performance by its customers. From the same viewpoint, the Osaka High Court in Miruku, and the Tokyo High Court and the Supreme Court in the instant case applied tortious doctrines to hold the karaoke equipment lessor liable as a party to the infringement by its lessee. The judgments characterise this as a duty of care that the equipment lessor owned a duty to the copyright owner, notwithstanding that this is a duty in omission (its failure to verify the existence of a licensing agreement between the lessee of the karaoke equipment and the copyright owner). It is also important to note the specific factual and

¹ *Japanese Society for Rights of Authors, Composers and Publishers v. Miruku Bar & Anor.*, HANREI JIHO (No. 1624) 131 (27 Feb. 1997, Osaka High Ct.).

industry circumstances where the court held that karaoke equipment would be invariably used with licensed musical works for unlicensed (public performance) purposes, that there is a high probability that lessees of equipment would not procure a licensing agreement, and that it was easy for the lessor verify that such an agreement had been entered into.

Outside of these factual circumstances, *e.g.* where the lessee subsequently allows the licensing agreement to lapse, or the lease is in relation to equipment which can have both public and private uses such as photocopying machines, the existence of such a duty must surely call for fresh evaluations and considerations.²

¹ See also Masayoshi Sumida, *On the Judgment by the Appellate Court on the "Miruku Case"*, COPYRIGHT UPDATE JAPAN (1998), http://www.cric.or.jp/cric_e/cuj/cuj98/cuj98_3.html.

4.4 File Rogue

Tokyo High Court

Decided 31 March 2005

Heisei 16(Ne)446

On appeal from

Tokyo District Court

Decided 17 December 2003

Heisei 14(Wa)4249

Hanrei Jiho (No. 1810) 20 (29 January 2003, preliminary injunction)

The summary is adapted from an English translation provided with the kind permission of Professor Justin Hughes, Cardozo Law School, Yeshiva University and Mr Shinji Niioka*

Keywords

P2P Music File Sharing, Reproduction as Infringement, Transmissible Right, Contributory Infringement

Facts/Issue(s)

The plaintiffs were the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), a copyright management association for musical compositions, and 19 recording labels associated with the Recording Industry Association of Japan (collectively the plaintiffs).

The defendant, MMO Japan Ltd., provided an Internet file sharing service named "File Rogue". Through its server in Canada, the service was offered for free and in the Japanese language. A File Rogue user would first download from the defendant's website www.filerogue.net the File Rogue software and install it on the user's computer. The user would then have to agree to the User Agreement, which required the user to undertake not to illegally share copyrighted files. There was also a "notice and take down procedure" in the User Agreement where another user claimed that its file had been infringed. Upon installation, the File Rogue software would create a designated sharing folder on the user's computer where the user could save his files, including his MP3 files, for sharing. The File Rogue software would transmit the file details such as the file and folder names and file sizes as well as the user details such as the user name, his computer's IP address and port number to the sever. These details became available to and searchable by other online File Rogue users. Through the File Rogue software and server, another user could search for the files he wanted and retrieve information about the owner of the file. He could then download the located files, but the download process took place directly between the users and not through the defendant's server.

The plaintiff JASRAC conducted an investigation into the File Rogue service and found that there were approximately 540 thousand files that the users had saved in the sharing folders, of which approximately 80 thousand were MP3 files. There were approximately 42 thousand File Rogue users, of which about 340 users were online at any one time.

Arising from its investigations, the plaintiff JASRAC filed suit against the defendant, demanding a suspension of the music file transmission and payment for damages. The defence was that the defendant was not responsible for reproducing and making transmittable the plaintiffs' music works. In addition, the defendant had requested in the User Agreement that users not share infringing works, that the defendant had a "notice and take down" procedure and that the sharing of MP3 files that constituted an infringement of the plaintiffs' sound recordings only constituted a small part of the entire File Rogue services.

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The District Court found in favour of JASRAC and issued a preliminary injunction against the defendant on 9 April 2002.

After the preliminary injunction was issued against the defendant, 19 Japanese recording companies brought an action against the defendant, on the ground that the defendant infringed their neighbouring right of making available their phonograms. The District Court found in favour of the plaintiffs and issued an interim decision against the defendant on 29 January 2003.

The District Court affirmed both of its interim decisions on 17 December 2003.

The District Court held that the File Rogue users had, by sharing their files comprising the plaintiffs' works, infringed JASRAC rights - their reproduction right, right to make works transmittable and the automatic public transmission right, as well as the recording companies' reproduction right and right of making their phonograms available for transmission under Article 96 and Article 96-2 of the Japanese Copyright Act respectively. The court rejected the defendant's argument that the users' sharing amounted to permissible private use, holding that the exception under Articles 30(1) and 102(1) of the Japanese Copyright Act did not apply where the users intended to make the files publicly available.

On the basis that the acts of the users were infringing, the District Court held that the defendant had contributorily infringed the right of the plaintiffs to make their music works transmittable. The court held that to determine whether the defendant had contributorily infringed the plaintiffs' rights, the court would assess (i) the content and nature of the defendant's services, (ii) the degree of the defendant's control or supervision over their users' conduct that made the works transmittable and (iii) the profits acquired by the defendant arising from its services.

As to (i), the District Court noted that the defendant's service enabled a high degree of illegal use because it allowed users to make files transmittable and to publicly and automatically transmit the files. The court noted that users were given the opportunity to easily download MP3 files without any fees and with a sufficiently high sound quality. In response to the argument that there were users who wanted to freely licence their own works to other users, the court observed that 96.7% of the files (based on the information from the defendant's server) were marketed music records for which no consent for their sharing was given, nor had the rightholders waived their rights. The court also downplayed the provision in the User Agreement in which users undertook not to share copyrighted works, noting that users were not obliged to provide their actual contact information and that for this reason, the user registration requirement was not sufficient to prevent copyright infringement.

As to (ii), the District Court found that in order to share their files, users had to download and install the defendant's File Rogue software on their computers, access the defendant's server and use its search functions. These were explained by the defendant to their users on its website. For this reason, the users had made the files transmittable under the control and supervision of the defendant.

As to (iii), the District Court stated that even if the defendant's File Rogue service was currently free, it was evident that the defendant intended to charge fees for use of the service. It was towards this end that the defendant sought to increase the number of files shared and the exchange of files. With a larger customer base, it could ask for more advertisement fees. The District Court was left in no doubt that the defendant's File Rogue services were profit-oriented because it was set up as a company for this purpose and did not conduct any other business.

Damages of 30 million yen based on the plaintiffs' tariffs for use of musical works submitted by JASRAC to the Agency for Cultural Affairs was awarded.

The defendant appealed the District Court's ruling.

The issue before the court was whether the defendant had contributorily infringed the rights of the plaintiffs, through the provision of the File Rogue services, by enabling its users to infringe the neighbouring rights of the plaintiffs through their reproduction and transmission of the plaintiffs' music works.

Ruling & Reasoning

On 31 March 2005, the High Court of Tokyo affirmed the District Court's decision, albeit on slightly different grounds. It upheld the application of the three criteria by the District Court, namely, (i) the content and nature of the defendant's services, (ii) the degree of control and supervision that the defendant exercised over the users' infringing conduct and (iii) the profits received by the defendant from such activities and services.

As regards (i), the High Court agreed with the analysis of the District Court. It also noted that as users almost always use the names and song titles of performers when naming the shared files, that information, combined with the file extension ".MP3" and the size of the files would make the nature of the files shared by the users obvious to the defendant. The High Court dismissed the claim that licensed MP3 files were shared, noting that no evidence of this was adduced by the defendant when the preliminary injunction was issued. The court also rejected the defendant's reliance on its User Agreement, noting that the notice and take down provision did not operate to prevent infringement but only operated "after the fact". It could not be considered an effective means to prevent copyright infringement.

The court held that there was evidence that the defendant knew and expected that its services would attract problems of copyright infringement, noting that the defendant was aware of the problems of Napster before it started its service, and that the defendant's president had been interviewed on TV where he was reported to have defended his services as being a forum to allow users to freely exchange files, for which it was not responsible for how the users use the forum.

As regards (ii), based on the use of the names and song titles of the performers when naming the shared files, the High Court held that the defendant was aware of the nature of the files exchanged and had the opportunity to screen the file exchanges. Thus the defendant was in a position to take the necessary steps to prevent copyright infringement. Even if it was impossible for the defendant to detect all the infringements, it should at least set up some means to prevent the detected infringements.

As regards (iii), the High Court agreed with the analysis of the District Court on this element.

The High Court affirmed the judgment of the District Court, and upheld its ruling of damages of 30 million yen against the defendant.

Laws Cited

Japanese Copyright Act 1970, Articles 30(1), 92-2(1), 96-2, 102(1)

Commentary

Commentators¹ have drawn parallels between this case and the U.S. 9th Circuit decision of *A&M Records, Inc. v. Napster*.² After all, there were operational similarities between the File Rogue service and the Napster service. Both services were operated on P2P networks through the use of a freely available client software that was linked to a centralized server. Both services were heavily used by users to share music files, and both services attracted legal proceedings from the recording industry. Both services were ordered to shut down and both services are no longer operational today.

¹ See e.g. Shinji Niioka and Justin Hughes, The File Rogue Case, <http://www.ivir.nl/courses/icl/materials2007/Copyright%20Liability/The%20Rogue%20Case%20-%20FINAL.doc> (accessed 22 Feb. 2009).

² *A&M Records, Inc. v. Napster Inc.*, 284 F.3d 1091 (9th Cir. 2002).

The ruling of the Tokyo District Court and High Court applied on the contributory infringement principle first established by the Supreme Court of Japan in *Club Cat's Eye/Singing at a Karaoke Lounge* (Case 4.2 above). Both the District Court and the High Court found that the defendant was aware of and had reason to know of the massively-infringing use made of the File Rogue service to share music files, and rejected the defendant's claim that there were non-infringing uses of the service to share licensed music files. (In this regard, the reasoning of the courts differed from that of the U.S. Californian District Court and 9th Circuit in the *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd. case*,³ where the defendants succeeded in adducing evidence of "substantial" non-infringing uses of their P2P file sharing services.) The elements of knowledge, control and supervision and profit analysed by the District Court and High Court would appear to be an amalgam of the elements for establishing vicarious liability and contributory infringement under U.S. copyright law. At the same time, as two learned commentators have observed, the decisions of the District Court and High Court appear to traverse the "inducing infringement" theory of liability adopted by the U.S. Supreme Court in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*⁴

It is interesting to also note parallels between this decision and the decision of the Australian Federal Court in the Kazaa case in *Universal Music Australia Pty. Ltd. & Ors. v. Sharman License Holdings Ltd. & Ors.* (Case 1.8 above). The common elements for establishing liability were the defendant's knowledge of the infringing activities and its control over the users. It is interesting to note that the Tokyo High Court explicated the control and supervision that the File Rogue defendant had over its users, not merely on the basis that the users had to install and access the defendant's software and server, but also on its failure to take some preventive measures to prevent the detected infringements. As noted above, a ruling to similar effect in the Kazaa case is more controversial because, unlike the File Rogue system which utilized a centralized server, the file sharing services offered by the Kazaa did not rely on the proven existence of a centralized server.

Other examples of cases from other jurisdictions which have held the developer and provider of P2P file sharing services liable include the Chinese District People's Court decisions in *Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing FashionNow Co. Ltd.* (Case 2.7 above) and *Guangdong Zhongkai Cultural Development Co. Ltd. v. Beijing Zhongsou Online Co. Ltd.* ("The Promise" Case) (Case 10.8 below) and the Korean Supreme Court decision in Soribada (Case 7.5 below),

However, where it could be shown that the role or involvement of the defendant in the replication or transmission of a work is incidental or ancillary to that of the user, the defendant would not be held liable in contributory infringement. For an illustration of this point, see *Maneki TV* (Case 10.10 below).

³ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F.Supp.2d 1029 (C.D.Cal. 2003), aff'd 380 F.3d 1154 (9th Cir. 2004), vacated 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

⁴ *Id.*

4.5 Simultaneous Broadcast Satellite Retransmission

Second Division, Intellectual Property High Court, Japan

Decided 30 August 2005

2005 (Ne) No. 10009, 10010, 10011, 10077

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Further assistance for this summary was provided by Judge Yuko Hirano*

Keywords

Simultaneous Broadcast Retransmission by Cable TV Operators (Wire Diffusion Organizations), Performance Rights

Facts/Issue(s)

The defendant wire diffusion organizations (Narita Cable Television, Choshi Area Television and Gyoda CATV) had been licensed by the five plaintiffs (Writers Guild of Japan (WGJ), Association of Scenario Writers Japan, Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), and Japan Council of Performers' Organizations (GEIDANKYO), and the intervener Japan Writer's Association) under the Five-Association Licence Contract to broadcast the plaintiffs' works by way of two licences – one for TV broadcasting and the other for radio broadcasting. The defendants originally did so by way of terrestrial broadcasting. Between 1995 and 1999, while effecting the terrestrial broadcasting, the defendants also simultaneously retransmitted the plaintiffs' works by way of Broadcast Satellite (BS) broadcasting. The plaintiffs objected to the BS broadcasting and sued the defendants for royalties or compensation. The defendants contended that BS broadcasting was licensed, or alternatively assisted in the implementation of broadcasting and was permitted under the licences.

The first instance court invalidated the agreement between the defendants and GEIDANKYO for mistake, on the basis that under Article 92(2)(i) of the Japanese Copyright Act, performers did not have exclusive rights to diffuse their performances by wire. However, the first instance court upheld the validity of the other licence contracts that formed the Five-Association Licence Contract and upheld the other plaintiffs' claims against the defendants. The defendants and GEIDANKYO appealed.

The issues were: (1)(a) Whether the defendant wire diffusion organizations' simultaneous BS broadcasts, as an implementation of broadcasting, were a mode of public transmission authorized by the plaintiffs? (1)(b) Whether the defendants were entitled to provide simultaneous retransmissions of terrestrial broadcasting and BS broadcasting under Five-Association Licence Contract? (2) Whether GEIDANKYO could enter into a compensation agreement with the defendant broadcasters, even though under the Japanese Copyright Act, Article 92(2)(i), performers did not have the exclusive rights to wire-broadcast their performance when the performances had been broadcast?

Ruling & Reasoning

The Intellectual Property High Court found in favour of the plaintiffs.

On issue (1), the court considered the definitions of broadcasting and wire diffusion under the Japanese Copyright Act. The relevant definitions in Article 2(1) read:

(viii) "broadcast" means the form of public transmission involving a transmission transmitted by wireless communication intended for simultaneous reception of identical content by the public;

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(ix-2) "wire-broadcast" means the form of public transmission involving a transmission transmitted by wire-telecommunication intended for simultaneous reception of identical content by the public;

It held that broadcasting and wire diffusion were recognized as different forms of public transmissions under the Japanese Copyright Act, and these services were provided by different types of transmission organizations and through the use of different methods of transmission. Therefore, simultaneous broadcast retransmission by a wire diffusion organization was a public transmission method that was different from broadcasting, and under the Five-Association Licence Contract, it could not be deemed to be a wire diffusion organization's act of assisting in the implementation of broadcasting.

The court also held that there was insufficient evidence to hold that the plaintiffs authorized the simultaneous retransmissions when they authorized broadcast organizations to broadcast their works. Therefore the defendants were not entitled to effect the simultaneous BS broadcast transmissions under the Five-Association Licence Contract.

On issue (2), the court rejected the first instance court's holding that the agreement with GEIDANKYO was invalid for mistake, holding that pursuant to the parties' freedom to contract between themselves, GEIDANKYO and the defendants understood that under Article 92(2) of the Japanese Copyright Act, performers had no exclusive rights to diffusion by wire, and thus GEIDANKYO would be entitled to compensation, not royalties, from the defendants. This compensation was received by GEIDANKYO for the defendants' simultaneous broadcast retransmissions.

The court awarded damages in the form of royalties and compensation totalling almost 3 million yen to the plaintiff rightholders.

Laws Cited

Japanese Copyright Act 1970, Articles 2(1)(viii), (ix-2), 92(2)

Japanese Civil Code 1896, Article 95

Commentary

On issues (1) and (2), as the court explained in the related case, *Simultaneous Communication Satellite Broadcast Retransmission* (Case 4.6 below), when the Five-Association Licence Contract was drawn up in August 1973, only terrestrial TV broadcasting was available and there was no expectation that BS broadcasting would be available in the near future. The royalty rates that were set by the five rights associations were based on the acquisition of a licence for a ground-based broadcasting station within the service area. With the introduction of broadcasting by communications satellite in 1989 in Japan, CATV broadcasters started to broadcast using both terrestrial and BS communications simultaneously and expanded their subscription base. For this reason, the court awarded additional royalties and compensation to the plaintiffs for the unlicensed transmission of the plaintiffs' works on a new form of public transmission.

On issue (3), Article 92 of the Japanese Copyright Act provides that the performer shall have the exclusive rights to broadcast and to wire-broadcast his performance. However, Article 92(2) provides that the performer does not have this exclusive right in the case of a wire-broadcast of a broadcasted performance, or the broadcast or wire-broadcast made from an authorized sound or visual recording of the performance, or an authorized cinematographic work of the performance. Article 92(2) is based on the "One Chance Principle", in that once a performer exercises his right, he will not be able to exercise his right for the subsequent uses of his performance.¹ Thus, the performer does not have the exclusive right to wire-broadcast his performance if his performance had been broadcasted.

¹ Nobuhiro Nakayama, COPYRIGHT LAW 427 (Tokyo, 2007).

In this case, the court held that Article 92(2) and the One Chance Principle were not intended to prohibit the performer (represented here by GEIDANKYO) from receiving compensation as a consideration for the wire-broadcast of a broadcasted performance in the contract between the performer and the wire diffusion organization. After this case was decided, the Japanese Copyright Act was amended in 2006 (Act No. 121 of 2006) and Article 94-2 was introduced to provide that where a wire-broadcasting organization has wire-broadcasted a broadcasted performance, the organization shall pay a reasonable amount of remuneration to the performers whose performance is incorporated in such broadcasts. Article 94-2 is thus an exception to the One Chance Principle.²

4.6 Simultaneous Communication Satellite Broadcast Retransmission

Second Division, Intellectual Property High Court, Japan

Decided 30 August 2005

2005 (Ne) No. 10012

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Further assistance for this summary was provided by Judge Yuko Hirano*

Keywords

Simultaneous Satellite Broadcast Retransmission by Cable TV Operators (Wire Diffusion Organizations)

Facts/Issue(s)

The appellant, Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), sought an injunction against, and compensation in damages or return of unjust enrichment in the amount corresponding to royalties from, the respondents Narita Cable Television and Choshi Area Television, which were wire-diffusion organizations (CATV operators), for the unauthorized use of the plaintiffs' musical works for wire diffusion. (The appellant also claimed against another respondent, Gyoda CATV, in contract for royalties for managed works.)

The respondents objected to these claims, the issue being whether or not the simultaneous communication satellite (CS) re-transmission of these works was covered by the existing licence contracts between the defendants and the appellant (and the other rights' associations, namely, the Writers Guild of Japan, Association of Scenario Writers Japan, Japan Council of Performers' Organizations (GEIDANKYO) and the Japan Writer's Association - known as the Five-Association Licence Contract).

The court of first instance rejected the appellant's claims on the ground that the simultaneous transmission of CS broadcasts was covered by the Five-Association Licence Contract. The appellant appealed.

Ruling & Reasoning

The court found in favour of the appellant.

The court held that when the rights associations (including the appellant) established a uniform contract regarding simultaneous broadcast retransmissions (the Five-Association Licence Contract) in August 1973, only terrestrial TV broadcasting was available and there was no expectation that satellite broadcasting would be available in the near future. The royalties rates that were set were for a licence for ground-based broadcasting and there were separate rates for retransmission within and outside the service area. Simultaneous retransmission of CS broadcasts could not be deemed to be covered by the Five-Association Licence Contract.

The court observed that in 1984, the appellant and the Japan Cable and Telecommunications Association (JCTV, the representative organization for CATV operators) had established a uniform authorization contract for the use of works under the appellant's management by way of wire-broadcast as wire-broadcasts were not covered by the Five-Association Licence Contract. At that point in time, wire-broadcast organizations obtained their broadcast programs by purchasing video tape packages.

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When communication satellite broadcasts commenced in Japan in March 1989, and when wire diffusion organizations could obtain broadcast programs by receiving them via CS, the court noted that JCTV indicated in its handbook that contracted CS broadcasts should be treated as independent broadcasting. Since the commencement of CS broadcasting services for home viewing in 1992, the rights associations had commenced fresh negotiations with CATV operators and concluded a new agreement for this purpose.

Given these circumstances, the simultaneous transmission of CS broadcasts could not be deemed to be covered by the Five-Association Licence Contract, and likewise, the respondents' implementation of simultaneous retransmission of radio broadcasts of Tokyo FM and NHK FM, in which many works under the management of the appellants were used, could not be deemed to be covered under the same Licence Contract. The court also held that the simultaneous broadcast retransmission by a wire diffusion organization was a method of public transmission that was different from broadcasting.

The appellant's claims were upheld and the three CATV respondents were ordered to pay almost 11.3 million yen in damages in total to the appellant. The court also suspended the first two respondents' right to use the appellant's music repertoire under the Licence Contract.

Laws Cited

Japanese Copyright Act 1970, Article 112(1)

Commentary

The Intellectual Property High Court affirmed the appellant JASRAC's claim against the CATV respondents in this case with the claims of the other four rights associations against the same CATV operators in the case of *Simultaneous Broadcast Satellite Retransmission* (Case 4.5 above). Judgments for the two decisions were released on the same day by the same panel. Please refer to *Simultaneous Broadcast Satellite Retransmission* (Case 4.5 above) and its commentary for a more detailed exposition of the two cases.

4.7 Rokuga Net

Third Division, Intellectual Property High Court, Japan

Decided 15 November 2005

2005 (Ra) No.10007, 10008, 10009, 10010, 10011, 10012

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Keywords

Recording and Internet downloading of Free-to-air Broadcasts, " Re-transmission"

Facts/Issue(s)

The defendant, the alleged infringer provided a service called " Rokuga Net" . Its purpose was to make Japanese broadcasts available to overseas users. For its operation, the defendant set up and managed a recording system that consisted of various equipment and software, including PCs with TV tuners, a TV antenna, a booster, a distributor, a server, a router and a monitoring server. Only analogue terrestrial broadcasts received in Matsudo-shi, Chiba, Japan, where the defendant was based, were recorded. A user of the defendant's service was required to be first authenticated before he was able to record or download the broadcast. The defendant advertised on its website that this service was designed to make Japanese broadcasts available to overseas users and was paid by way of a monthly maintenance fee from the provision of this service.

The rightholders, six Tokyo-based broadcasting stations, claimed that the defendant's service reproduced their broadcasts without permission, and sought an injunction against the defendant.

The district court awarded a provisional injunction against the defendant, which was upheld at the court of first instance. The defendant further appealed this decision to the High Court.

The issue for the court was: Whether the defendant was liable for infringing the plaintiffs' reproduction rights by providing a service to allow its users to record free-to-air broadcasts by the plaintiffs' broadcasting stations?

Ruling & Reasoning

The court held that the defendant had through this setup managed the reproduction of the rightholders' broadcasts and was doing so for profit. The defendant had also advertised on its website that the service was intended to make the reproduction of Japanese broadcasts available to overseas users.

In such circumstances, the court held that the defendant had committed an act of reproducing by recording the rightholders' broadcasts and infringed the rightholders' right to reproduce sounds or images incorporated in the broadcasts under Article 98 of the Japanese Copyright Act.

Laws Cited

Japanese Copyright Act 1970, Article 98

Commentary

A commentator has observed that the court in this case ascribed the reproduction of the plaintiff rightholders' TV broadcasts to the defendant, on the basis of the principles set out by the Supreme Court of Japan in *Club Cat's Eye/Singing at a Karaoke Lounge* (Case 4.2 above).¹ Support for this opinion could be found in the court's emphasis that it was the defendant who managed the reproduction of the plaintiffs' broadcasts, even though the court noted that it was a user who

¹ Hisayoshi Yokoyama, *Japanese Copyright Law: Infringement of Rights* (August 2007), <http://www.tomeika.jur.kyushu-u.ac.jp/chizai/pdf/ovu.Infringement.pdf> (accessed 18 Feb. 2009).

would access the defendant's system and record a broadcast. Otherwise, a user could claim to have made the reproduction for his private use, which would be permitted under Article 30(1) of the Japanese Copyright Act.²

Another commentator observed that the distinction between this decision and the decision of the court in another case, *Sony's Location-Free TV ("Maneki TV" Case)* (Case 10.10 below), where a similar system for setup for online access to free-to-air broadcasts, was that the defendant in the Maneki TV case was held not to have exercised as close a control over its equipment and the operation of its system as the defendant had in the instant case.³ If the distinction between these similar cases is one based on the proximity of the defendant's control, it remains to be seen how Japanese courts will prescribe the requisite level of control to found liability based on the *Club Cat's Eye/Singing at a Karaoke Lounge* (Case 4.2 above) principles. Such a prescription will have relevance, not only to setups similar to those of the defendant in this case, but also to Internet intermediaries who operate facilities and services that facilitate downloading and access to resources. See also *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.2d 121 (2d Cir. 2008) as well as *RecordTV Pte Ltd v MediaCorp TV Singapore Pte Ltd*, [2009] SGHC 287.

On the issue of the scope of the plaintiff broadcasters' rights to stop a reproduction of the sounds and images in its broadcasts, see *Network Ten Pty. Ltd. v. TCN Channel Nine (No. 1 and 2)* (Case 10.2 below).

² Article 30(2) provides that if a person "for private use purposes, makes a sound or visual recording on a recording medium used for digital sound and visual recordings ... by means of a machine possessing functions to make digital sound or visual recordings", the person shall pay a reasonable amount of compensation to the copyright holders.

³ Kazuo Ohtake, *Two IPHC Decisions on the Infringement of Neighbouring Rights* (May 2007), <http://www.asialaw.com/Article/685066/Article.html> (accessed 19 Feb. 2009).

4.8 Rebroadcasting TV Programs

46th Civil Division, Tokyo District Court, Japan

Decided 22 December 2005

2004 (Wa) No.17750

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Keywords

Background Music as Musical Works used in TV Programs, Re-broadcasting TV Programs as Infringement, Licence and not Assignment

Facts/Issue(s)

The plaintiff was a composer who had composed, arranged and performed various musical compositions for use in TV programs. The lengths of the compositions ranged from a few seconds to several minutes. Many of these compositions were for use in the form of background music inserted to harmonize the impressions of scenes. The plaintiff entered into an oral licence agreement with the defendant local TV station for use of his musical compositions, for which he received remuneration of 62.59 million yen in total between 1981 and March 2002. There were otherwise no written agreements between the plaintiff and the defendant.

The plaintiff sued the defendant for violating the licence agreements on the basis that the agreements only provided for a one-time use of the musical compositions in TV programs, and that the defendant had breached the agreement by (i) re-broadcasting the TV programs several times as local programs, (ii) broadcasting the TV programs nationwide, and (iii) sublicensed or assigned the rights to broadcast to other TV stations. The plaintiff sought damages of 500 million yen for an infringement of his copyright and his neighbouring rights as a performer and sought a declaration that he owned the copyright over the musical compositions.

The issues were: (1) Whether the plaintiff was the copyright owner in the musical compositions? (2) Whether the defendant was licensed to rebroadcast the TV programs which incorporated the plaintiff's musical compositions?

Ruling & Reasoning

The court found in favour of the plaintiff on the issue of copyright and in favour of the defendant company on the issue of the licences.

On the issue of the licences, the court held that the plaintiff had granted a comprehensive licence to the defendant for the use of the musical compositions for re-broadcasting and that the defendant had paid the remuneration for the licences. The court so held because: (a) as most of the musical compositions were background music to be inserted in TV programs, it was natural to presume that they would be used in the TV programs in an integrated manner, (b) it was not unusual for a TV program to be rebroadcast, (c) background music was subject to repetitive and continuous use due to its nature, (d) although the TV programs were rebroadcast over 22 years, the plaintiff failed to demand additional compensation for the re-broadcasting from the defendant for such a long time, and the plaintiff was naturally considered to have been aware of the re-broadcasting because these were on TV and in TV program lists, (e) when the plaintiff was garnished by his creditor over his right to demand remuneration from the defendant, the plaintiff and the defendant held settlement negotiations with the creditor but made no claim then against the defendant that he had to right to demand remuneration for re-broadcasting.

The court rejected the plaintiff's claim that the licence was only for one-time local broadcasting, holding that the remuneration paid by the defendant was more than enough for a licence to use

the musical compositions for one-time local broadcasting, or for spot programs. It was not common practice for a TV station to conclude an agreement with a specialist musician or performer such as the plaintiff on the presumption that the agreement would be effective for only a one-time broadcast of the TV program.

On the other hand, the court affirmed the plaintiff's copyright in the musical compositions, holding that the plaintiff and defendant never prepared a written agreement on the assignment of copyright, that the defendant's objectives would be served as long as it could freely use the musical compositions for re-broadcasting without paying any additional remuneration, and that the defendant did not object to the plaintiff's request to use the musical compositions on a CD that the plaintiff was going to produce.

Commentary

Article 2(1)(xi) of the Japanese Copyright Act defines a "derivative work" as follows:

(xi) "derivative work" means a work created by translating, arranging musically, or transforming, or dramatizing, cinematizing or otherwise adapting a pre-existing work;

As the TV programs in question which used the plaintiff's musical compositions were derivative works of the compositions, under Article 18(1) of the Copyright Act, the plaintiff as the original author of the musical compositions had the right to offer and to make available to the public any of his works which had not yet been made public. This included any derivative works arising from the author's musical compositions. And Article 28 entitled the author to share the rights of exploitation with the author of the derivative works. It was on this basis that the author of a non-fictional work sued the Japan Broadcasting Corporation (JBC) for allegedly using the work's prologue in JBC's TV programme, in breach of his right of adaptation and broadcasting, in the *Esashi-Oiwake* case, decided by the Supreme Court of Japan in June 2001.¹

The difficulty in this case arose because of the absence of a written licence agreement between the parties, and so the court had to construe the terms of the licence from the conduct of the parties and the subject matter of the works in question in the light of industry practices. The court in this case accepted the defendant's argument that there was a comprehensive understanding to use the musical works in question in the manner previously explained because of the nature of the musical works composed by the plaintiff. The court was also obviously influenced by the fact that the plaintiff only chose to raise an issue as regards the scope of the (oral) licence agreement some 22 years after it had been concluded between the parties, and notwithstanding that the defendant had consistently paid royalties to the plaintiff for use of the musical composition. This strongly suggested that the licence was not a one-off licence arrangement as contended by the plaintiff.

¹ *Esashi-Oiwake* Case (1999 (Ju) No.922), Minshu Vol.55, No.4 at 837 (28 June 2001, Japanese Sup. Ct.). The Supreme Court held that the plaintiff author could not succeed in his claim against the defendant broadcaster as the use in the TV programme of historical facts from a literary work did not amount to an infringement of the author's adaptation rights, since such facts would not belong to the work's creative expression.

4.9 Live Performance & Singing at Nightclub

Osaka District Court, Japan

Decided 6 February 2006

2005 (Wa) No. 7734

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Further assistance for this summary was provided by Judge Yuko Hirano*

Keywords

Live Performances of Musical Works at Nightclub

Facts/Issue(s)

There was a band in a nightclub where there were live performances by the performers on musical instruments and customers could sing to the music. The defendant was a representative director of the nightclub.

The plaintiff, the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), a copyright management association for musical compositions, commenced arbitration proceedings against the defendant and the nightclub for compensation in damages for an amount that equalled the royalties for use of its music. However X, claiming to be the operator, showed up for the arbitration instead. The plaintiff withdrew the proceedings against the defendant and the nightclub and started proceedings against X instead. The arbitration ended with X agreeing to pay compensation and to enter into a licensing agreement with the plaintiff. However, in breach of the licensing agreement, X failed to make payment to the plaintiff.

The plaintiff commenced the instant action. It alleged that the defendant as the representative director of the nightclub infringed its copyrights by operating a nightclub where a band performed its musical compositions for customers to sing to without the plaintiff's permission. It sought an injunction against the infringing acts, the removal of the musical instruments and compensation in damages.

The issue for the court was whether the defendant as the representative director of the nightclub or its operator X should be held liable for copyright infringement.

Ruling & Reasoning

The court held that it was the representative director, and not X, who operated the nightclub. It examined the name under which the nightclub obtained a permit for the business, the name under which the telephone was installed and the recognition given to the director by the nightclub employees.

Thus the court held the nightclub's representative director liable in damages to the plaintiff copyright association. A court order was granted against the director, injunctioning him from committing the infringing acts and removing the musical instruments and ordered him to compensate the plaintiff in damages for an amount that equalled the royalties for the use of the music.

Laws Cited

Japanese Copyright Act 1970, Articles 112(1)(2), 114(3)

* Judge Yuko Hirano is a judge with the Osaka District Court and concurrently a Visiting Scholar with Stanford Law School.

Commentary

The factual situation in this case is similar to that in *Club Cat's Eye/Singing at a Karaoke Lounge* (Case 4.2 above). In that case, the Supreme Court of Japan had held that singing by the customers of the club could be recognized as singing by the club owner. As the singing by the customers for the nightclub in this case was referable to the owner, the issue in this case is simply whether the owner of the nightclub was the defendant or X. The court took into account objective facts and regarded as important the name under which the nightclub obtained a permit for the business, the name under which the telephone was installed and the recognition given to the director by the nightclub employees. The court concluded that the nightclub owner was the defendant, notwithstanding the contrary written statements of the defendant and X that were submitted to the court.

Under the Japanese Copyright Act, the author, the copyright holder, the holder of the right of publication, the performer, and the holder of neighbouring rights may seek an injunction. These include (1) a demand that the person infringing or presenting a risk of infringing cease the infringement or not infringe (Article 112(1)), and (2) a demand that the infringer or putative infringer take measures necessary to effect the cessation or prevention of the infringement, such as the destruction of objects constituting the acts of infringement, objects made by the acts of infringement, and/or machines and tools used exclusively for the acts of infringement.

4.10 Producer of Documentary Film

Fourth Division, Intellectual Property High Court, Japan

Decided 13 September 2006

2005 (Ne) No.10076

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Keywords

Producer, Documentary of Concert, Master tape, Author and Producer of a Cinematographic Work of a Music Performance, Assignment, Moral Rights, Right of Attribution, Right of Integrity

Facts/Issue(s)

P1, the first plaintiff and representative of the second plaintiff company (Company P2), directed and shot a documentary film about a music group's final concert (the "Work"). The music group was managed by M, the management company, which also made all the arrangements for the concert. After the Work was made, the defendant company (through its predecessor company) paid the plaintiff company for shooting the final concert and received delivery of the master tape of the Work from P1. Subsequently, the defendant company manufactured and sold DVDs *etc.*, which the plaintiffs alleged had infringed P2's copyright (right of reproduction and adaptation) in the Work and P1's moral rights of authorship (right to attribute his name and right to maintain integrity of his work). (P2 had in the meantime assigned the right to exclusively broadcast the Work on TV to a TV station and received 1.5 million yen for the broadcast right.) P1 and P2 sought an injunction against the defendant company's reproduction and distribution of the DVDs, payment of damages and publication of an apology.

The court of first instance ordered the defendant company to stop the reproduction and distribution of the DVDs *etc.* and pay damages. Both parties appealed.

The issues were: (1) Whether the first plaintiff P1 was the author of the Work? (2) Whether the second plaintiff P2 was the owner of the copyright in the Work?

Ruling & Reasoning

The court ruled that the first plaintiff P1 was the author of the Work.

The court noted that under Article 16 of the Japanese Copyright Act, "The authorship of a cinematographic work shall be attributed to those who, by taking charge of producing, directing, filming, art direction, etc., have creatively contributed to the creation of such cinematographic work as a whole." In this case, while the Work was made under circumstances where a number of people were involved in the project without any particular agreement being made, taking into consideration the first plaintiff X's role in making the Work from planning to completion, where he served as director, made decisions on highly creative parts of the Work, included shots of ardent fans and interviews with fans, and gave directions for all shooting and editing operations, the court held that it was appropriate to recognize the first plaintiff X as the only person who had "creatively contributed to the creation of such cinematographic work as a whole."

Pursuant to Article 2(1)(x) and Article 29(1) of the Japanese Copyright Act, the "maker of a cinematographic work" was construed to mean the person who had the intention of making the cinematographic work, who had the legal rights and obligations to do so, and who made economic profit from it and made disbursements for making it. The court held that this person would be the plaintiff company, P2.

However, the court observed that M, the management company for the music group, had made all the arrangements for holding the final concert, including bearing all the expenses, and that its representative took charge of the production. The court noted that it was difficult to presume that the representative had authorized P2 to shoot the final concert if it was assumed that copyright in the Work would not belong to M or its representative. Thus, the court held that though P2 was the maker of the Work, copyright in the work should be regarded as having been assigned to M's representative after the concert.

As the second plaintiff P2 had assigned its copyright to a third party M, the court dismissed P2's claim of copyright infringement against the defendant, but upheld the first instance court's ruling in relation to the defendant's breach of first plaintiff P1's moral rights

Laws Cited

Japanese Copyright Act 1970, Article 2(1)(x), Article 16, Article 29

Commentary

The maker of a cinematographic work is defined in the Japanese Copyright Act as follows:

(x) "maker of a cinematographic work" means the person who takes the initiative in, and the responsibility for, the making of a cinematographic work;

In contrast, the author of a cinematographic work is defined in Article 16 as follows:

Article 16 (Authorship of cinematographic work)

The authorship of a cinematographic work shall be attributed to those who, by taking charge of producing, directing, filming, art direction, etc., have creatively contributed to the creation of such cinematographic work as a whole, excluding, however, authors of novels, [play/film] scripts, music or other works adapted or reproduced in such cinematographic work; provided, however, that the foregoing shall not apply where the provisions of the preceding Article [Article 15 - authorship of a work made by an employee in the course of his duties] are applicable.

One of the issues in this case is as regards the distinction between an "author" and a "maker" of a cinematographic work under the Japanese Copyright Act. Authorship in the cinematographic work would belong to the director, cameraman, art director and other persons who made creative contributions to the creation of the film. However, under Article 16, authorship in a cinematographic work excludes the authors, script writers and music composers of works adapted or reproduced in the cinematographic work. It would Authorship in a cinematographic work entitles the author to assert his moral rights, such as the right to make the work public (Article 18), the right to determine the indication of the author's name (Article 19) and the right of integrity to his work (Article 20). P1 was seeking to assert these moral rights against the defendant in this case.

Unlike authorship in other types of works, ownership does not follow authorship in a cinematographic work under the Japanese Copyright Act (Article 26(2)). Copyright instead is vested in the "maker" of a cinematographic work, who is generally the person who bears the economic responsibility for its making (Article 29(1)). The litigation in this case emphasises the dualistic concept of author's rights as personal rights and copyright as economic rights that is embodied in the Japanese Copyright Act.¹

As the ownership of the copyright in the work in the instant case was held to have been contractually assigned to the management company's representative, the plaintiff P2 was unable to assert a claim for copyright infringement against the defendant. Article 112(1) of the Japanese Copyright Act states:

¹ See also Article 17(1), Japanese Copyright Act.

The author, the copyright holder, the holder of the right of publication, the performer, or the holder of neighboring rights may demand that persons infringing, or presenting a risk of infringing, on his moral rights of author, copyright, right of publication, or moral rights of performer or neighboring rights, as applicable, cease the infringement or not infringe, as the case may be.

On the facts of the case, the management company had presumably engaged the plaintiff company P2 to shoot a documentary film, and P1 in turn was directed, as an employee of P2, to produce the film. It is interesting that although the court made reference to Article 16, no reference was made to Article 15, which would have operated (as an exception to Article 16) to transfer the *authorship* rights of P2 in the Work to P1, his employer. That this “remarkable” provision did not operate could presumably be explained by the fact that the court considered that the condition in Article 15, that the work be made “on the initiative of the employer ... in the course of the performance of [the employee’s] duties in connection with [the employer’s] business and is made public [by the employer] as a work under its own name” was not satisfied. A commentator has noted that the requirement that the work be made “on the employer’s initiative and in the course of the employee’s duties in connection with the employer’s business” calls for an examination of the existing relationship of “direction and order” in terms of the work between the employer and employee.² Presumably the relationship between P1 and P2 as a producer for hire was a loose one which ensured that there was no expectation that the authorship rights would vest in P1 as the employer.

For completeness, reference should also be made to the right of the performers of the musical group to make sound or visual recordings of their performance (Article 91(1)), and to broadcast and to wire-broadcast their performances (Article 92(1)).

² Shigeki Chaen, *Copyright Ownership* in JAPANESE COPYRIGHT LAW: WRITINGS IN HONOUR OF GERHARD SCHRICKER 37 (Peter Ganea, Christopher Heath and Hiroshi Saitó eds., 2005).

5.1 Dunia Muzik WEA Sdn. Bhd. & Anor v. Koh Tay Eng

High Court (Kuala Lumpur), Malaysia
 Justice Gunn Chit Tuan
 Decided 21 March 1989
 [1989] 2 MLJ 356, [1990] 2 CLJ 27 (Rep)

Keywords

Musical Works, Sound Recordings, Infringement by Selling Unlicensed Cassette Tapes, Injunction

Facts/Issue(s)

The first and second plaintiffs were Malaysian companies engaged in the making, producing and publishing of musical works and sound recordings. The first plaintiff was the copyright owner of twelve musical works. It had acquired the copyright from various authors and composers and had granted the second plaintiff the exclusive rights to record the musical works in cassette form and sell them.

The plaintiffs alleged that the defendant, a sole proprietor engaged in the business of selling musical works and sound recordings in cassette and other forms, had sold unlicensed cassettes containing the plaintiffs' musical works and sought to pass them off as of the plaintiffs' manufacture, without the permission or licence of the plaintiffs. A director from the International Federation of Phonogram Industries ('IFPI') had made a trap purchase of three cassettes from the defendant's shop. Arising from that purchase, the defendant was served an *Anton Piller* order and the defendant's shop premises were searched. Five cassettes with the plaintiffs' musical works were recovered. The plaintiffs proved that although the cassettes had a similar get-up to the original cassettes manufactured by the plaintiffs, these cassettes were not genuine as they did not have the plaintiffs' watermarks.

The issues were: (i) Whether the defendant had infringed the plaintiffs' copyright by reproducing and selling the non-genuine cassettes with the plaintiffs' musical works and sound recordings without the plaintiffs' consent? (ii) Whether the defendant had caused, enabled or assisted others to reproduce or dispose of unlawfully without the plaintiffs' consent, the plaintiffs' musical works and sound recordings?

Ruling & Reasoning

The court held that on the evidence, the defendant had infringed the plaintiffs' copyright in the musical works (and sound recordings) by reproducing and selling cassette tapes not of the plaintiffs' manufacture, without the plaintiffs' consent. The court also held that the defendant had been passing off those cassettes not of the plaintiffs' manufacture as those of the plaintiffs.

The court also held that the defendant had caused or assisted others to reproduce and/or dispose of unlawfully without the plaintiffs' consent, the plaintiffs' musical works in the cassettes.

The court held that an injunction would be granted to restrain the defendant, his servants and his agents from doing any of these acts. The court also ordered a delivery up to the plaintiff of all infringing copies of the musical works in the form of cassettes, packaging, labels and documents in the defendant's possession. The court also ordered an inquiry as to damages or an account of profits at the plaintiffs' option.

Commentary

This case is a case regarding the sale of non-genuine cassette tapes, for which the defendant was held liable.

However, the judgment did not clearly outline the role of the defendant in manufacturing and reproducing the non-genuine tapes, or even to "cause or assist" others to reproduce and dispose of the non-genuine tapes. If the judgment of the court is interpreted to suggest that a person selling non-genuine tapes had "caused" another person who is neither his servant nor acting under his instructions, to reproduce the musical works and recordings for manufacture of the non-genuine tapes, it has been observed that this would introduce far reaching consequences.¹ If this case is construed as the Malaysian position regarding secondary infringement, this would appear to imply that a supplier of copying machines or even blank tapes would have "caused" an infringing copy of a work to be made.²

For this reason, a learned author has submitted that a narrower meaning of the word "cause" as ascribed to secondary infringement should be adopted, and that the concept of an "authorizing infringement" is to be preferred.³ Even then, Australian courts have taken a view of what constitutes "authorization" that is no less liberal than that taken by the Malaysian court in this case. For an example of the defendant's "authorizing infringement" through its failure to put in place measures to prevent infringement, see *Universal Music Australia Pty. Ltd. & Ors. v. Sharman License Holdings Ltd. & Ors.* (Case 1.7 above).

¹ Khaw Lake Tee, COPYRIGHT LAW IN MALAYSIA 183 (2nd ed. 2001).

² *Id.*

³ *Id.*

5.2 Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd.

High Court (Kuala Lumpur), Malaysia
Justice Abdul Malik Ishak
Decided 8 November 2004
[2005] 3 MLJ 552

Keywords

Karaoke VCD made from Sound Recordings, Copyright Ownership in Derivative Work, Proof of Copyright Ownership by Statutory Declaration, Assignment, Karaoke VCDs as Cinematographic Works, Sound Recording copyright not subsumed as Sound Track of Cinematographic Work, Infringement

Facts/Issue(s)

The ten sound recordings in question were popular Malay songs, first published in the form of sound recordings between June 1990 and November 1995. The plaintiff alleged that the defendant had infringed its copyright in its sound recordings by making a karaoke VCD with the recordings without the licence of the plaintiff, and had thus infringed its copyright.

The defence raised by the defendant was that the plaintiff was not the copyright owner in the sound recordings, and that it was licensed by another company, Audio Scope Video Product Sdn. Bhd., to reproduce the sound recordings. The defendant challenged the statutory declaration of ownership produced by the plaintiff under section 42 of the Malaysian Copyright Act, contending that it was inadmissible for this purpose because the originals of the recordings were not annexed to the declaration. The defendant also contended that it was the copyright owner of the karaoke VCD, which qualified for protection as a film under the Copyright Act, and that the copyright in a film included the sound track of a film.

The issues for the court were: (1) Whether the plaintiff had proven its ownership of the copyright in the sound recordings, pursuant to the requirements of section 42 of the Malaysian Copyright Act? (2) Whether the defendant had, by incorporating the sound track of a cinematographic work into the sound track of its karaoke VCD, infringed the plaintiff's copyright in its sound recordings?

Ruling & Reasoning

The court affirmed that the plaintiff was the owner of the copyright in the sound recordings. By affirming a statutory declaration pursuant to section 42 of the Malaysian Copyright Act, the statutory declaration was admissible as evidence of proof of copyright ownership by the plaintiff, and placed the burden on the infringer to dispute and challenge the *prima facie* evidence adduced by the copyright owner. Even though the plaintiff failed to annex to the declaration actual copies of the recordings, as required under section 42 of the Malaysian Copyright Act, this did not invalidate the declaration as the plaintiff did produce the original albums and recordings for the court's inspection. Furthermore, mere copies of the exhibits annexed to the statutory declarations would also suffice. Bare denials by the defendant in his statement of defence were insufficient to challenge or rebut or dislodge the *prima facie* evidence adduced in the plaintiff's affidavits and statutory declarations.

The court found that the author of the sound recordings was Suara Cipta Sempurna (Marketing) Sdn Bhd, a sound recording company which made arrangements for the recording of the songs referred to in the works, and that by way of an assignment in writing (in the form of a sale and purchase agreement), copyright in the recordings was assigned to the plaintiff. There was no legal requirement for the assignment to be expressed in any particular form of words. (The court also noted that the defendant had acknowledged that Suara Cipta Sempurna (Marketing) Sdn Bhd owned the copyright in the literary works (lyrics) and musical works (tune) in the songs.)

As the exclusive owner of the copyright in the sound recordings, the plaintiff had the right to control the reproduction of sound recordings in various material forms, including the various media in which the sound recordings could be embodied, such as cassettes, laser discs (LD), video compact discs (VCD) or digital video compact discs (DVD). A licence granted by the rightholder to reproduce the sound recordings in one format did not extend to the right of reproduction in another format. Thus the defendant's defence that it had a purported licence to "duplicate and make copies of the master tapes containing the licensed materials (the sound recordings) onto and in Laser Disc format" could not succeed as the defendant had not been authorized to reproduce the plaintiff's works in any format whatsoever. Furthermore, the defendant had not produced any evidence to show how and from whom its purported licensor had procured the rights to sub-licence the sound recordings to the defendant.

The court also rejected the defendant's argument that the defendant's copyright in the karaoke VCD as a cinematographic work included the sound track and thus subsumed the plaintiff's copyright in the sound recordings. Assuming that the defendant's karaoke VCDs qualified for protection as films and that the films belonged to the defendant, copyright in the plaintiff's recordings did not cease to belong to the plaintiff merely because the defendant incorporated the recordings into its karaoke VCDs or films. The Malaysian Copyright Act 1987 created and conferred an additional right on the film maker in the film as a composite work but it did not take away the individual rights of copyright owners of works embodied in the film that were themselves eligible for separate copyright protection such as sound recordings. The court in this regard approved of the Australian High Court decision in *Phonographic Performance Company of Australia Ltd v. Federation of Australian Commercial Television Stations* (Case 1.5 above) and the Singapore High Court decision in *The Performing Right Society Ltd v. United Artists Singapore Theatres Pte. Ltd.* (Case 8.1 below).

The court found no merit in any of the defendant's arguments and summary judgment against the defendant was granted.

Laws Cited

Malaysian Copyright Act 1987, Sections 3, 7(1), 7(1)(e), 10, 10(2)(a), 13, 13(1), 13(1)(a), 26(1), 27, 36(1), 42

Malaysian Evidence Act 1950, Section 2

Malaysian Rules of the High Court 1980, Order 1A, Order 14, Order 14A, Order 18 Rule 19, Order 41 Rule 11(1)

Commentary

This Malaysian case establishes that sound recording rights remain separate and independent of rights in the cinematographic works, even though the sound recordings have been assimilated into the sound track of the movies. The court also found that the defendant was never licensed to incorporate the plaintiff's recordings into its karaoke VCDs or create music videos from the plaintiff's recordings, and that the provision in the Malaysian Copyright Act which assimilated the recording rights into the rights of a film did not apply where the recording was embodied without the plaintiff's permission. A finding to the contrary would "[go] against the tenet of copyright or property law in general, [be] completely baseless" and to sanction it is tantamount to approving of "theft of ... annexed property". (*Id.*, at [39]).

For a summary of the Australian High Court decision referred to by the court in this case, please see *Phonographic Performance Co. of Australia Ltd. v. Federation of Australian Commercial Television Stations* (Case 1.5 above).

For Indian decisions have reached a similar conclusion, see *Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association & Ors.* (Case 3.1 above) and *Radio Today Broadcasting Ltd. v. Indian Performing Rights Society* (Case 3.4 above). For a Singapore decision which reached a similar conclusion, see *The Performing Right Society Ltd & Anor. v. United Artists Singapore Theatres Pte. Ltd.* (Case 8.1 below)

It should also be noted that prior to the Malaysian Copyright (Amendment) Act 2000, the affidavit or statutory declaration of copyright ownership could only be made by a responsible officer of the company or a body of persons owning the copyright. An agent who did not have any interest in the work was not eligible to affirm the affidavit or the statutory declaration.¹ Pursuant to the 2000 revisions, any person "on behalf of" the copyright owner may make the affidavit or statutory declaration, as long as he produces such authorization in writing from the copyright owner under section 42(2).²

While this requirement was not in issue in this case, this Malaysian case is also seminal because in its analysis of section 42 of the Malaysian Copyright Act, the court held that an affidavit or statutory declaration without the annexed copy of the work was still admissible, as long as the plaintiff was able and willing to produce the true copies of the works in question.³ Copyright owners and licensees have welcomed the decision, because in many situations, whole copies of the copyright works in issue (such as books and other printed publications) may too bulky and voluminous to be annexed to the affidavit or declaration in a cost-effective way.⁴

For an example of a decision from Hong Kong regarding the use of affidavit evidence to prove copyright ownership, where the statutory requirements were interpreted strictly, see *HKSAR v. Ng Ping Kwan* (Case 2.15 above).

¹ See *Pendakwa Raya v. Sun Movie Distributors Sdn. Bhd.*, (Kuala Lumpur Sessions Court, Case No: 1-63-103-96) and *Pendakwa Raya v. Lim Chee Keong*, (Kuala Lumpur Sessions Court, Case No: 1-62-56-97).

² See also *Solid Gold Publishers Sdn Bhd v. Orang-Orang Yang Tidak Dikenali Yang Kononnya Berniaga Sebagai Shenton Video Centre (Terengganu) Sdn Bhd.*, [1998] 5 MLJ 122 and *Solid Gold Publishers Sdn. Bhd. v. Chan Wee Ho*, [1998] 5 CLJ 735 (rejecting the copyright statutory declarations for failure to produce the authorization documents).

³ A similar conclusion was reached by the Malaysian court in *Rock Records & Tapes Co. Ltd. & 5 Ors. v. Season Karaoke Sdn. Bhd & 4 Ors.*, [1999] 1 AMR 78.

⁴ See e.g. Ong Aik Hin, *Section 42 of the Copyright Act 1987 as a Useful Tool - How and When?* in LEGALTAPS 8 (Nov. 2006), available at http://www.taypartners.com.my/resource_dl/legalTAPS/November%202006.pdf (accessed 25 Feb. 2009).

6.1 Australian Performing Right Association Ltd. v. Koolman & Anor

Supreme Court, New Zealand
Justice McGregor
Decided 31 October 1968
[1969] NZLR 273

Keywords

Musical works, Performance by Band in coffee club, Authorizing Infringement, Infringement

Facts/Issue(s)

The plaintiff, the Australasian Performing Right Association Limited, was the copyright society with assigned copyright to musical works in Australia and New Zealand by John Lennon and Paul McCartney.

The first defendant was the manager of the second defendant, a coffee bar proprietor with two premises situated in Wellington. In 1964, the second defendant had obtained a licence from the plaintiff for the use and performance of musical works in one of the bars, but the licence was not renewed owing to disputes in respect of royalties.

Although these premises were described as coffee bars, it was customary for dancing to music to be conducted on the premises. In December 1966, an officer of the plaintiff's visited one of the bars and gave evidence that on that occasion, a musical work "Got to Get You Into my Life" by John Lennon and Paul McCartney was performed by a four-piece band. There was evidence that on other occasions, other musical works in respect of which the plaintiff owned the performing rights were performed in both bars. The music was played by the use of jukeboxes and recordings. The defendants asserted that the band engaged in December 1966 had been engaged through a booking agency and that neither defendant authorized the performance, which might amount to an infringement, of any musical work by the band.

The issue for the court was: Were the defendants liable for the unlicensed performance of musical works by the band on their premises, and thereby liable to the plaintiffs for authorizing the infringement?

Ruling & Reasoning

The court held that whether or not the defendants had authorized the infringement by third parties was essentially a question of fact.

The court referred to and applied with approval the Australian decisions of *Australasian Performing Right Association Ltd. v. Miles*¹ and *Australasian Performing Right Association Ltd. v. Canterbury-Bankstown League Club Ltd.*² In the present case, the court noted that the premises were under the control and management of the second defendant or its servants, and that "[t]he second defendant was conducting a public performance",³ which consisted both in the playing of music and dancing to such music, for which it received the charge for admission and performance. In doing so, the defendant permitted, and thus impliedly authorized, the band or the booking agency to select the music it played.

¹ *Australasian Performing Right Association Ltd. v. Miles*, [1962] N.S.W.R. 405.

² *Australasian Performing Right Association Ltd. v. Canterbury-Bankstown League Club Ltd.*, [1964-65] N.S.W.R. 138.

³ *Id.*, at 275.

The court held that likewise, the second defendant had authorized the performances of the plaintiff's music on the jukeboxes, which were installed by the second defendant and where the records made available thereon were selected by the servants of the second defendant.

The court granted an injunction against the second defendant to restrain the second defendant from performance of the music, having regard for the repetitive infringements by the defendant in the course of a profit-making business carried on in the two premises and awarded damages. The court dismissed the action against the first defendant in the circumstances that the second defendant was held liable, even though it held that as manager of the second defendant, he had authorized and was responsible for the various infringements.

Laws Cited

NZ Copyright Act 1962, Section 6(2), 24(3)

Commentary

This decision by the court as regards the liability of the music hall proprietor for music performed on its premises is seminal for expanding the scope of liability beyond the strict limits of vicarious liability and recognizing liability for authorizing infringement. In emphasizing the control which the defendant has over the dance premises and the band or orchestra and the profit element in the activity, the approach by the New Zealand court in this case parallels the dance hall decisions that were the foundation for "vicarious infringement" under U.S. copyright law.⁴

As one learned commentator observed, this decision is also notable for the thin line between authorizing the infringement and actually having conduct of the infringement.⁵ The current statutory position under the New Zealand Copyright Act 1994 appears to take the latter view. Thus section 38 of the New Zealand Copyright Act renders liable the owner or licensor of a place of public entertainment who gave permission for the place to be used for an infringing public performance. Section 39 likewise renders liable a person who supplies apparatus for playing sound recordings, showing films or receiving visual images or sounds for an infringing public performance, as well as the occupier of the premises and the person who supplied a copy of the recording or film. In both instances, the liability of the defendant is subject to the defence that he did not know or had no reason to believe that infringement would take place.

⁴ See e.g. *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (C.A.N.Y. 1963); *Dreamland Ball Room v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *M Witmark & Sons v. Tremont Social & Athletic Club*, 188 F.Supp. 787 (D. Mass. 1960); *Bourne v. Fouche*, 238 F.Supp. 745 (D.C.S.C. 1965).

⁵ *Andrew Brown and Anthony Grant, THE LAW OF INTELLECTUAL PROPERTY IN NEW ZEALAND 376 (1989).*

6.2 J Albert & Sons Pty. Ltd. & Ors. v. Fletcher Construction Co. Ltd.

Supreme Court, New Zealand
Justice Quilliam
Decided 14 September 1973
[1974] 2 NZLR 107

Keywords

Musical Works, Sound Recordings, Transmission to Subscribers of a Diffusion Service, Importation, Authority to Make Article in Country of Importation, Exception for Making Ephemeral Record for Diffusion Service.

Facts/Issue(s)

The defendant, Fletcher Construction Co. Ltd. who carried on business under the name "Planned Music Services", held the New Zealand franchise for the "Muzak" service. The franchise was granted by the American proprietor, Muzak. The service involved the transmission of background music in large business premises from a central point to speakers in various parts of the premises.

For its purposes, the defendant would import the tape recorded by Muzak in New York, U.S.A. into New Zealand, and transmit the tape to subscribers of the defendant's diffusion service. After its use in New Zealand, the tape would be shipped back to Muzak. The defendant would pay Muzak annual royalties and fees for the operation of the service and use of the tapes.

The tapes contained musical works, for which the plaintiffs were the owners in New Zealand of the exclusive right to do and to authorize other persons to reproduce the musical works in any material form.

Between April 1972 and July 1972, the plaintiffs alleged that the defendant had imported, without the plaintiffs' permission, the Muzak tape into New Zealand, and thereby infringed their copyright in the musical works. In its defence, the plaintiff tendered in evidence an agreement between the defendant and the Australasian Performing Right Association Limited, which authorized the defendant to do the following acts in relation to musical works in New Zealand, namely, to perform the works in public, broadcast the works and cause the works to be transmitted to subscribers of a diffusion service.

Section 10(2) of the New Zealand Copyright Act 1962 provided as follows:

The copyright in a literary, dramatic, musical, or artistic work is infringed by any person who, without the licence of the owner of the copyright, imports an article (otherwise than for his private and domestic use) into New Zealand if to his knowledge the making of that article constituted an infringement of that copyright, or would have constituted such an infringement if the article had been made in the place into which it is so imported.

In a test case, the plaintiff sued the defendant for copyright infringement. The issue for the court was whether the defendant had infringed the plaintiffs' copyright by importing the Muzak tape into New Zealand without the plaintiffs' permission.

Ruling & Reasoning

The court found for the plaintiffs.

The court held that the plaintiffs' copyright in the musical works was different from the copyright in the sound recordings, and that it was possible for separate rights with separate economic value to be enforced against a work by different parties.

The court interpreted section 10(2) of the New Zealand Copyright Act 1962 to mean that the importer of an article in which the work resided would be liable if to his knowledge, the making of the article in New Zealand (as the place into which the article was imported) would have constituted an infringement without specific authority from the copyright owner.

Noting that the tape was imported into New Zealand by the defendant for the purpose of transmitting the musical works to the subscribers of its diffusion service, the court accepted that the defendant had obtained a licence from the Australasian Performing Right Association Limited to transmit the contents of the tape. However, the plaintiffs had at no time authorized or licensed the making of such a tape in New Zealand or its importation into New Zealand. Hence the defendant was liable for an unlicensed importation under section 10(2).

To justify the making of the article under section 10(2), the defendant sought to rely on section 19(9), which provided that a person authorized to broadcast a literary, dramatic or musical work would be entitled to make an ephemeral record solely for purposes of broadcasting the work, and section 19(11), which provided that section 19(9) applied to a work to be transmitted to subscribers of a diffusion service. However, the court rejected this argument, holding that to read section 10(2) in such a way would mean that a person who had a licence to "make" the work would automatically have a licence to "import" the work.

The court also rejected the defendant's reliance on section 19(9) and (11), holding that it only applied to a situation where the work was broadcast, to permit a person who was licensed or authorized to broadcast but who did not wish to exercise that right immediately.

Laws Cited

NZ Copyright Act 1962, Sections 2(4), 3(9), 6(1), 6(2), 7(3), 10(2), 19(9), 19(10), 19(11), 56

Commentary

The approach taken by the court regarding the right of importation has been said to have enhanced the ability of overseas copyright owners to control the licensing, sale and distribution of their copyright works and reproductions in New Zealand.¹ No issue arises as regards the application of pirated or infringing copies of works made overseas. The issue raised in this case is as regards "parallel imports" or copies of works made by licensees in the country of origin and sought to be brought into the country of importation, without the licence or permission of the copyright owner or exclusive licensee in the importation country.

As the (court) explained in the subsequent decision of *Barson Computers (NZ) Ltd. v. John Gilbert & Co. Ltd.*, the policy approach taken by the New Zealand legislators is that the interest of the person who owns the copyright in the country of importation is to be protected from depredation through the activities of importers who seek to bring into that country copies of the protected works in competition with those sold by the copyright owner, exclusive licensee or sole distributor.² Also known as the "hypothetical maker" theory, it has been written into the wording of section 12(3) of the New Zealand Copyright Act 1994 (read with section 35 of the Act regarding infringement by importation). However, pursuant to the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998, parallel imports are now allowed and section 12(5A) recognizes the legality of an import made by or with the consent of the copyright owner in the country in which the object of import was made (the "actual maker" theory). This arose from a change in the position taken by the New Zealand government that lifting the blanket parallel-importing ban on all copyright goods was likely to provide net gains to the New Zealand economy as a whole.³ However, a partial ban on the parallel importation of films has been retained in section 35(3) of the 1994 Act,

¹ *Id.*, at 366.

² *Barson Computers (NZ) Ltd. v. John Gilbert & Co. Ltd.*, (1984) 4 IPR 533, 550.

³ NZ Institute of Economic Research, *Parallel Importing: A Theoretical and Empirical Investigation: Report to the Ministry of Commerce Prepared by NZIER* (Feb 1998).

pursuant to the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003, on concerns that to permit parallel imported copies would affect cinema box office takings.⁴

One other point that should be noted regarding this case is that the interpretation given by the court to section 19(11) of the New Zealand Copyright Act 1962 that it did not apply to the making of ephemeral sound recordings as applied to diffusion services has been criticized as not being consistent with the clear language of the provision.⁵ This issue has since been clarified. Section 85 of the New Zealand Copyright Act 1994 (the successor provision to section 19) makes it unequivocally clear that incidental recording of a work or sound recording is allowed for purpose of broadcast or inclusion in a cable program service.

⁴ NZ Ministry of Economic Development, Frequently Asked Questions about Parallel Importing: Why Has the Government Changed the Parallel Importation Provisions? (18 Dec. 2007), http://www.med.govt.nz/templates/Page_____1379.aspx#P27_3730 (accessed 25 Feb. 2009).

⁵ Andrew Brown and Anthony Grant, THE LAW OF INTELLECTUAL PROPERTY IN NEW ZEALAND 313 (1989).

6.3 Phonographic Performances (NZ) Ltd. v. Lion Breweries Ltd.

Court of Appeal, New Zealand
President Richmond, Justices Cooke and Richardson
Decided 7 November 1979
[1979] 2 NZLR 252

Keywords

Sound Recordings, Public Performance, Causing the Recording to be Heard in Public, Receipt of Payment in respect of Performance, Infringement

Facts/Issue(s)

The plaintiff, Phonographic Performances (NZ) Ltd., was a non-profit organization set up for administering the rights of local and international record labels and producers within New Zealand. It owned the copyright in the sound recording "Sweet Wine".

The defendant was the owner, occupier and manager of a hotel. Over a period of several weeks, it engaged one Mr Horne as an independent contractor to operate his own sound recording equipment in the hotel bar. He would play various sound recordings which he owned, and one of these was "Sweet Wine". On 12 April 1978 at about 9 pm, he played that recording. Neither he nor the defendant had the licence of the plaintiff to do so.

The parties also agreed to the following additional facts. The hotel bar was open to the public and the defendant imposed no cover charge for admission. There was no requirement to purchase liquor at the bar, and the prices for the liquor remained constant regardless of whether the contractor was playing sound recordings. However, there was evidence that the prices charged for drinks at the defendant's bar were higher than in other areas of the hotel. The defendant's argument was that it had provided music to attract people to the premises to increase the volume of trade in the hotel bar and hotel restaurant.

In a test case, the plaintiff sued the defendant for copyright infringement. The issues for the court were: (1) Whether the defendant alone as the person who supplied the apparatus for the performance had given an infringing performance or caused the images or sounds to be seen or heard under section 2(6) of the New Zealand Copyright Act? (2) Whether the defendant was liable to the plaintiff as the person causing the recording "Sweet Wine" to be heard in public and had received a payment in respect of the performance under section 13(5)(c)(iii) of the New Zealand Copyright Act 1962?

The court at first instance found for the defendant, holding that the defendant alone had given the infringing performance under section 2(6), but he was not liable as he had not received a payment in respect of the performance at the hotel. The plaintiff appealed.

Ruling & Reasoning

On a close reading of section 2(6), the court held that section 2(6) deemed the occupier of the premises who provided equipment for performing a work to exclusively be the person giving the performance, or causing the images or sounds to be seen or heard, whether he was the person operating the equipment or not.

Thus, reading section 2(6) with section 13(5)(c)(iii), the court held that for liability to be established against the defendant as the person who caused the recording to be heard, it had to be shown that the defendant received payment in respect of the performance. The court was not persuaded that the payments made by the patrons of the bar for drinks amounted, either individually or collectively, or wholly or partly, to payment received by the defendant "in respect of the performance".

The court accepted the defendant's argument that the prices for drinks at the bar were fixed at a price that allowed for the entire expense of operating the hotel, which included the expenses for a variety of means, including music, to increase the patronage of its premises. The better view, according to the court, was to regard the music amenities as provided free to patrons by the defendant as a means of promoting the sale of drinks rather than as a benefit the defendants sold to patrons who elected to buy drinks but provided free of charge to those who did not.

Laws Cited

NZ Copyright Act 1962, Sections 2(6), 13(5)(c)(iii)

Commentary

Under the U.K. Copyright Act 1911 (upon which the 1913 New Zealand Copyright Act was based), record producers were granted the right to prevent the copying of their records and also the right to control the public performance of records.¹ This led to a detailed system of licensing for the public performance of records in the U.K., but not in New Zealand.² When the U.K. Copyright Act was revised in 1956, and revisions to the New Zealand Copyright Act were mooted, the Dalglish Committee recommended that the public performance right for phonogram producers be circumscribed. Section 13(5)(c) of the New Zealand Copyright Act of 1962 was an attempt to reflect that policy decision to promote the broad public availability of works.³ Hence the right of public performance was limited to performances at a place where a charge was made for admission, where the recording was performed by a coin-operated machine, and where the person causing the recording to be heard in public received payment for the performance.

Since then, the New Zealand Copyright Act 1994 has replaced the Copyright Act 1962. A "performance" is defined to include "any mode of visual or acoustic presentation of a literary, dramatic, musical, or artistic work, including presentation of the work by means of a sound recording, film, broadcast, or cable program" (Section 2(1)), and the phonogram rightholder has been given the right of "playing or showing ... a work in public" (Section 32(2)). As previously noted above, the owner or licensor of a place of public entertainment who gave permission for the place to be used for an infringing public performance would be liable (Section 38), as would the supplier of apparatus for showing such a performance (Section 39). A limited exception exists for the playing of sound recordings for non-profit, charitable clubs and societies where any charges for admission to the place where the recording is to be heard are to be applied solely for the purposes of the club or society (Section 81).

¹ See *Gramophone Co. Ltd. v. Carwardine & Co.*, [1934] Ch 450.

¹ Andrew Brown and Anthony Grant, *THE LAW OF INTELLECTUAL PROPERTY IN NEW ZEALAND* 291 (1989).

¹ *Phonographic Performances (NZ) Ltd. v. Lion Breweries Ltd.*, at 260.

6.4 Police v. Vile

District Court, Manukau, New Zealand
Judge D J Harvey
Decided 23 August 2006
[2007] DCR 24, 2006 NZDCR LEXIS 39

Keywords

Music CDs, Copying by "burning" Music CDs and Selling them, Infringement by Reproduction and Sale, Sentencing Guidelines

Facts/Issue(s)

The defendant operated a CD burning business with sophisticated computer equipment and CD drives which he used for copying music CDs. He would apply labels to the copied CDs and the jewel cases and distribute them for sale at certain flea markets and other outlets. The music that the defendant sold was Pacific Island music from groups and bands. The defendant was charged with making for sale or hire, offering, exposing and actually selling sound recordings that were infringing copies of copyright works, and possessing infringing copies other than pursuant to a copyright licence, knowing that they were infringing copies.

The defendant's defence was that he had been authorized to copy certain CDs as a settlement of some debt that was owing to him by another person in Samoa. The court rejected this defence.

The issue for the court was: Whether a fine or a community based sentence was an appropriate sentence for the defendant's offences?

Ruling & Reasoning

The court outlined ten principles to be considered when determining the appropriate sentence. These were: (1) the extent of the commercial infringement, (2) the manner of the infringement such as the level of sophistication of the getup, (3) if the getup was of a sophisticated nature, was it likely to confuse a consumer such that there was an element of fraud in the operations, (4) the amount of gains made, (5) the nature and scale of the distribution system, (6) whether the Internet with its apparent anonymity was involved in the course of distribution, (7) the time over which the activities took place, (8) the number of victims such as authors, producers, those involved in the making or marketing of movies or CDs, distribution networks, retailers etc who were going to be affected and the public confidence in purchasing a product, (9) the nature of the offence with its analogy to theft and receiving, wherein someone interferes with a copyright owner's right by making illicit copies and profiting from the making of those copies by distributing and selling them, and (10) the very high level of premeditation that underlied any offence of this nature.

The court held that on the facts, there was a significantly large extent of commercial infringement, the manner of the infringement was not amateurish and had a certain level of sophistication, the getup was likely to confuse a consumer, that the commercial gains were quite significant, the distribution system was through flea markets which was one on the move, difficult to detect, somewhat informal and opportunistic. Although the Internet was not involved, the offence took place in 2005 and over a period of time, the authors and producers would suffer as a result of this infringement and public confidence in the purchase of the product was going to be affected. There was a very high level of pre-meditation behind this offence, having regard to the set-up.

On these principles, the court held that a fine or a community based sentence could not meet the relative seriousness of this type of offence, and the correct message about deterrence and denunciation would not be sent by the imposition of a fine or a community-based sentence. These

penalties should be available only for very low level offenders but not for serious, sophisticated commercial offenders in the nature of this offence.

On the facts, the court held that imprisonment was the only outcome. If the maximum penalty of five years' imprisonment was reserved for the very worst case, on the facts, this offence would justify a starting point of one year's imprisonment but it was adjusted to nine months for each charge taking into account the fact that the defendant was prepared to make reparation.

The court made the requisite reparation order, an order for disposal of all duplicated and counterfeit CDs, and the forfeiture of all of the defendant's means of making infringing copies, including his computer equipment, blank CDs, printers and scanners. The court also approved the defendant's request to apply for home detention.

Laws Cited

NZ Copyright Act 1994, Sections 131, 134

NZ Crimes Act 1961

NZ Sentencing Act 2002

Commentary

This case is one of the few to outline the various principles and considerations a court will take into account for sentencing purposes in relation to a conviction for copyright infringement. According to the court, the fact that the defendant was engaged in a sophisticated commercial operation for profit required that these offending activities be punished by term of imprisonment.

For another case that illustrates the sentencing principles regarding copyright infringement, see *HKSAR v. Lam Shuen Shuen & Anor.* (Case 2.14 above).

7.1 Lee Mi-bae Songs

Supreme Court, Republic of Korea

Decided 30 July 1996

No. 29130/1996, 95 Da 29130

On appeal from

94 Na 19909 (1 June 1995, Seoul High Court)

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Musical Works by Composers and Song-writers, Sound Recordings, Disc Manufacturing Agreement, Interpretation of Agreement via Industry Practices, Licence to Manufacture or Assignment, Licence to Manufacture on New Media

Facts/Issue(s)

The plaintiffs, a songwriter and a musical composer, concluded a “disc manufacturing” agreement in 1984 with the defendant company for the purpose of manufacturing and selling discs. Consequently, based on the master tape recording made by the defendant of the plaintiffs’ ten songs sung by the artiste Lee Mi-bae, the plaintiffs reproduced the recording onto the long-playing record discs (LPs) and sold them. (Seven of the ten songs were jointly composed by the two plaintiffs while the other three songs were composed by the second plaintiff.)

In conformity with Korean practices in the music industry, as the disc manufacturers or distributors were not guaranteed recovery of their own investments and the making any profits, they would acquire the rights to reproduce the songs from the music composers, songwriters and singers regardless of the quantity, time, period or the types of songs. By this practice, the composers, song writers and singers did not receive any fees for the musical compositions from the disc manufacturers or distributors. In turn, the manufacturers or distributors would bear all the expenses for making a master tape and advertising and selling the reproduced discs. By this Korean practice, the manufacturers or distributors could discover the latent popularity of their singers.

This was what happened to the aforesaid “disc manufacturing” agreement, which did not prescribe the period of use or reproduction of the master tape.

In 1992, the defendant made a new master tape from a rearrangement of the original recording by adding to the tape a new song composed by another composer and sung by Lee Mi-bae. It reproduced this new master tape onto compact discs (CDs) and sold them under the title “The Complete Works of Lee Mi-bae: Were you the Mist and the Fallen Rain in the Deep Night”.

The plaintiffs sued the defendant for copyright infringement, arguing that the “disc manufacturing” agreement only licensed the defendant to reproduce the master tape onto LPs and to sell the same without any rearrangement. At the time of concluding the agreement, the CDs were not produced or sold in Korea. Thus, the plaintiffs argued that the manufacture and sale of CDs could not be the subject of the “disc manufacturing” agreement.

The defendants however argued that the “disc manufacturing” agreement contained no restrictions as to the medium of reproduction of the master tape, and that in the light of market trends where LPs and CDs were only different in the way they were recorded and the process of reproduction, and

where CDs were being substituted for LPs, there was no reason why CDs should be taken out of the scope of the “disc manufacturing” agreement.

Before the Daegu District Court, the claims of the plaintiffs (together with Lee Mi-bae as a plaintiff) were dismissed. The court held that there were no restrictions placed in the “disc manufacturing” agreement regarding the manufacturing medium for the master tape, and it was reasonable to view the agreement the agreement as a licence to the defendant to reproduce the plaintiffs’ works on all recording products.

The plaintiffs appealed. The issues for the court were: (1) What rules and methods should be used for determining if a copyright agreement was an assignment or a licence? (2) What principles of interpretation should be used for determining if a copyright licensing agreement encompasses the licensed use of the work on new media? (3) Whether the “disc manufacturing” agreement between a composer, a song writer and a performer with a disc manufacturing company was a non-exclusive copyright licensing agreement that permitted the company to reproduce the recording on new media such as CDs which were not yet commercialized at the time of the agreement?

Ruling & Reasoning

The court found in favour of the defendant disc manufacturing company.

The court noted that unless the parties had clearly expressed their intentions in writing, it had to interpret the copyright agreement in a reasonable manner based on the background of the subject matter of the agreement, the object and genuine intention of the parties and general practices regarding the subject matter.

As to whether a copyright agreement was an assignment or a licence for use, in the absence of any express intention by the parties, it was reasonable to assume that copyright was reserved to the authors in their favour.

To determine the scope of a copyright licence agreement and its use on licensed media, the court would have regard for the issue of who would benefit from the profits generated from use of the new media, taking into account the knowledge, experience, financial position and genuine intention of the parties, general practices regarding the new medium of recording, consider whether the agreement would be seriously unbalanced where the authors would receive very little in comparison to the profits generated by using the works on the new media, and determine the economic effects that the new media would have on the old medium.

The court concluded that the disc manufacturing agreement was a non-exclusive copyright licensing agreement and held that the act of reproducing the master tape onto CDs as new media and manufacturing and selling the same was included in the scope of the licence.

Laws Cited

Korean Copyright Act 1986 (2000 edition), Article 41(1), Article 42(1)

Commentary

In this seminal decision, the Korean Supreme Court set down several important principles regarding the interpretation of copyright agreements. Firstly, the Korean Supreme Court affirmed the principle that there would be a presumption against an author’s assignment of copyright to an assignee, unless the parties had clearly expressed their intentions otherwise. The preservation of the author’s economic or property rights, even in a dualistic scheme such as that embodied in the Korean Copyright Act that separates the author’s moral or personal rights from his property rights is likewise emphasised in Article 45 of the Korean Copyright Act (2006 edition) which reads:

Transfer of Author’s Property Rights

- (1) Author's property rights may be transferred by assignment in whole or in part.
- (2) Where author's property rights are transferred by assignment in whole, the right of the production and exploitation of a derivative work as prescribed under Article 22 shall be presumed not to be included in the transfer, unless otherwise stipulated.

For a decision from Thailand which illustrates the same issues and consideration, see *Saeksan Tape & Record Registered Partnership v. Rose Video Co. Ltd et al.* (Case 9.1 below).

Secondly, the Korean Supreme Court has established an important precedent on the interpretation of the scope of a copyright agreement, where the parties have failed to clearly evince their intentions. In construing a "disc manufacturing" agreement encompassed the record company's use of the record on a new medium (CDs), the court appeared swayed by the fact that CDs as the new medium would encroach on and be a substitute for LPs as the existing medium, due to similarities in their use and manner of consumption. As no new market was created through technical innovation, there was no detriment to the plaintiffs and no reason to adjust the economic positions of the parties.

In contrast, where courts reach the conclusion that to have the terms of use of a licence encompass a new medium or mode of transmission would unjustifiably unbalance the interests of the parties, courts would hold that a new agreement would be needed. For examples that illustrate this point, please refer to the Japanese cases of *Simultaneous Broadcast Satellite Retransmission* (Case 4.5 above) and *Simultaneous Communication Satellite Broadcast Retransmission* (Case 4.6 above).

7.2 Windy Sound

The Supreme Court, Republic of Korea
Presiding Justice Park Jae-yoon, Justices Lee Kyu-hong and Kim Young-ran,
Justice-in-charge Kim Hwang-sik
Decided 10 February 2006
2003 Da 41555 (Supreme Court)
On appeal from
2002 Na 46562 (24 June 2003, Seoul High Court)
97 KaHap 8305 (7 August 1998, Suwon District Court)
This summary is adapted from an English translation provided
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Keywords

Classical Music Recordings of Live Concerts, Derivative Works and Originality, Digital Sampling

Facts/Issue(s)

The German Company Deutsche Grammophon GmbH ("Grammophon") had manufactured and sold discs by recording live concerts performed by the Berlin Philharmonic under her conductor Herbert von Karajan. The defendant, Polygram Co. Ltd., was the sole Korean distributor who obtained the exclusive right to distribute in Korea the discs manufactured by Grammophon.

Between 1982 and 1986, a Japanese company YMC made a magnetic dip of the sound source from the records and open-reel tapes that had been published before 1 October 1978. (Japan acceded to the 1971 Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms on 14 October 1978.) Among them were a number of pieces of music magnetically dipped from Grammophon, which included performances by von Karajan.

Around 1992, YMC licensed two Koreans, Yu and Seo, with the right to use the sound source magnetically dipped by YMC. Yu and Seo in turn granted a sub-license to the plaintiff Windy Sound, a company engaged in manufacturing and selling discs in Korea, to use the sound source. Using the sound source, the plaintiff manufactured and sold 30 CDs at low prices in the names of "Karajan Best Classics".

Korea acceded to the Agreement on Trade-Related Aspects of Intellectual Property Right (TRIPs Agreement) on 1 January 1995. Thereafter the Korean Copyright Law was amended to, inter alia, protect discs manufactured by foreign manufacturers which were otherwise unprotected. This law came into effect on 1 July 1996.

In September 1996, Grammophon discovered that the plaintiff Windy Sound had reproduced and was selling discs manufactured by Grammophon. In June 1997, the defendant sent a letter to warn the plaintiff that the discs that it sold were protected by Korean Copyright Law and they infringed the copyright and distribution right of the defendant. Negotiations between the plaintiff and defendant failed. In December 1997, the defendant filed a claim before the Suwon District Court against the plaintiff for a temporary injunction to prohibit sales of five of its music CDs. The plaintiff in turned filed a counterclaim against the defendant for compensation in damages arising from the defendant's copyright warning to the plaintiff's dealers.

The Suwon District Court found for the defendant and the plaintiff appealed. The Seoul High Court dismissed the plaintiff's appeal on 24 June 2003.

The plaintiff appealed to the Supreme Court.

The issue for the court was whether a disc which was originally recorded by an analogue method but was digitalized by a digital sampling method would constitute a “ derivative work ” under Article 4(3) of Addenda of the Korean Copyright Act (such that its distribution remained permissible after the Korean Copyright Act came into force).

Ruling & Reasoning

The court held that under Article 4(3) of the Addenda of the Copyright Law, to be recognized as a “ derivative work ” based on an original work made by a foreigner, the work should be based on the original work and in addition, new creativity through revision, addition and subtraction should be added to it to such a degree that it could be recognized as a new work by common sense. A disc which was originally recorded by an analogue method did not become a derivative work merely by digitizing it with a digital sampling method such that it reproduced a live performance and by removing noise from the recording.

On the facts, the court accepted that the CDs in question were the result of removing noise from the analogue records and restoring the partially damaged portions by means of diverse technologies to reproduce the sound quality of a live performance while retaining the speed, rhythm and melody of the performance. Such a work could not be considered to be a modification or addition or deletion of an original work to the extent of creating a new work, even if there was a slight change in the playing time of the music as a result.

The court also rejected the plaintiff’s counterclaim in damages against the defendants, holding that phonograms were protected by Grammophon’s copyright, that the plaintiff, who knew that the CDs it sold were the result of digital sampling of analogue music originally recorded by Grammophon, should have personally checked to see if Grammophon’s copyright had been infringed. Thus it was justified for the defendant, who held the exclusive rights to copy and sell Grammophon’s phonograms, to warn the plaintiff and the plaintiff’s business partners of copyright infringement.

Laws Cited

Korean Copyright Act 1986 (2000 edition), Article 2, Article 5(1)

Korean Copyright Act 1986 (2000 edition), Addenda (1995) Article 4(3) (Transitional Measures Concerning Exploitation of Restored Works, etc.)

Commentary

When the 1986 amendment to Korean Copyright Act came into force on 1 July 1987, it gave recognition for the first time to “ derivative works ” . Pursuant to Korea’s accession to the Berne Convention in August 1996, the Copyright Act was amended by Act No. 5105 on 6 December 1995 to provide retroactive protection to works of foreign authors in accordance with Article 18 of the Berne Convention.¹

As a result, special transitional measures had to be enacted to deal with the legal status of works which were based on foreign works. One such provision (since repealed) was Article 4 of the Addenda to the Korean Copyright Act, which read as follows:

Interim Measures Concerning Exploitation of Restored Works, etc.

- (3) Derivative works which are based on a restored work, etc. and made before January 1, 1995 may be continuously distributed after the enforcement of this Act; provided that the right holder of the original work may demand a reasonable compensation for exploitation made after December 31, 1999.

¹ Ki-su Lee, *Copyright in INTELLECTUAL PROPERTY LAW IN KOREA* 122 (Christopher Heath ed., 2003).

A "derivative work" is in turn defined in Article 5 of the Korean Copyright Act as follows:

- (1) A creation produced by means of translation, arrangement, alteration, dramatization, cinematization, etc. of an original work (hereinafter referred to as "derivative work") shall be protected as an independent work.
- (2) The protection of a derivative work shall not prejudice the rights of the author of the original work.

By its decision regarding whether the digitized version of the Karajan recordings were a "derivative work" of the original analogue recordings, the Korean Supreme Court in this decision denied the digital version of the recordings protection as independent works. In contrast, the Korean Supreme Court held that a translation of the Bible into Korean involved creative expression and was entitled to copyright protection,² but not where the translated version employed a mechanical citation of some parts of another version and the cited parts were not important.³ While not denying that the creation of a digital version of the recording from an analogue original involved substantial skill and effort, the emphasis in these cases appears to be that the court would protect a derivative work if it is original, in the sense that the work should not simply imitate those of others, but should contain an original expression of the author's ideas or emotions involving the author's own mental efforts and that the work should distinguish itself from the pre-existing works of other authors.⁴

² Supreme Court, 12 Aug. 1994, 93 Da 9460.

³ Supreme Court, 8 June 1993, 92 Do 2963.

⁴ Supreme Court, 23 Oct. 2003, 2002 Do 466 (Dalmatian dog figures case).

7.3 Bugs Music

Seoul Central District Court (Three-judge Court), Republic of Korea

Decided 15 February 2006

2005 No 480

On appeal from

2003 KoDan 6560 (27 January 2005, Seoul Central District Court – Single-judge Court)

Related civil proceedings:

2003 KaHap 2151 (30 September 2003, Seoul Central District Court)

Assistance for this summary was provided by Mr. SungChun Yoon*

Keywords

Online Streaming, Reproduction as Infringement, Temporary Reproduction, Online Music Service Provider, Album Producers, Criminal Prosecution for Infringement

Facts/Issue(s)

The defendant company operated a popular Korean music-streaming website, called “Bugs Music” or “Bugs” (www.bugs.co.kr). Since 1997, the Bugs Music service had been providing free music-streaming services to its registered users, who could listen to the music and songs but not download them. At its peak, there were 16 million registered users for the Bugs service.¹

Members of the Korean recording industry were concerned that album sales had declined because of song-streaming websites. Ten local music labels and foreign album distributors brought a civil action against the defendant company, seeking a preliminary injunction to bar the defendant company from offering copyrighted streaming music services. On 30 September 2003, the Seoul Central District Court ruled against the defendant company, holding it liable for having made permanent copies of the music recordings on its server for streaming purposes. The court also referred to the possible liability of the defendant for facilitating its users to make temporary infringing copies of the recordings on the users’ computers, and ordered the defendant to cease delivering some 10,000 recordings on its music-streaming site.

In August 2004, the defendant company reached an agreement with the Korean Association of Phonogram Producers and some record labels to resolve their conflict, with the music lobby accepting 2.22 billion won as compensation for copyright infringement, pursuant to the Seoul District court’s mediation.²

However, the defendant company failed to reach an agreement with a number of other recording companies. These companies pursued the criminal complaint which they filed with the Korean Public Prosecutor’s Office against the defendant for copyright infringement. Arising from the complaint, prosecutors filed criminal charges against the defendant and its CEO. On 27 January 2005, the Seoul Central District Court found the defendants guilty, holding that the Bugs free music service infringed the recording companies’ right to reproduce copyrighted materials. The court sentenced the CEO of the defendant company to 18 months imprisonment suspended for three years, and the defendant company was fined 20 million won (US\$19,460). The defendants appealed, arguing that their streaming service was different from other download services that infringe copyright.

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¹ *IRG Technology, Media and Telecommunications & Life Sciences Weekly Market Review: Week of 6 March - 12 March 2005* (Mar. 2005), http://www.irstreet.com/top/am/amfiles/e20050306_12.pdf (accessed 24 Feb. 2009).

² Kim Tong-hyung, *Bugs Music settles disputes with labels*, THE KOREA HERALD (28 Aug. 2004).

The issue was whether the defendants were liable for having infringed the reproduction rights of the recording labels by making unauthorized duplications of the recordings on the defendants' music streaming server.

Ruling & Reasoning

The court on appeal found the defendant liable, holding that the streaming service was still based on a delivery of the music files accompanied by the duplication of files on the temporary folder of users.

If a user chose a song to listen to, through the streaming service, the music file saved on an operator's server would be transferred to the user's computer, and would be downloaded in a temporary folder and rendered in real time. The music file downloaded would stay in the temporary folder until the folder was filled up and cleared. The court confirmed that the streaming service itself would bring about duplication of the music files regardless of whether the user duplicated the files, and duplication without rightholder's permission would constitute an infringement of the rightholder's neighbouring rights. The defendant had also argued that no complete copy of the file was made when it was streamed, but the court did not accept this argument.

However, the court reduced the defendant's CEO's imprisonment sentence to a fine of 10 million won and also reduced the defendant company's fine to 10 million won. The court considered that the defendant and its CEO contributed to the growth of the Internet music industry in Korea by developing new technologies and providing investment opportunities in the technology industry. The court also recognized that the defendant's streaming service was not the same as a download service and gave users a lower chance to infringe copyright than a download service.

Laws Cited

Korean Copyright Act 1986 (2000 edition), Article 2 Items 7, 14

Commentary

After Bugs lost its appeal, in March 2005, the Bugs CEO relinquished managerial control and his 60% stake in the company to a consortium of record labels, in exchange for closure of the prosecution and the licensed use of copyrighted music content for the service. Bugs has subsequently imposed subscription fees for its usage.³

The Bugs case is a test case in Korea on whether copyright laws can be applied to music streaming-on-demand technology. It is noteworthy that the criminal prosecution proceeded on the premise that the streaming service involved a temporary "reproduction" of the music file on the user's computer. In many jurisdictions, exceptions have been created to absolve both users and service providers of liability when a temporary copy of a work has been made as an integral and essential of a technological process for transmitting the work or for lawfully using the work.⁴

Even if it were held that a temporary copy of a work was not a reproduction, the rightholders would justifiably be concerned that their right to communicate their work to the public under Article 18 of the Korean Copyright Act would be prejudiced by the defendant's streaming services. However, under the Korean Copyright Act, phonogram producers do not have the right to communicate their phonograms to the public. (The right of interactive transmission in Article 81 was only introduced in January 2005 and the digital audio transmission right in June 2007.) Hence the claims of the rightholders in this case were pursued on the basis that the defendants had infringed the phonogram producers' reproduction rights under Article 78 of the Korean Copyright Act by storing the recordings on their server in preparation for streaming. In contrast, where a defendant did not store the unlicensed recordings on its server, a claim will be for the unauthorized

³ Kim Tong-hyung, *Bugs Music gives up management control*, THE KOREA HERALD (7 Mar. 2005).

⁴ See e.g. Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, Article 5(1), 2001 O.J. (L 167) 10 (22 June 2001).

“communication” of the recordings to its users. Examples of such cases would be the decision of the Australian Federal Court in *Cooper & Ors. v. Universal Music Australia Pty. Ltd. & Ors.* (Case 1.8 above) (where the claim against a defendant for communicating MP3s on third party sites to the user failed) and the recent decision of the Beijing District People’s Court in *Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Yobo Century Technology Co. Ltd.* (Case 2.12 above) (where the claim against a defendant for providing “online broadcasting” services succeeded as it was held to be a breach of a rightholder’s right to communicate its sound recordings to the public).

Prior to the Bugs Music case, the Korean District Court also heard a similar case that may be compared with this case. In the I-MEPS case (Seoul Central District Court Decision 2004 KaHap 2965 dated 20 May 2005), the defendant company launched the I-MEPS music streaming service which enabled users to upload their own music files onto their own space on the defendant’s website. Users could then listen to their own music files wherever they might be with an Internet connection. The Seoul Central District Court issued a preliminary injunction, ordering that the service be stopped as the users were using software to locate the other users’ the music files and listen to them without restrictions. However, unlike the Bugs case, the court accepted that the act by users of uploading their own music files onto their own space was “reproduction for private use” under Article 30 of the Korean Copyright Act and was not prohibited by the preliminary injunction.

7.4 Baby V.O.X.

Supreme Court, Republic of Korea

Presiding Justice Park Il-hwan, Justice-in-chief Kim Yong-dam, Justices Park Si-hwan and Kim Neung-hwan

Decided 22 December 2006

2006 Da 21002

On appeal from

Seoul High Court

Decided 15 March 2006

2005 Na 48392

This summary is adapted from an English translation provided with the kind permission of the Supreme Court of the Republic of Korea

Keywords

Musical Works, Writers and Composers, Producer produced Master Tape and Released Albums, Alleged Infringement of Right of Reproduction and Distribution, Collecting society

Facts/Issue(s)

Between 1997 and 2001, the defendant producer Yoon secured the permission from writers and composers to use their lyrics and musical compositions to produce albums. During this time, he produced the master tapes for a total of 58 songs, and produced records for the first five albums for Baby V.O.X., an all-girl band in Korea. The defendant bore the cost of the production of the master tapes, the recruitment of the orchestra, the recording, editing and promotion of the album and paid the writers and composers. There were no special restrictions placed by the writers and composers on the defendant producer regarding the method of performance, the organization of the orchestras, and the recording, editing and promotion of the albums.

Subsequently, the defendant released an edited album (Baby V.O.X. Special Album 5.5) which included only the songs actually sung by members of Baby V.O.X. The defendant did this by copying 39 songs out of the 58 songs he had on the master tapes.

The plaintiff, the Korea Music Copyright Association, sued the defendant producer, on the basis that it had infringed the writers and composers' rights by copying the songs from the first five albums and had infringed their rights to produce an edited work. The plaintiff contended that under the new royalty system it had implemented for writers and composers, the defendant was not able to produce the aforesaid edited album because the new system invalidated the permission between the aforesaid writers and composers and the defendant.

The Seoul High Court found for the defendant. The plaintiff appealed.

The issue for the court was whether the plaintiff copyright association could sue the defendant producer for copyright infringement by the production of the edited album which was derived from the five previous albums.

Ruling & Reasoning

The Supreme Court affirmed the judgment of the court below that the contract by the writers and composers as the copyright holders to permit the defendant's use of the musical works was valid since the right to permit the defendant producer to use the musical works was impliedly reserved to the copyright holders up to the date of the implementation of the new royalty system. This was so even if the plaintiff as the manager of the copyright trust was entrusted by the writers and composers with copyright in their musical works.

The court ruled that the album producer's copyright was generated through the fixing of the work on the album for the first time and was an independent right separate from the copyright held by the writer of the lyrics and the composer of the music of the work. As the reproduction and distribution of the album (comprising the work) entailed the use of the work recorded on the album, the album producer himself was not able to reproduce and distribute the album without first being granted the licence to use the writer's and composer's copyright in the work.

As the scope of the permitted use of the work from the agreement between the writers, composers and the defendant producer was not expressly spelt out by the parties, the court had to interpret the scope of the permitted use by considering factors such as the object behind the parties to permit the producer to use the works, the purpose to be served through the agreement, industry practices, the knowledge, experience and economic status of the parties, whether the method of use of the musical work was predictable at the time of the agreement and if this method of use would replace the market for the existing album or create a new market. The court noted that the defendant paid the writers and composers a fee to use their copyright, and that the writers and composers relied on the ability of the producer to plan, produce and promote the album with no special restrictions. The Supreme Court thus upheld the holding of the court below that the production and sale of the edited album were included in the scope of the permitted use.

The plaintiff's claim and appeal were dismissed.

Laws Cited

Korean Copyright Act 1986 (2003 edition), Article 2 Items 7 and 18, Article 42 (now Article 46), Article 62 (now Article 65), Article 67 (now Articles 78 and 79)
Korean Civil Act 1958 (2002 edition), Article 105

Commentary

The Korean Supreme Court in this case had to deal with a problem regarding the transition from the original system involving independent agreements between writers and composers and their music producers and the new system involving a standardized agreement between the plaintiff as the copyright society and the producers.

The court accepted that the neighbouring rights of producers of phonograms were separate from the authorship rights of the writers and composers, and that a phonogram producer could not copy or distribute the album without first being granted the licence to use the lyrics and the musical composition from the writers and composers. In this case, this licence was supplied by the agreement between the writers, composers and the defendant producer to allow the producer to produce, promote and distribute the original albums.

However, the plaintiff contended that this agreement did not extend to enable the producer to release an edited version of the album that was based on the original albums licensed under the agreement. In the absence of any express provision in writing to this effect, the court construed the scope of the permitted use of the recordings based on the factors the Supreme Court first elucidated in *Lee Mi-bae Songs* (Case 7.1 above). In view of the then prevailing industry practices, the court upheld the validity of these independent agreements and affirmed that the producer's neighbouring rights in the original albums (to reproduce and distribute the phonograms pursuant to Articles 78 and 79 of the Korean Copyright Act) encompassed the right to produce and distribute an edited version of the album.

7.5 Soribada

Supreme Court, Republic of Korea

Presiding Justice Ahn Dai-hee, Justice Kim Young-ran, Justice-in-charge Kim Hwang-sik,

Justice Lee Hong-hoon

Decided 25 January 2007

2005 Da 11626

On appeal from

Seoul High Court

Decided 12 January 2005

2003 Na 21140

Related civil proceedings:

2002 Kahap 284 (14 February 2003, Suwon Seongnam District Court), 2003 Gahap 857 (24 October 2003, Suwon Seongnam District Court), 2003 Na 80798 (25 January 2005, Seoul High Court)

Related criminal proceedings:

2001 Godan 8336 (15 May 2003, Seoul Central District Court), 2003 No 4296 (12 January 2005, Seoul High Court), 2005 Do 872 (14 December 2007, Supreme Court of Korea)

This summary is adapted from an English translation provided with the kind permission of the Supreme Court of the Republic of Korea

Keywords

Musical Works and Sound Recordings, MP3 Sound Recordings, Digital downloads, "Soribada" P2P Service Provider to enable File Sharing, Secondary or Indirect Liability, Aiding and Abetting Infringement, *Locus standi* of Exclusive Licensee

Facts/Issue(s)

The defendants developed Soribada, a P2P file sharing service, and launched it as a free service in 2000 ("Soribada 1"). Soribada 1 operated as a centralized P2P system which involved the distribution of the Soribada program to users, who could then use it to copy recordings from music CDs, convert them into MP3 format and share them with other users through the connection information supplied by a Soribada server maintained by the defendants.

In January 2001, some of the record labels in Korea filed a criminal complaint with the Korean Public Prosecutor's Office, who, following investigations, indicted the defendants for aiding their users to infringe music copyright. On 15 May 2003, the Seoul Central District Court dismissed the charges on the grounds that as it was not possible for the Soribada users to be adequately identified, the operators could not be found to be liable (Case 2001 Godan 8336). On 12 January 2005, the Seoul High Court dismissed the Public Prosecutor's appeal (Case 2003 No 4296) on the grounds that: (i) the Soribada 1 system was not intended at the outset to be used for copyright infringement, and the development of the P2P system could not be blameworthy, (ii) the defendant operators did not have a clear knowledge of the infringing activities taking place through the P2P system and were thus not obliged to take action against the infringement.¹

On 14 December 2007, the Supreme Court reversed the High Court and ruled the defendants guilty (Case 2005 Do 872), on the grounds that if the developers could predict that copyright infringement would occur on their P2P system, they were to be regarded as being wilfully negligent for that infringement and were obliged to prohibit the continuation of the infringing activities. By

¹ Hoo Dong Lee, Boh Young Hwang and Sang Chul Jung, *Courts grapple with online liability issues*, MANAGING INTELLECTUAL PROPERTY (4th ed. 2008), <http://www.managingip.com/Article.aspx?ArticleID=2041483> (accessed 24 Feb. 2009).

not stopping the users' infringement, the developers had abetted and intentionally induced copyright infringement by their users and were thus liable for their infringements.²

At the same time, two of the plaintiffs, EMI Music Korea Co., Ltd. and Korea BMG Music, sought a preliminary injunction against the defendants to force them to cease the Soribada 1 service and stop the infringement of their rights. The plaintiffs, who were the exclusive licensees for Korea for EMI Music International Services Limited and BMG Entertainment respectively, alleged that their rights as licensees of two recordings had been infringed by the sharing of MP3 files of the recordings through the defendants' Soribada 1 service.

The injunction was granted by the Suwon Seongnam District Court on 14 February 2003. On appeal, the High Court upheld the District court's ruling, holding that the Soribada 1 users reproduced copyrighted MP3 files in violation of the Korean Copyright Act and that the defendant P2P operators assisted the users in their illegal duplication.

The defendants appealed.

The issues for the Supreme Court in this preliminary injunction application were: (1) Whether the defendants were liable to the plaintiffs for assisting in their users' infringement of their copyright through the development and provision of the defendants' Soribada service, where the defendants were not aware of the actual acts of infringement and the identities of the infringers, as well as the dates and places where the infringements took place? (2) Whether the plaintiffs as the exclusive licensees could lawfully seek a preliminary injunction against the defendants? (3) Whether the preliminary injunction should be granted as against the defendants, despite the fact that the defendants had replaced their existing Soribada 1 services with a new service (Soribada 3 services, which was based on a "serverless" P2P system)?

Ruling & Reasoning

The court held that the defendants could be liable for the act of assisting in the violation of the plaintiff's copyright, a right protected by the Copyright Act. This referred to all direct and indirect acts that facilitated the violation of the right of reproduction. The court held that it was possible to recklessly or negligently assist in copyright infringement. In the case of negligently assisting in copyright infringement, it was negligence to breach the obligation to be cautious not to assist in the infringement of the copyright. In such a case, the defendant did not have to be specifically aware of the work infringed or the date, place or actual act of infringement, and did not have to confirm who the actual infringer was.

On the facts found by the court below, the court held the defendants liable for aiding and abetting because (i) they were aware that the Soribada 1 service would let users infringe the neighbouring rights of the music producers, including the plaintiffs, (ii) they nonetheless still developed and distributed the Soribada program for free, operated the Soribada server and provided users with the connections to other users, thereby facilitating the infringement of the plaintiffs' neighbouring rights by letting users share and copy MP3 files converted from music CDs through the P2P network. They were thereby held accountable for their assistance of an infringing activity.

The court also held that in accordance with Article 91 of the Korean Copyright Act, an exclusive licensee was entitled to apply for an injunction against an alleged infringer to preserve his right, if the rightholder did not exercise its right to do so.

In this case, after considering the interests of both parties, the court held that if the Soribada 1 service was allowed to continue, it would violate the plaintiffs' neighbouring rights, with significant damage to the plaintiffs. Even though the defendants had replaced the Soribada 1 service with a new service,

² *Id.*

there was also the possibility that the existing Soribada 1 service might be reused, and the economic damages incurred by the defendants and the Soribada service users were not deemed to be significantly large compared to the benefits in protecting the plaintiffs. Therefore the application for an interim injunction in the form of a “provisional disposition” to protect the plaintiffs from significant damages that they suffered, or protect them from imminent dangers, was fair and not in violation of law. The application was upheld.

Laws Cited

Korean Copyright Act 1986 (2006 edition), Articles 20, 42, 61, 67, 72, 91

Korean Civil Act 1958 (2002 edition), Articles 750 (definition of torts) and 760 (liability of joint tortfeasors)

Korean Patent Act 1961 (2003 edition), Article 126

Korean Civil Procedure Act 1960 (2002 edition), Article 300(2)

Commentary

The Supreme Court decision in this case on an interim injunction in conjunction with a “provisional disposition” application is quite similar procedurally to that of the U.S. 9th Circuit in *A&M Records, Inc. v. Napster*.³ The difference is that the Korean Supreme Court rationalized its finding of secondary liability on the basis of tortious principles, equating the conduct of the defendants in this case with both wilful conduct as well as negligence. Even though the Supreme Court’s judgment prescribed a low standard for establishing a defendant’s liability through negligence (the defendant does not have to be specifically aware of the nature and actual acts of infringement), the reference to the defendants’ liability for “aiding and abetting” suggests a basis of liability similar to the theory of inducing infringement advanced by the U.S. Supreme Court in the case of *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*.⁴

Similar cases which have found the secondary defendant as an intermediary service provider liable for “aiding and abetting” include the decision of the Beijing No. 1 Intermediate Court in *Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com)* (Case 2.4 above) and the decision of the Tokyo High Court in *File Rogue* (Case 4.4 above).

For completeness, it should also be noted that the Korean Music Copyright Association (KOMCA) won its claims for damages against the defendants before the District Court (Suwon Seongnam District Court, Case 2003 Gahap 857 of 24 October 2003) and on appeal, before the High Court (Seoul High Court, Case 2003 Na 80798 of 25 January 2005). Arising from this, the defendants entered into a licensing agreement with KOMCA in 2006 for music files to be supplied by KOMCA, in exchange for undertaking to pay licensing fees to KOMCA and to develop anti-infringement technical measures involving filtering and digital watermarking. Following from this agreement, the defendants revised their services to a subscription-based system, Soribada⁵.

The anti-infringement technical measures turned out to be unsuccessful in preventing copyright infringement. As a result, some music labels filed a preliminary injunction against the defendants. Its defence that it had developed a filtering technique for Soribada 5 was met with some sympathy by the District Court, which dismissed the music labels’ claims on 22 August 2006 (Case 2006 Kahap 1535). However, on appeal, the Seoul High Court reversed the District Court on 10 October 2007 (Case 2006 La 1535). It held that the defendant service provider would only be absolved if it had used its best efforts to use technical measures to prevent copyright infringement, and its use of a “Passive Filtering System” (whereby a user’s request to download would be denied for files for which the copyright holder had specifically requested protection) did not amount to its use of best efforts. The court would have preferred the use of an “Affirmative Filtering System” (whereby a user could only download music files for which the company had a licence).

³ *A&M Records, Inc. v. Napster Inc.*, 284 F.3d 1091 (9th Cir. 2002).

⁴ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

⁵ *Id.*

7.6 Sonata of Temptation

Seoul Central District Court, Republic of Korea

Decided 13 March 2008

2007 GaHap 53681

Assistance for this summary was provided by Professor Gyooho Lee *

Keywords

Music Video derived from Animated Video, Copyright in Plot, Story Line and Features of Characters, Reproduction, Right of Integrity, Jurisdiction to hear Claim by Foreign Copyright Plaintiff

Facts/Issue(s)

The plaintiff, the Japanese popular video game maker Square Enix, filed civil and criminal suits in March 2007 against the defendant, a Korean production company who produced for Ivy, a Korean pop singer, her 2007 music video which was entitled "Sonata of Temptation". The plaintiff alleged that the music video copied its 2005 sequel to the popular CGI animated film, "Final Fantasy VII: Advent Children", which was part of the Final Fantasy franchise owned by the plaintiff. In particular, the plaintiff alleged that without the plaintiff's permission, the defendant used battle scenes between two characters, "Tifa" and "Loz", from the aforesaid film, and replaced "Tifa" with Ivy in the music video.

In the criminal case, the Seoul Central District Court had upheld the claim made by Square Enix in December 2007 and imposed penalties of 100 million won on Ivy's agency Fantom Entertainment Group and 60 million won on the director of the music video.

In the instant action pertained to the civil suit by the Japanese plaintiff against the Korean defendant in Seoul.

The plaintiff alleged that the defendant produced the said music video "Sonata of Temptation" by exploiting the plot lines and background, as well as the characters, their hand movements, their look and outfit in the aforesaid film without any authorization. The plaintiff claimed compensation for damages caused by the fact that the defendant violated its economic right (its reproduction right, right to create derivative works, broadcasting right and transmission right) and its moral right (its right to maintain the integrity of its work) and damages for the cost of elucidation advertisements necessary to recover its reputation caused by the infringement of its moral rights.¹

The main issue for the court was whether the Korean court had jurisdiction to hear the claim regarding an infringement of the copyright and moral rights in a work developed by the Japanese plaintiff.

Ruling & Reasoning

The court held that according to Article 5(1) of the Berne Convention, Japanese copyrights should be treated in the same way as domestic copyrights in Korea. Furthermore, under Article 2 of the Korean Private International Act, the parties or the disputed subject-matter (the music video) was substantially related to the Republic of Korea because the defendant had its principal office or domicile in Korea.

The court held that the claim for injunction, recovery of the author's reputation and damages caused by copyright infringement, characterized as a tort under the Korean Private International

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¹ A composite video made comparing the defendant's music video with the original animated film sequence from Square Enix's CGI film, "Final Fantasy VII: Advent Children", can be found at http://www.youtube.com/watch?v=tEG_agxDaUc (accessed 1 Mar. 2009).

Act, were all governed by the substantive law of Korea, because the place where the defendant's music video had been distributed was the place where the unlawful act occurred.

The court also concluded that the defendant's music video infringed upon the reproduction right of the plaintiff since the plot, story and features of the characters in the music video were almost identical to those of the copyrighted film. The court also held that the defendant infringed upon the transmission and broadcasting rights of the plaintiff since the defendant had transmitted and broadcasted the music video without the plaintiff's permission.

Finally, the court held that though the plaintiff was a corporation, it had the right to preserve the integrity in its work, which the defendant had also infringed.

The court ordered the defendant as the producer of the music video for Ivy to pay 250 million won to the plaintiff Japanese animated film maker for financial damages for plagiarizing the plaintiff's film *Final Fantasy VII*, and an additional 50 million won for emotional damages for breach of its right to preserve the integrity in its work.

Laws Cited

Korean Private International Act (2001 edition), Articles 2, 24, 32

Korean Copyright Act 1986 (2006 edition), Articles 125, 126, 127

International Instruments:

Berne Convention 1886 (1971 revision), Articles 5, 6bis, 14bis

Commentary

In this decision that illustrates the close relationship between the music industry and the computer gaming industry, the Korean District Court affirmed the rights of the Japanese video game maker against a Korean music video producer for reproducing the plot and story elements of the computer-generated animated film. In doing so, the court held that the plot and story elements as well as the features of the characters in the film were copyrightable expression, and affirmed the existence of the idea/expression dichotomy in the Korean Copyright Act.² The reasoning of the court in this case is in line with the ruling of the Supreme Court in the *Dalmatian dog figures* case (Case 2002 Do 466 dated 23 Oct. 2003) where the court held that to be protected as an original work under the Korean Copyright Act, a work should be original in the sense that the work should not simply imitate those of others, but should contain an original expression of the author's ideas or emotions. To satisfy the originality element, it is sufficient that a work is created as a result of the author's own mental efforts and that the work should distinguish itself from the pre-existing works of other authors.

The holding in this case regarding the jurisdiction of a Korean court to hear a case regarding a foreign work may also be compared with the decision of the Seoul Central District Court (Case 2007 GaHap 43936 of 20 June 2008) (the "49 Things to Do in Your Life" Case), where the Korean court also held that it had jurisdiction to hear a claim by a Chinese copyright owner against a Korean publisher for infringement of copyright.

² Article 2(1) of the Korean Copyright Act simply defines a "work" as "creative productions in which the ideas or emotion of human beings are expressed."

8.1 The Performing Right Society Ltd. & Anor. v. United Artists Singapore Theatres Pte. Ltd.

High Court, Singapore
Justice S Rajendran
Decided 22 March 2001
[2001] SGHC 54, [2001] 2 SLR 375

Keywords

Musical Works, Cinematographic Works and Sound Recordings, Public Performances of Sound Track of Cinematographic Works, Infringement

Facts/Issue(s)

The first plaintiffs, the Performing Right Society Ltd (PRS), was the owner of the rights of public performance, broadcasting and diffusion by cable of all musical works composed, arranged or published by their members. The second plaintiffs, Composers and Authors Society of Singapore Ltd (COMPASS), was the exclusive licensee of the PRS to authorize and administer, within the territory of Singapore, the performing rights of works comprised in the repertoire of the PRS. The works in question concerned nine musical works composed or arranged by Michael Phillip Jagger, Keith Richards, Paul James McCartney and John Neville Rufus Altman (the composers).

The defendants, United Artists Singapore Theatres Pte Ltd (UA), were exhibitors of motion pictures in Singapore, and the dispute arose from their screening of two motion pictures – “Jerry Maguire” and “Titanic” – at its theatre complexes some time in 1997 and 1998. It was alleged that three of the musical works had been synchronized or incorporated into the film “Jerry Maguire” (the “Jerry Maguire Works”) whilst the remaining six works (the “Titanic Works”) had been synchronised into the film “Titanic”.

The plaintiffs did not deny that UA had obtained its licence to screen the motion pictures from the film producers and distributors (“Jerry Maguire” from Buena Vista Columbia Tristar Films (Singapore) Pte Ltd and “Titanic” from Twentieth Century Fox (East) Pte Ltd). However, the plaintiffs alleged that UA’s screening of the two films infringed their rights in the Jerry Maguire Works and Titanic Works as the screening constituted a performance of those musical works (whose sound recordings had been synchronized into the sound tracks of the two films).

The issue for the court was: Whether UA required licences from the plaintiffs for a “performance” of the musical works through a screening of films whose sound tracks had embodied the musical works, even though UA had secured public screening rights from the film producers?

Ruling & Reasoning

The court held that the plaintiffs succeeded in their claim against UA in relation to the infringement of the Jerry Maguire Works, but not in relation to the Titanic Works. In other words, the court held that UA required a licence from the plaintiffs for screening of “Jerry Maguire”, but not for the screening of “Titanic”.

The court reasoned that though section 18(1) of the Singapore Copyright Act provided that “sounds embodied in a sound-track associated with visual images forming part of a cinematographic film shall be deemed not to be a sound recording”, under section 117(1) of the Singapore Copyright Act, the operation of Part IV of the Copyright Act in which rights in sound recordings and cinematographic films arose did not affect the operation of Part III, in which rights in musical works arose. Thus, if

the films “Jerry Maguire” and “Titanic” were “derived” (through the synchronized sound recordings of the musical works into the sound tracks of the films), whether wholly or partly, from the Jerry Maguire Works and Titanic Works respectively, by reason of section 117(1), the plaintiffs’ rights to the Jerry Maguire Works and Titanic Works as musical works were not affected.

Therefore the screening of the two films amounted to a performance of the musical works and *prima facie* constituted an infringement of the plaintiffs’ section 26(a)(iii) rights to public performance in the musical works.

However, the court held that the defendant had succeeded in challenging the rights of the plaintiffs to the copyright in the Titanic Works. As the composer of the Titanic Works was in the employ of Head Arrangements (he was contracted to arrange the musical works whose copyright had expired to produce the Titanic Works), copyright in his compositions would vest in Head Arrangements. Head Arrangements had assigned the rights to Twentieth Century Fox, and not to the plaintiffs, who have purportedly taken an assignment from the composer. As the plaintiffs failed to produce the contract of employment between the composer and Head Arrangements and failed to prove that the composer’s contract of employment was a mere contract for services, the court held that they failed to prove that the composer had the requisite copyright and that copyright in the Titanic Works vested in them.

Laws Cited

Singapore Copyright Act (Cap. 63 1987 Ed), Sections 7, 18(1), 22(1), 26, 30, 117, 195(1)
Australian Copyright Act 1968 (Cth), Section 85(1)

Commentary

The court in this case examined the proposition that sound recording rights were assimilated into film rights when the recordings formed part of the sound track of films. Cases which affirm this proposition include the Australian decision of *Phonographic Performance Co. of Australia Ltd. v. Federation of Australian Commercial Television Stations* (Case 1.5 above), which was cited to the court, as well as the Indian decisions of *Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association & Ors.* (Case 3.1 above) and *Radio Today Broadcasting Ltd. v. Indian Performing Rights Society* (Case 3.4 above), which were not cited to the court.

However, the court ultimately distinguished *Phonographic Performance Co. of Australia Ltd. v. Federation of Australian Commercial Television Stations* on the basis that the instant case was about whether authorship rights (rights in musical works in this case) had been assimilated into the entrepreneurial rights in the derivative works (subject matter rights in the cinematographic works). The court referred to section 117(1) of the Singapore Copyright Act, which reads:

Where copyright subsists in any subject-matter by virtue of this Part, nothing in this Part shall be taken to affect the operation of Part III in relation to any literary, dramatic, musical or artistic work from which that subject-matter is wholly or partly derived, and any copyright subsisting by virtue of this Part is in addition to, and independent of, any copyright subsisting by virtue of Part III.

And on a plain reading of section 117(1), the cinematographic works with their sound tracks were “derived” from the musical works in question.

Thus in the conclusion of the court, there was a public performance of the musical works whenever a cinematographic work (with the sound track that embodied the musical work) was screened. The court referred to section 22 of the Copyright Act, which defined a “performance” as including a “visual or aural presentation, whether the presentation is by the use of any receiving apparatus, by the exhibition of a cinematograph film, by the use of a record or by any other means.”

Regrettably, the court made no reference to the decision of *Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association & Ors.* (Case 3.1 above), where the Indian Supreme

Court held that once the author or composer of a musical work authorizes the use of his work for incorporation onto the sound track of a cinematograph film, the film producer acquires (by virtue of section 14(1)(c) of the Indian Copyright Act, which is arguably *in pari materia* with section 18(1) of the Singapore Copyright Act) the exclusive right of "performing the work in public"¹ as a film without the need to secure any further permission from the author or composer for the performance of the work in public.

Even if the screening of the film constitutes a public performance of the musical work synchronized into the sound track of the film, there should have been a movie synchronization or sound track licensing agreement between the music composers and the film producer. Most of such agreements would involve the composer licensing the public or theatrical performance rights to the film producer, who will in turn authorize cinemas and theatres to screen the film with its sound compositions. There being no suggestion to the court that the sound track in "Jerry Maguire" had infringed the copyright in Jerry Maguire Works, the inference must be that there was no issue in relation to the licensing of the Jerry Maguire Works to Buena Vista Columbia Tristar Films (the producer of "Jerry Maguire").

For a decision from Malaysia which cited this decision with approval, though not on the point of whether an exhibitor of a film requires the composer's licence to perform the musical work in the sound track, see *Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd.* (Case 5.2 above).

¹ There is no "public performance" right associated with a film under the Singapore Copyright Act: there is only a right to "make a copy of the film", "cause the film, in so far as it consists of visual images, to be seen in public", "broadcast the film" and "include the film in a cable programme" (as section 83 of the Copyright Act then stood). Section 83 has since been revised to assimilate the right of broadcasting the film and including the film in a cable programme into the right of communicating the film to the public. See Sing. Copyright (Amendment) Act 2004, Act 52 of 2004.

8.2 Odex Pte. Ltd. v. Pacific Internet Ltd.

High Court, Singapore
Justice Woo Bih Li
Decided 22 March 2001
[2008] SGHC 35, [2008] 3 SLR 18

Keywords

Cinematographic Works, Users' P2P File Sharing, Internet Network Service Provider, Discovery of Identity of Infringing Subscribers, *Locus standi* of Sub-licensee and not Exclusive Licensee

Facts/Issue(s)

Odex was a private company that provided Japanese anime programmes to local television stations for broadcasting. It also distributed authorized copies of these programmes to retailers for sale to the public. Odex alleged that with Internet piracy and the ease of obtaining DVD-quality movie files for free via P2P software, its sales of anime video titles had begun to drop significantly and that TV stations also bought fewer anime titles as they were allegedly losing viewership to illegal downloaders.

To address this problem, Odex engaged the services of BayTSP.com Incorporated (BayTSP), an American company, to collect and track instances of unauthorized uploading and downloading of copies of Japanese anime video titles. Through BayTSP, Odex discovered that there had been more than 474,000 unique downloads over an 11-month period, based on searches conducted on only 50 out of more than 400 authorized titles. Odex claimed that it approached the Intellectual Property Rights Branch (IPRB) of the Criminal Investigation Department, Singapore, to raid the homes of illegal downloaders but its request was declined. Instead, it was advised to gather evidence itself and apply for pre-action discovery.

In these circumstances, Odex applied under Order 24 Rule 6(5) of the Singapore Rules of Court (Cap 322, R 5, 2006 Rev Ed) for the pre-action discovery of documents from various local Internet service providers, to identify the illegal downloaders, based on the (selected) 981 IP addresses of Internet users who were recorded as having carried out the highest instances of such uploading and downloading via the BitTorrent protocol. Only the defendant Pacific Internet, a local Internet service provider, resisted that application.

Odex's application for a discovery order failed before the District Court, which held that Odex did not have the *locus standi* to make the application, since it was only a sub-licensee for most of the video titles (whose infringement Odex complained of). For one title for which Odex was held to be the exclusive licensee ("Mobile Suit Gundam Seed"), the District Court was of the view that Odex had to show an extremely strong *prima facie* case of wrongdoing before the order sought would be made in its favour. As Odex had failed to establish such a case, its application was dismissed.

Odex filed this appeal, seeking to introduce additional evidence to establish its *locus standi* and an extremely strong *prima facie* case. The appeal court (High Court) allowed the admission of such additional evidence.

The issues before the appeal were: (1) Whether Odex had the requisite *locus standi* to apply for a discovery order against the defendant, where it was only the sub-licensee for most of the video titles but it had the authority to act as agent from various copyright owners and licensees? (2) If Odex had the requisite *locus standi*, whether Odex had made out a case for the issue of the discovery order?

Ruling & Reasoning

The court rejected Odex's argument that it had the requisite locus standi to apply for a discovery order, in reliance on the Practice Direction 4 of 2005 "Applications for discovery or interrogatories against network service providers in relation to specific intellectual property issues" and the Singapore Copyright (Network Service Provider) Regulations 2005 (S 220/2005). Odex had argued that both the Practice Direction and the Regulations refer to an application made "on behalf of a copyright owner", and in doing so, sanctioned its application as a licensee. The court observed that the Practice Direction did not have the force of substantive law, and that Regulation 3(2)(b) did not pertain to discovery applications. The court also noted that the Singapore Copyright Act did not have an equivalent provision to section 512(h)(1) of the U.S. Copyright Act, which would enable a copyright owner or "a person authorised to act on the owner's behalf" to issue a subpoena to a service provider for identifying an alleged infringer.

The court held that an agent of a copyright owner or an exclusive licensee could not apply in the agent's own name for pre-action discovery in order to identify infringers. While the copyright owners could use the services of an agent to track down infringers, they had to use their own names to commence civil court proceedings, apply for pre-action discovery and take formal action for substantive relief. Even if Odex were not relying on Order 24 Rule 6(1) for a discovery order but on the inherent jurisdiction of the court to issue a Norwich Pharmacal discovery order, it still had no locus standi to rely on the court's Norwich Pharmacal jurisdiction. Nor could Odex merely claim that it would only use the information to initiate criminal proceedings because as a mere agent, it could not claim to be the right party entitled to relief.

The court reversed the District Court on the requirement for an extremely strong *prima facie* case of wrongdoing, holding that the court below had prescribed too high a standard of proof. Where there was evidence of wrongdoing, the court would consider the strength of the case by the applicant for discovery order as one of the factors to be considered in the totality of the facts before deciding whether to grant the order in the interest of justice. Any duty of confidentiality which the defendant ISP might owe to other parties was another factor and should not, in itself, give rise to a higher standard of proof.

Nonetheless, the court concluded that it was inexpedient to have the copyright owners start the discovery application all over, especially where on the current appeal, there was an application by some copyright owners to be added as plaintiffs. The court allowed these owners to be added as plaintiffs and allowed disclosure of the subscribers' information to these plaintiffs as copyright owners for their respective video titles.

Laws Cited

Singapore Copyright Act (Cap. 63, 1999 Rev Ed), Section 136(9)

Singapore Copyright Act (Cap. 63, 2006 Rev Ed), Sections 83, 103(1), 114(1), 123, 136(1), 136(2), 136(3), 136(3A), 136(3A)(c), 136(6A), 136(6B)

Singapore Copyright (Network Service Provider) Regulations 2005 (S 220/2005), Regulation 3(2)

Singapore Rules of Court (Cap. 322, R 5, 2006 Rev Ed), Order 15 Rule 6(2), Order 24, Order 24 Rule 6, 6(1), 6(5), Order 26A

Singapore Telecommunications Act (Cap. 323, 2000 Rev Ed)

U.S. Copyright Act 1976, Section 512(h)(1)

Commentary

This case is the first case in Singapore where the court had the opportunity to rule on the issues regarding an application of a discovery order against an Internet service provider to identify the allegedly infringing Internet subscribers. Unlike the decisions from the Hong Kong courts, namely *Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 1)* (Case 2.16 above) and *Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 2)* (Case 2.17 above), the court examined the issue of its jurisdiction to order not just a Norwich Pharmacal order but also an order under the Rules of Court. In this case, the court rejected the

application by a mere licensee or agent of the copyright owner, in the absence of an empowering statutory provision.

The court also examined and dismissed the argument of the defendant Internet service provider that its confidentiality obligations to its subscribers did not permit it to disclose its subscribers' details to the copyright rightholders. The Hong Kong Court of First Instance in *Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors* (No. 1) (Case 2.16 above) (a decision not cited to the Singapore court) had also analysed the same issue and arrived at the same conclusion.

9.1 Saeksan Tape & Record Registered Partnership v. Rose Video Co. Ltd & Ors.

Supreme Court, Thailand
Decided 4 October 2001
7328/2001

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Musical compositions, Contract Interpretation, Copyright Ownership by Author of Musical Compositions, Assignment compared with Licence

Facts/Issue(s)

In 1979, the third defendant Surachai Sombatcharoen entered into a "Sale of Copyright in the Songs" contract with the plaintiff concerning the songs composed by the defendant's late father, a celebrated singer-composer of Thai folksongs, Surapol Sombatcharoen. In 1992, the third defendant entered into a contract with the first and second defendants allowing them "to adapt and reproduce in the format of a video and laser disk for commercial use, 28 songs by the late Surapol". The plaintiff claimed that the defendants infringed his copyright and brought an action for damages for infringement of copyright against the three defendants.

The plaintiff subsequently withdrew its claim against the first and second defendants.

The issue was whether the alleged "Sale of Copyright in the Songs" contract vested the plaintiff with copyright in the songs in question and entitled him to claim damages.

Ruling & Reasoning

In construing the contract, the court of first instance found that the "Sale of Copyright in the Songs" contract did not transfer copyright to the plaintiff and thus the plaintiff did not own the copyright in the songs. It was a standard form commercial contract, and the date of the contract and the price or remuneration were left uncompleted. There was also a special note appended to the contract to the effect that "Songs sung by Surapol Sombatcharoen are to be performed by Surachai Sombatcharoen." The note also indicated that if the plaintiff wanted another performer to perform the songs, it had to make a special request to the third defendant.

This decision was affirmed by the Court of Appeal. On appeal, this decision was further affirmed by the Intellectual Property and International Trade Division of the Supreme Court.

The Supreme Court emphasised in its ruling that if the plaintiff had owned the copyright in the works, there was no need for the plaintiff to seek the third defendant's request before exploiting the work. The court gave weight to the third defendant's contention that the contract was a promotional agreement to promote the third defendant as a celebrity singer.

As this contract did not operate as an assignment of copyright, there was no infringement by the defendants and the plaintiff's claim was dismissed.

Commentary

Section 15 of the Thai Copyright Act 1994 provides that the owner of copyright has the exclusive right of assigning the benefits accruing from his copyright to other persons, and licensing the rights to others, with or without conditions.

Section 17 of the Thai Copyright Act 1994 further provides as follows:

17. Copyright shall be assignable. The owner of copyright may assign his copyright in whole or in part and may assign it for a limited duration or for the entire term of copyright protection. The assignment of copyright by other means, except by inheritance, must be made in writing with the signatures of the assignor and the assignee. If the duration is not specified in the assignment contract, the assignment shall be deemed to last for 10 years.

This case illustrates the importance between a promotional contract which operated as a mere licence and an assignment, and confirmed that courts would not readily construe a contract as an assignment of the rightholder's copyright. For an example of a case in which the court identified the principle that it would assume that copyright was reserved in favour of copyright authors if parties had not clearly expressed their intentions in writing, see *Lee Mi-bae Songs* (Case 7.1 above).

See also the decisions of the Japanese courts in *Rebroadcasting TV Programs* (Case 4.8 above) and *Producer of Documentary Film* (Case 4.10 above) regarding the distinction between an assignment and a licence.

9.2 Public Prosecutor v. Mayuree Tavung

Supreme Court, Thailand
Decided 2 December 2003
6525/2003

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Criminal Prosecution for Infringement, Evidence of Infringement through Entrapment, Sentence reduced because of Severity of Penalties

Facts/Issue(s)

The defendant was charged with infringing the copyrights of six rightholders by having in possession for sale 220 pirated CDs, DVDs and MP3s which were reproduced unlawfully. The defendant pleaded not guilty, but the Central Intellectual Property and International Trade Court (CIPITC) sentenced her to 2 years imprisonment and a fine of 300,000 Baht, with a suspended imprisonment term of 2 years in order for the defendant to redeem herself and become a useful member of the community.

The CIPITC also ordered the pirated CDs, DVDs and MP3s to be given to the respective copyright rightholders and that half of the fine be paid to each rightholder proportionately.

The issue before the Supreme Court was whether the verdict of the Central Intellectual Property and International Trade Court was too severe.

Ruling & Reasoning

The Supreme Court held that the CIPITC's judgment was not too severe, noting that sections 31, 61 and 70 of the Thai Copyright Act provided that the punishment was for three months to two years imprisonment and a fine from 50,000 Baht to 400,000 Baht.

The Supreme Court nonetheless revised and decreased this sentence to 2 months imprisonment and a fine of 30,000 Baht, with a suspended imprisonment term for 1 year, on the basis that this was a more appropriate sentence for the defendant.

Laws Cited

Thai Copyright Act 1994 (B.E. 2537), Sections 31, 61, 70

Thai Penal Code 1956 (B.E. 2499), Sections 29, 30, 56

Commentary

Section 31 of the Thai Copyright Act provides that it is an infringement to knowingly sell a work made by infringing the copyright of another person. Section 70 in turn provides as follows:

70. Any person who commits a copyright infringement under Section 31 shall be liable to a fine of between 10,000 baht and 100,000 baht.

If the offense referred to in the first paragraph is committed by way of trade, the offender shall be liable to imprisonment of between three months and two years or a fine of between 50,000 baht and 400,000 baht or both imprisonment and fine.

Notwithstanding the prescription of a minimum fine of 50,000 baht and a minimum term of imprisonment of three months for the offence, the Supreme Court revised the fine to 30,000 Baht and suspended the imprisonment sentence. The final penalty meted out by the Supreme Court did not appear to be very severe, especially considering the fact that the defendant was charged with, and had pleaded guilty to, possessing 220 pirated works for sale.

9.3 Public Prosecutor v. Sermsak Kamsamer & Anor.

Central Intellectual Property and International Trade Court, Thailand

Decided 18 December 2003

3707/2003

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Sound Recordings, Criminal Prosecution for Infringement, Infringement by Sale of Unlicensed Reproduction, Evidence of Infringement through Entrapment

Facts/Issue(s)

Two women, one of whom was the copyright owner/complainant's investigation agent, came into the defendants' mobile phone sale and repair shop and asked for a picture to be downloaded onto the screen of a mobile phone. At that time the second defendant played a piece of music in his shop. The agent remarked to the second defendant that was a nice piece of music, asked him in a persistent manner to record it for her and left him a list of songs to record despite the defendant's protestations that he had no recording machine. During this time, the agent had also called the second defendant many times to inquire about the recording. Subsequently, the first defendant made the requested recording and when the agent called, he informed her that the recording was made. Approximately a week later, the agent returned and asked about the recording of the music. She was given the recording on 3 CDs by the defendants.

A criminal complaint was filed by Media Music Group Co. Ltd., who owned the copyright in the recording, against the defendants. The Public Prosecutor arrested the defendants and instituted criminal proceedings as a result.

The defendants pleaded not guilty. The issue was whether the defendants were liable for the offence of copyright infringement, having been instructed by the copyright holder's agent to make the infringing recording in question.

Ruling & Reasoning

The defendants were held not guilty because they were persuaded by the appointees to reproduce the songs.

The court held that the facts showed that that was not the first time the agent was in the defendants' shop, that the agent was not called to testify, that the defendants had operated a mobile phone shop, not a CD shop, that there were no musical CDs in the shop at the time of their arrest and that the defendants had no intention to sell, or offer for sale the infringing CDs in the first instance. The court held that it was the copyright owner's agent who had persuaded the defendant to commit the offence and having played a part in the crime committed, it could therefore not file a complaint against the defendant and had no right to sue as the "injured person".

Laws Cited

Thai Copyright Act 1994 (B.E. 2537), Sections 31, 70

Thai Penal Code 1956 (B.E. 2499), Sections 32, 33, 83

Commentary

Securing evidence against defendants who are engaged in the business of selling infringing copyright works is often done by way of trap purchases, in the absence of evidence otherwise. The difficulty lies in the level of participation or involvement of the copyright holder's agent in making the trap purchase. If the agent's participation is too closely related to the defendants' conduct, it would amount to entrapment and this case illustrates that courts will be reluctant to admit evidence of such "infringing" activities.

In this regard, the reasoning in this case is similar to that in *Public Prosecutor Suratane Province v. Pongchai Buapan* (Case 9.5 below), where evidence of the infringement was obtained via what the court in that case called "seduction". Like the case in *Pongchai Buapan*, the copyright owner's agent here had actively and persistently sought to procure the replication of the copyrighted recordings by leaving a list of titles with the second defendant and repeatedly called up the defendants for the requested recordings. In the end, as was in the case in *Pongchai Buapan*, the court accepted the defendants' evidence that the making of these infringing CDs was outside of the defendants' usual course of the defendants' business and that it was procured by the rightholder's agent.

9.4 PGM Record v. Visa Khanthap & Ors.

Supreme Court, Thailand
Decided 27 February 2004
679/2004

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Lyrics and Melodies as Musical Works, Versions of Sound Recordings, Contract Interpretation, Licence or Transfer of Ownership

Facts/Issue(s)

The first defendant, author of the lyrics and melodies of fourteen Thai songs, entered into a "Transfer of Musical Copyright Contract" with the plaintiff concerning these songs. Under the contract, the first defendant agreed to "transfer the copyright of fourteen songs together with a song called 'Chang' to the plaintiff". The first defendant also agreed to produce an original tape recording (master tape) at his own expense in order that the plaintiff could subsequently produce a tape recording or audiovisual work for distribution, in exchange for remuneration of 360,000 Baht from the plaintiff and a further 12 Baht per pack for every cassette tape exceeding 30,000 cassettes sold in five years. Based on the master tape, the plaintiff subsequently produced the tape cassette called 'Give to remember' for sale. The first defendant later signed an agreement with the second, third and fourth defendants to produce a master tape of four volumes of songs, including new recordings for the fourteen aforesaid songs, from which were produced tape cassettes and CDs for sale.

The plaintiff claimed that copyright in the fourteen songs belonged to him and sued the defendants for copyright infringement. The defendants argued that the "Transfer of Musical Copyright" contract with the plaintiff concerned only the hire of the master tape and that copyright still vested in the first defendant.

The Central Intellectual Property and International Trade Court found for the defendants, and the plaintiff appealed.

The issue was whether copyright in the fourteen songs was owned by the plaintiff, and if so, whether the four defendants infringed that copyright.

Ruling & Reasoning

The court held that contracts were to be interpreted according to the requirements of good faith, with ordinary usage being taken into consideration (Thai Civil & Commercial Code, section 368). And in interpreting the intentions of the parties, the true intention was to be sought, rather than the literal meaning of the words or expression (Thai Civil & Commercial Code, section 171). The court held that where there was an issue regarding the meaning of the words in the contract, the court would have regard for the true intention of the parties from the words throughout the contract, and also take into account the conduct of the parties to each other subsequent to the signing of the contract.

The court found that even though the language of the "Transfer of Musical Copyright Contract" referred to a "transfer of copyright of fourteen songs ... to the plaintiff", the contract concerned the sale or transfer of the master tape to the plaintiff as opposed to the transfer of copyright in the songs. The court noted that the arrangement whereby the plaintiff was to remunerate the first defendant for the sale of cassette tapes exceeding 30,000 tapes, and the fact that the plaintiff had entered into a subsequent licence agreement with the first defendant for six of the songs in question was more consistent with a contract for the sale of the tape than for a transfer of copyright.

The court also took evidence and noted that the remuneration received by the first defendant was too small to be interpreted as remuneration for the copyright transfer.

For these reasons, it was held that copyright remained with the first defendant and as the songs on the other defendants' master tapes were different versions from the plaintiff's there was no copyright infringement by the defendants.

Laws Cited

Thai Civil and Commercial Code 1925 (B.E. 2466), Sections 171, 368

Commentary

This case highlights the importance of proper drafting of a copyright contract, either as a licence or as an assignment. In this case, the court came to the conclusion that the "Transfer of Musical Copyright Contract" was only a licence to the plaintiff to use the master tape recordings, and not an assignment of copyright in the songs. Copyright in the songs thus remain vested in the plaintiff as author. Like the Thai Supreme Court in its earlier decision in *Saeksan Tape & Record Registered Partnership v. Rose Video Co. Ltd & Ors.* (Case 9.1 above) and the Korean Supreme Court in *Lee Mi-bae Songs* (Case 7.1 above), the presumption is against a transfer of the author's copyright in the absence of unambiguous language to this effect.

This case also illustrates the principles applied by the Thai Supreme Court in its interpretation and construction of a contract, and indicates that a court may be prepared to disregard the literal words of a contract if there is an issue in their interpretation, preferring instead to examine the objects and intentions of the parties and their conduct pursuant to the contract.

This case is also noteworthy because the court implicitly recognised the separate rights in the different versions of the sound recordings (of the same songs) made by different parties.

9.5 Public Prosecutor v. Pongchai Buapan

Central Intellectual Property and International Trade Court, Thailand

Decided 14 December 2004

5049/2004

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Criminal Prosecution for Infringement, Reproduction, Evidence of Infringement through Entrapment, Power to Institute Prosecution

Facts/Issue(s)

S. V. Inter Group Co. Ltd was the copyright owner of the musical work, sound recording, audiovisual work and artistic work created by Prateep Kajudpan for two albums 'Nang Lai Jai' and 'Saw Chaiyapum', which it had reproduced on tape, CDs and VCDs for sale and communication to the public. The copyright owner had delegated the duty of "watching over its interests" to a third party, one C.

C and his officers visited the market to look for any infringement of the rightholder's copyright. It was reported to C that there was a store owned by the defendant in the market that could reproduce CDs. C's officers arranged for the defendant to make five CDs of the copyright owner's aforesaid albums and shortly after the CDs were collected, the defendant was arrested. The plaintiff prosecutor sought the conviction of the defendant under the Copyright Act, and also seizure of the defendant's computer where the recordings from the aforesaid albums were found and which was used to reproduce the CDs.

The defendant's defence was that he had initially refused to replicate the CDs, but subsequently agreed after entreaties by C's officers (who were dressed up in college uniforms). When he returned to the front of his shop, he found that C's officers had copied the songs from the aforesaid albums onto his computer's hard disk, and he was asked to get the reproductions on the CDs ready for the next day.

The two issues for the court were: (1) Was the defendant liable for the offence of copyright infringement for the unlicensed reproduction of the copyright owner's recordings on (a) his computer and (b) the five CDs? (2) Did the prosecutor have the power to institute the prosecution?

Ruling & Reasoning

The court acquitted the defendant, and held that the prosecutor did not have the power to institute the prosecution.

The court held that the plaintiff did not have any eyewitnesses or circumstantial evidence to prove that the defendant had reproduced the recordings by copying them onto his computer. There was no evidence that the defendant had reproduced the songs from the aforesaid albums onto the computer himself. Thus the defendant could not be convicted on this charge.

Furthermore, because the defendant was engaged by C and his officers as representatives of the rightholder to reproduce the rightholder's recordings, rather than offering to do it for them, such an act was a matter of "seduction" and the copyright owner was considered to have caused the defendant to commit the offence. The copyright owner was thus not an injured party in a legal sense and the prosecutor was not entitled to institute a criminal prosecution against the defendant.

Laws Cited

Thai Copyright Act 1994 (B.E. 2537), Sections 4, 6, 8, 15, 28(1), 69, 75, 76

Commentary

This is an important case because trap purchases are frequently used by copyright owners to secure the necessary evidence for criminal prosecutions and for pursuing civil actions against defendants. Otherwise, evidence of infringing activities is hard to come by.

In this case, C and his officers as enforcers hired by the copyright owner crossed the line. By actions described by the court as “seducing” the defendant, C’s officers had ostensibly copied (uploaded) the copyright owner’s recordings onto the defendant’s computer, thereby supplying him with the source of the infringing works, and contracted with him to reproduce the same recordings on CDs. As in the case of *Public Prosecutor v. Sermsak Kamsamer & Anor.* (Case 9.3 above), the court accepted the defendant’s evidence that the making of these CDs was outside the normal course of business for the defendants.

Similar doctrines of entrapment are also recognized by courts around the world (albeit to different degrees and extents). Examples of some leading cases include the Canadian Supreme Court decision in *R v. Barnes*,¹ the U.S. Supreme Court decision in *Jacobson v. United States*² and the House of Lords decision in *R. v. Loosely (Attorney General’s Reference No. 3 of 2000)*.³

¹ *R v. Barnes*, [1991] 1 S.C.R. 449.

² *Jacobson v. United States*, 503 U.S. 540 (1992).

³ *R. v. Loosely (Attorney General’s Reference No. 3 of 2000)*, [2001] UKHL 53.

9.6 Public Prosecutor v. Payak Meeginda

Central Intellectual Property and International Trade Court, Thailand

Decided 17 December 2004

5129/2004

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Criminal prosecution, Evidence of Infringement, Selling or Letting for Hire Tape and TV material, Prosecution for Playing and Providing TV material without licence

Facts/Issue(s)

The defendant owned a shop, Edd Technic, whose business was to repair electronic equipment and sell radio and television parts. He was licensed to do such work and paid taxes.

The complainant rightholder alleged that the defendant was conducting a business by letting for hire, exchanging and selling CDs, CD-ROMs and karaoke VCDs. In a police raid on the defendant's shop, the police found in the defendant's possession, 90 CDs and VCDs in a box in the shop, as well as two MP3 players which the defendant had allegedly admitted contained unlicensed recordings that infringed the copyright of the copyright owner. The CDs, VCDs and MP3 players were seized by the police.

The defendant in his defence denied that it was in the business of selling tapes or CDs. The defendant claimed that some of the CDs in question were for private use and for display with electronic devices that were repaired at the shop. The defendant also claimed that the other CDs came with the machines and equipment brought in by customers which needed to be repaired. The defendant had taken the CDs out of the players and piled them up, and would return them to the players once they were repaired.

The prosecution sought a conviction against the defendant for infringing copyright in the musical work, sound recording and audiovisual work of the copyright owner under the Thai Copyright Act, and for operating an unlicensed business of playing or providing TV material under the Restraint of Tape and Television Material Act 1987.

The issues before the court were: (1) Whether the defendant had infringed the copyright of the copyright owner? (2) Whether the defendant had conducted a business by letting for hire tape or TV material for profit? (3) Whether the defendant had provided a TV materials service without passing the required examination and obtaining the requisite approval?

Ruling & Reasoning

The court held that the prosecution did not provide sufficient evidence to prove that the defendants had infringed the copyright of the rightholders. The court noted that the arresting officers did not indicate whether the MP3 files in the MP3 players had been reproduced without permission. The court also noted that although the details of the seized CDs and VCDs were recorded by the police, it was not stated why the CDs and VCDs were infringing copies, nor did the prosecution call the rightholders' appointee forward to testify to the court.

The court also found that the defendant was not carrying on the business of letting for hire tape and television material for profit as there was no evidence to support this claim, even if the defendant had testified in the inquiry that he was guilty. The seizure of the 90 CDs and VCDs in a box did not indicate that they were let for hire, exchange or sale.

As regards the third charge of whether the defendant had provided a TV materials service, the court held that the arresting officers had testified that the seized CDs and VCDs were in a box, and could not be considered to have been played.

In the absence of sufficient evidence, the court found the defendant not guilty and dismissed the case.

Laws Cited

Thai Copyright Act 1994 (B.E. 2537), Sections 6, 8, 15, 29, 31, 69, 70, 75, 76

Thai Restraint of Tape and Television Material Act 1987 (B.E. 2530), Sections 4, 6, 11, 20, 34

Thai Penal Code 1956 (B.E. 2499), Sections 32, 33, 91

Commentary

Section 31 of the Thai Copyright Act reads:

31. Whoever knows or should have known that a work is made by infringing the copyright of another person and commits any of the following acts against the work for profit shall be deemed to infringe the copyright:

- (1) selling, holding for sale, offering for sale, letting, offering for lease, selling by hire purchase or offering for hire purchase;
- (2) communication to the public;
- (3) distribution in a manner which may cause damage to the owner of copyright;
- (4) self-importation or importation on order into the Kingdom.

Thus section 31 provides that the "holding for sale" or possession of a work for profit, knowing that the work to be an infringing work, is liable to the copyright owner. However, as this case illustrates, proving "possession" of the works is not enough. The prosecution in this case failed to establish that the works were infringing works, in the absence of evidence from the rightholders. It also failed to prove that the works were in the defendant's possession "for profit", as the defendant's defence was that the CDs and VCDs were for his own private use.

In this regard, it should be noted that the defendant's "private use" defence for possessing the CDs and VCDs in the course of his work in this case would clearly not succeed in Hong Kong. Pursuant to the revisions first introduced via the Hong Kong Intellectual Property (Miscellaneous Amendments) Ordinance 2000, section 31 of the Hong Kong Copyright Ordinance provides that copyright in a work is infringed by a person who "possesses for the purpose of or in the course of any trade or business", it being "immaterial ... whether or not the trade or business consists of dealing in infringing copies of copyright works."¹ This provision creates civil liability for corporate copyright piracy. A similar change made to impose criminal liability for corporate copyright piracy under section 118 of the Hong Kong Copyright Ordinance was however scaled back. For more information, please refer to the Commentary for *HKSAR v. Lam Shuen Shuen & Anor.* (Case 2.14 above), a case about the criminal liability of the defendants who were in the business of selling unlicensed music CDs.

¹ Hong Kong Copyright Ordinance, s. 31(2).

9.7 Public Prosecutor v. Nad Jangprai

Central Intellectual Property and International Trade Court, Thailand

Decided 22 December 2004

5181/2004

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Musical Work, Sound Recording, Audiovisual Work, Playing of Karaoke Songs for Customers, Karaoke Machines, Broadcast and Communication to the Public, Licence Stickers, Criminal Prosecution for Infringement, Evidence of Infringement

Facts/Issue(s)

The defendant, owner of the Friendship Karaoke restaurant, played karaoke songs for its customers by using computers to store the songs and to broadcast the songs via monitors and televisions attached to the computers.

The complainant owned the copyright in one of the songs, "Oakkangsai". Evidence was adduced that the complainant's copyright agent, one N, had visited the defendant's Friendship Karaoke restaurant, and found that the defendant was only licensed to broadcast the karaoke songs on one of his two computers, because N found only one sticker attached to one of the computers. Upon receiving a complaint by N, a visit by N and the police to the Friendship Karaoke restaurant revealed that the defendant was playing the song in question "Oakkangsai" in the restaurant. The defendant was advised by N that he was permitted to broadcast the song only on the one computer with the sticker and not on the other. The defendant was also informed that the sticker was to be attached to the computer and be clearly visible to the rightholder's agents. Otherwise, he had no permission to broadcast the song on that computer.

The defendant's defence was that he had licence stickers for both computers, but had not attached the sticker to one of the computers. Instead, he had attached the sticker to the counter in front of the control room where the computers were housed because that computer was always broken and needed to be repaired. The defendant was concerned that if the sticker was attached to the computer, it could be lost.

The issue before the court was whether the defendant had committed the offence of infringing the complainant's copyright in the musical work, sound recording and audiovisual work in the Karaoke song "Oakkangsai" by broadcasting and communicating it to the public for profit without the complainant's permission on his computer in the restaurant.

Ruling & Reasoning

The court noted that the complainant's copyright agent, N, had testified, based on the receipts and tax notes, that the defendant was permitted to broadcast the song in question on two computers. Thus the court held that the complainant had licensed the defendant to use the licensing stickers and that the defendant had paid the requisite fee. The court regarded the practice of attaching the licensing sticker to the computer so that it could be clearly seen by the copyright agent as an unsettled practice between the collecting society and the licensees. The defendant had also provided a valid reason for failing to attach the licensing sticker to his computer. On this basis, the court held that the prosecution failed to adduce sufficient evidence to establish that the defendant had committed the offence of an unlicensed broadcasting and communicating to the public of the complainant's work.

Laws Cited

Thai Copyright Act 1994 (B.E. 2537), Sections 4, 6, 8, 15, 28, 29, 69, 79
Thai Penal Code 1956 (B.E. 2499), Section 33

Commentary

Section 4 of the Thai Copyright Act defines a “communication to the public” as follows:

“Communication to the public” means making a work available to the public by means of performing, lecturing, preaching, playing music, causing the perception by sound or image, constructing, distributing or by any other means.

It was not disputed in this case, as indicated in the defendant’s charge, that the display of the karaoke songs via the defendant’s computers amounted to a communication to the public of the complainant’s rights in the musical work, the sound recording and the audiovisual work in the karaoke piece. However, the reference in the judgment to section 29 of the Thai Copyright Act seems misplaced, since there would appear to be no indication from the facts that the defendant’s computers were receiving and propagating a “broadcasting work”, which is defined in section 4 as “a work which is communicated to the public by means of radio broadcasting, sound or video broadcasting”. The fact that karaoke machines interactively provide music-on-demand from audiovisual recordings stored on computer systems would militate against a finding of an unlicensed use of a “broadcasting work”.

As regards the ruling in this case, the court was not prepared to accept the complainant’s argument that attaching the licensing sticker to the computer was a condition for the grant of the licence to use the karaoke song in question. In other words, the court appeared to take the view that the stickers provided a *prima facie* indication of the number of licences granted to the defendant for use of the computers as karaoke machines, and the defendant was not limited to the use of those *particular* machines. The absence of a collecting society in Thailand and clear and manageable legal rules for collecting royalties in the karaoke business would better facilitate a resolution of between enterprises seeking to use karaoke machines to promote their businesses and the rightholders seeking to charge music royalties for the use of their music.¹ This has been so proposed by the Department of Intellectual Property under the draft Thai Copyright Act Amendment.²

For an example of a case where the proprietor of a karaoke bar was held liable for infringing the rightholders’ performance rights in musical works by inducing its customers to sing to karaoke recordings, see the Supreme Court of Japan decision in *Club Cat’s Eye/Singing at a Karaoke Lounge* (Case 4.2 above). For another case which held liable the supplier of karaoke equipment for failing to ensure that its customers had the necessary copyright licences to use the equipment, see the Supreme Court of Japan decision in *Supply of Karaoke Equipment for Business Use (“Video Mates” Case)* (Case 4.3 above).

¹ Jayin Sunthornsingkar, *Song Sung Blue - Karaoke And Royalty Collection In Thailand*, (2009) 40 I.I.C. 213.

¹ *Id.*

9.8 Kritsada Paleevong v. Software Supply International Co. Ltd. & Ors.

Central Intellectual Property and International Trade Court, Thailand

Decided 16 May 2005

1984/2005

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Agreement as Assignment or Licence, Reproduction as Infringement, Musical Diagrams and Melodies as Music; Works, Master tape, Sound Recordings

Facts/Issue(s)

The plaintiff was the composer of the musical diagram and melodies for 33 songs. While working with Keeta Record Co. Ltd and Keeta Entertainment Co. Ltd. ("Keeta"), the plaintiff recorded the songs onto a master tape and entered into an agreement with Keeta. He licensed Keeta to reproduce the literary works, melodies and musical diagrams of the 33 songs onto tapes and CDs for sale. The agreement stated that Keeta was not to permit another person the right to use the 33 songs. The agreement also stated that "ownership of all the material, audiovisual work and printing matter created from the literary work [and] the lyrics are to be given to [Keeta]."

Subsequently, Keeta assigned the ownership and copyright of the master tape of the 33 songs to one V, who in turn entered into a licensing agreement with the first defendant. Together with the second defendant (a director of the first defendant), they reproduced the 33 songs on the master tape onto tape for sale to the public for profit, without the plaintiff's permission.

The plaintiff claimed that the first and second defendants had infringed its copyright by reproducing his 33 songs on tape for sale to the public for profit without his permission, and had knowingly offered them for sale through the other defendants. (The plaintiff subsequently dropped his claims against these defendants.)

The issue for the court was whether the first and second defendants had infringed the plaintiff's copyright by reproducing the plaintiff's 33 songs from the master tape onto tape and offering them for sale?

Ruling & Reasoning

After reviewing the agreement between the plaintiff and Keeta, the court concluded that the plaintiff had authorized Keeta to use the melodies and musical diagrams of the 33 disputed songs to create a recording and make a master tape. Although the plaintiff was the copyright owner of the musical work in the melodies and musical diagrams, the master tape was a new work made from the melodies and musical diagrams, and by agreement with the plaintiff, Keeta was the copyright owner of the neighbouring rights in the master tape.

As the copyright owner, Keeta had the right to assign copyright ownership in the master tape of the 33 disputed songs to another person without the plaintiff's permission. The defendants were thus licensed by Keeta in the exercise of its neighbouring rights to reproduce the sound recordings or audiovisual works from the master tape for sale, without modifying the musical diagram and melodies that belonged to the plaintiff. The defendants were held not to have infringed the plaintiff's copyright.

Laws Cited

Thai Copyright Act 1994 (B.E. 2537)

Commentary

This case highlights the separate nature of authorship rights and neighbouring rights, and illustrates how the rights can be separated and commercially exploited independently. Although the court referred to the agreement between the plaintiff and Keeta which specified that Keeta was the owner of the materials created from the plaintiff's musical compositions, a plausible interpretation of section 8 of the Thai Copyright Act would also suggest that Keeta as the "author"¹ of the sound recording would be the owner of the recording.

In this regard, the plaintiff's complaint against the defendants was really founded on the effectiveness of the restriction that the plaintiff imposed on Keeta, that Keeta was not to permit anyone else to use his 33 songs. Section 15 of the Thai Copyright Act provides that the copyright owner shall have the exclusive rights to licence his copyrights "with or without conditions, provided that such conditions shall not unfairly restrict competition". If the plaintiff's sub-licensing restrictions against Keeta were effective, notwithstanding Keeta's ownership of the sound recording and audiovisual rights in the master tape, Keeta would not have been able to licence the defendants to make and sell tape reproductions from Keeta's master tape. This is because even if these tapes were licensed reproductions from Keeta's master tape, they would constitute unlicensed reproductions of the plaintiff's songs. The fact that the tapes sold by the defendant did not modify the plaintiff's melodies would only suggest that the defendants did not breach the plaintiff's moral rights as the author in the melodies not to have any person distort, shorten, adapt or do anything detrimental to the reputation or dignity of the author (section 18, Thai Copyright Act).

For another illustration with regards to the copyright issues arising from a production contract between a music composer and a producer, see the Korean Supreme Court decision in *Baby V.O.X.* (Case 7.4 above).

¹ An "author" is defined under section 4 of the Thai Copyright Act to be "a person who makes or creates any work which is a copyright work by virtue of this Act".

9.9 Public Prosecutor v. Aumnad Agepet

Central Intellectual Property and International Trade Court, Thailand

Decided 25 April 2005

1543/2005

This summary is adapted from an English translation provided with the kind permission of the Research Center for the Legal System of Intellectual Property, Japan

Keywords

Criminal Prosecution for Infringement, Evidence of Infringement, Reproduction as Infringement, Restaurant and Communication to the Public, Licence Sticker for Public Performance

Facts/Issue(s)

The defendant was hired to play music by the Ruankaw restaurant. The disputed song "Pee mee ta hai" was on the restaurant's computer and the defendant was arrested while playing this song for a customer of the restaurant to sing to via the karaoke program on the computer.

The customer turned out to be an agent of the copyright holder, Tai Music Promotion Co. Ltd. ("Tai"), which held the rights to the disputed song.

The defendant's defence was that the Ruankaw restaurant had purchased the licence to play the disputed song "Pee mee ta hai" from an agent for Tai, and had received, inter alia, a CD, song books and a licence sticker which was attached to the computer. The defendant also adduced evidence that the Ruankaw restaurant had a receipt for a licence from GMM Music Publishing, confirming that he had a licence to communicate the song via karaoke.

The issues were whether the defendant had infringed the rightholder's copyright by reproducing the disputed song on the computer and communicated the song to the public via the karaoke program.

Ruling & Reasoning

The court accepted the evidence of the defendant that the copyright owner's agent for the disputed song "Pee mee ta hai" had loaded the song into the computer himself. The defendant was thus held not guilty of reproducing the disputed song on the computer.

The court also accepted evidence that the restaurant had been licensed to communicate the song to the public. The defendant who operated the computer and the karaoke program on behalf of the restaurant was thus held not guilty of communicating the disputed song to the public.

Laws Cited

Thai Copyright Act 1994 (B.E. 2537)

Commentary

It is somewhat surprising that it was the defendant and not the Ruankaw restaurant that was charged with the offences of an unlicensed reproduction and public communication of the song in question. As the defendant's employer, it would have been Ruankaw that instructed the defendant to conduct these allegedly infringing activities in the course of the defendant's employment, for which Ruankaw would be vicariously liable.

Even if the defendant was hired as an independent contractor for Ruankaw, the disputed song was found on Ruankaw's computer and the performance was conducted on Ruankaw's premises for the benefit of Ruankaw's customers. An example of an action that was brought against the proprietor for the independent contractor's unlicensed public performance is the New Zealand Court of Appeal case of *Phonographic Performances (NZ) Ltd. v. Lion Breweries Ltd.* (Case 6.3 above).

In any event, the prosecutor failed to prove that the activities were unlicensed and that there was an unlicensed public performance by karaoke of the song in question, because the defendant was able to show that Ruankaw had the requisite public performance licence evidenced in the form of the licence sticker attached to the computer. For another example of a prosecution in relation to public performances and licence stickers, see *Public Prosecutor v. Nad Jangprai* (Case 9.7 above).

10.1 Mirabai Films Pvt. Ltd. v. Siti Cable Network & Ors. (India, 2003)

High Court of Delhi, India
Justices B.A. Khan and R.S. Sodhi
Decided 17 March 2003
2003(26)PTC473(Del)

Keywords

Films, Telecast of Film by Downstream Local Cable Operators, Injunction

Facts/Issue(s)

The appellants were the producers of the film "The Monsoon Wedding" and the respondents were cable television network operators providing cable television network, cable internet access and other related services in several parts of India through their associate/subsidiary companies, distributors, franchisees, assignees, head ends and cable operators. The respondents also supplied feed signals to their distributors.

Before the film was released, the appellants sought an interim injunction against the respondents to restrain them and their distributors and franchisees from telecasting and screening this film on their cable networks without the permission of the appellants.

The trial judge denied the appellants' injunction application on the ground that the respondents' distributors and franchisees were separate legal entities not under the control of the respondents.

The appellants appealed.

The issue was: Whether the appellants would be entitled to a grant of an interim injunction against the respondents, even though the actual distribution of the film would be effected by the respondents' distributors and franchisees?

Ruling & Reasoning

The High Court noted that the plaintiff seeking an interlocutory injunction had to show (i) a *prima facie* case raising a bona fide contest with serious issues for adjudication and decision, (ii) that the balance of convenience was on its side, in that the inconvenience likely to be caused to him should be more than the one if the injunction was granted, and (iii) that irreparable injury and loss would be likely to be caused to it by withholding the relief.

The High Court also noted that the relief of injunction was founded on equity and that it could not be sought as a matter of right. It was also liable to be refused where the court found that the plaintiff had approached the court with unclean hands by suppressing material facts and had acted in an unfair and inequitable manner. But if the plaintiff made out a bona fide *prima facie* case, the court would act to preserve his right pending adjudication of his claim to mitigate the risk of injustice to the plaintiff during the period before the resolution of his claim.

The court found that the appellants owned the copyright in the film and enjoyed the exclusive right to deal with it. This included communicating it by whatever means including through cable networks and that all the respondents had no interest or claim in the film. The court accepted that the balance of convenience was on the side of the appellants in that it would suffer irreparable loss and injury

even by a single telecast of the film by the respondents and their distributors, who could reach several hundred thousand households at any one time.

The court noted that it was the respondents who were supplying feed signals to respondents' distributors, franchisees, assignees and local operators. If an injunction was granted against the respondents, the respondents' distributors, franchisees, assignees and local operators would similarly be denied the feed signals. The fact that they were separate legal entities was found not to be relevant.

For this reason, the appellant's appeal was allowed and the respondents were temporarily restrained from telecasting, screening and exhibiting the film "Monsoon Wedding" on their networks and from allowing their feed signals to be used by the distributors, franchisees, assignees and cable operators for this purpose.

Laws Cited

Indian Copyright Act 1957, Section 14

Indian Civil Procedure Code 1908, Order 39 Rules 1 and 2

Commentary

The objection of the respondents to the grant of the interim injunction on the basis that they were separate legal entities over whom the respondents could not control was presumably grounded on the equitable rule that equity would not act in vain. The High Court overruled this objection on the grounds that the grant of an injunction against the respondent cable operators would have the effect of denying the programming in question to their distributors and local operators. In doing so, the court reaffirmed the principles regarding the grant of an interim injunction by the Indian courts.

For an Indian decision that illustrates the grant of an interim injunction based on the same equitable principles, see *Super Cassettes Industries v. People Infocom & Anor.* (Case 3.3 above). For another Indian decision where the application for a permanent injunction was denied on the grounds that equity would not act in vain, see *Lahari Recording Company Limited v. Master Audio Video Manufacturing Co. (P) Ltd.* (Case 3.6 above).

10.2 Network Ten Pty. Ltd. v. TCN Channel Nine (No. 1 and 2) (Australia, 2004)

High Court of Australia
Justices McHugh ACJ, Gummow, Kirby, Hayne and Callinan
Decided 11 March 2004
[2004] HCA 14, 27 TCL 16/3, 218 CLR 273, 205 ALR 1, 78 ALJR 585, 59 IPR 1
Remitted to
TCN Channel Nine v. Network Ten Pty. Ltd. (No. 2)
Federal Court of Australia
Justices Sundberg, Finkelstein and Hely
[2005] FCAFC 53; (2005) 145 FCR 35

Keywords

TV broadcasts, Re-broadcasting, Copyright in TV broadcasts as Programmes, Visual Images discernible by Viewers

Facts/Issue(s)

The respondent TCN Channel Nine ("Nine") was part of the Nine Network, and the appellant Network Ten ("Ten") was the holding company of the Ten Network.

Between August 1999 and June 2000, Nine broadcasted a variety of TV programmes, each between 30 minutes and one hour long. These were recorded on video tape by Ten. During this time, Ten was broadcasting a weekly programme called "The Panel". On its programme, Ten would rebroadcast (or include) extracts ("Panel Segment") from Nine's programmes. A total of 20 extracts were used, and each extract ranged in duration from eight to 42 seconds. While a broadcast usually involved the transmission of a multiplicity of changing images and sounds, a broadcast might be of a still picture or moving images, or an isolated, reproduced or cropped portion of the original broadcast, whether with or without accompanying sounds. Before each broadcast, Ten would place each Panel Segment on an individual video tape.

"The Panel" was advertised as a light entertainment programme involving a panel of four people engaging in what was presented to viewers as an unrehearsed chat in front of a studio audience about recent events. For this purpose, TV footage and material from other media were selected for use on the Panel, including but not limited to TV programmes broadcasted by each of Australia's major TV and satellite channels, and not just Nine's programmes.

Nine sought to restrain Ten's unlicensed re-broadcasting of substantial parts of any TV broadcast made by Nine on the TV programme "The Panel". It sought a declaration that its broadcast copyright in its TV programmes had been infringed by Ten. Ten denied that it required any licence from Nine to broadcast the excerpts, contending that they did not constitute a substantial part of any of Nine's programmes in which Nine held copyright. Alternatively, Ten contended that its conduct was by way of fair dealing for the purpose of criticism or review, or for reporting of news by means of broadcasting.

The trial judge held that Ten had not taken the whole or a substantial part of any of Nine's broadcasts. Those findings were reversed by the Full Court, which held that Ten had infringed the copyright of Nine in its TV broadcasts, because the rights in broadcasts encompassed all the visual images discernible by viewers, and that Ten had infringed Nine's right by making cinematograph films of the broadcasts and had rebroadcasted Nine's broadcasts under section 87(a) and (c) of the Australian Copyright Act respectively. The Full Court however held that Ten's fair dealing defences succeeded in relation to nine of these extracts. This meant that Ten was held liable for infringing Nine's copyright in eleven extracts.

Ten appealed, arguing that the Full Court had misread the TV broadcast rights in the Copyright Act, and had over-extended the scope of the rights.

The issue before the High Court was whether Ten had, by incorporating various parts of Nine's broadcasts into its own programmes, infringed Nine's copyright in its broadcasts by a "substantial taking" of each of the visual images and accompanying sounds comprised in Nine's programmes?

Ruling & Reasoning

By a majority, the High Court allowed Ten's appeal. It held that while the grant of copyright protection in a broadcast was to protect the cost to, and the skill of, broadcasters in producing and transmitting their programmes to the public, in addition to what copyrights might have subsisted in the underlying works used in those programmes, and not legal protection for each and every image discernible by viewers. Otherwise, broadcasters would be placed in a position of advantage over that of the other stakeholders in copyright law, such as owners of cinematograph films or copyright owners in the underlying original works.

While there could be no absolute precision as to what circumstances would constitute a TV broadcast, the majority held that a TV programme put out to the public, the object of the activity of broadcasting, as discrete periods of broadcasting identified and promoted by a title would be a broadcast. The court agreed with the trial judge that TV advertisements should be treated as discrete TV broadcasts, but items or stories in a news broadcast would not necessarily render each a TV broadcast. For these reasons, the majority held that Nine's programmes in question were broadcasts under the Australian Copyright Act.

The court remitted the question of whether Ten had taken a substantial part of Nine's broadcasts back to the Full Court for its consideration, on the basis that Nine had copyright in its broadcasts as programmes.

The Full Court held that whether or not a substantial part of a programme had been taken would depend on the quality and not primarily quantity taken. Justices Finkelstein and Sundberg would assess substantiality by considering whether "essentially the heart" - the most valuable and pertinent portion - of the copyrighted programme had been taken. If this enquiry failed, the court would consider the copyright owner's financial interest in the programme and the defendant's purpose in using the programme. Noting that according to the High Court, a test of substantiality would take into account questions of quality as well as the quantity of the materials taken, Justice Hely would assess substantiality with reference to the significance of the taken sounds and images in terms of the story, impact and theme conveyed relative to the source broadcast as a whole, especially where the part taken was the "highlight", or was "distinctive" or "recognisable".

On this basis, the Full Court held that Ten had copied a substantial part of six of Nine's programmes by its rebroadcast of its extracts.

Laws Cited

Australian Copyright Act 1968 (Cth), Sections 14(1), 25(4), 87

Commentary

In this series of decisions, the Australian courts had to deal with two separate issues. The first relates to the scope and extent of the protection of TV broadcasts under the Australian Copyright act. The Full Federal Court would have preferred a "physicalist approach"¹ which focused on the "medium of transmission", which led it to the conclusion that copyright protection extended to each and every still image transmitted in the broadcast. The majority of the High Court repudiated this view,

¹ Kathy Bowrey, *What Are You Missing Out On? Big Media, Broadcasting, Copyright and Access to Innovation*, [2007] UNSWLRS 56, <http://www.austlii.edu.au/au/journals/UNSWLRS/2007/56.html> (accessed 27 Feb. 2009)..

preferring instead the “formalist/purposive approach”, which focused on the broadcaster’s object in putting out the programme to the public as a distinctive and discrete message. By the approach of the High Court, the programme is, for most intents and purposes, the broadcast.

Difficult issues, however, remain unresolved, and the majority judgment of the High Court hints at this, especially with regards to its references to segments within a piece of programming such as a news broadcast. The appellant Nine in its remitted appeal before the Full Federal Court had contended that there were different discrete “segments” within its programming, each of which would be a “broadcast”. If this argument were successful, as the majority of the Full Federal Court opined, it would have made it easier for Nine to assert that the Panel Extracts that Ten had taken were substantial. However, the Full Federal Court did not have to resolve this issue in its judgments.

The difficulties of ascertaining the “substantiality” of an extracted broadcast are further amplified when the traditional test of “substantiality” and its emphasis on quality as applied to original works are applied to neighbouring rights in entrepreneurial works. The decision of the House of Lords in *Newspaper Licensing Agency Ltd. v. Marks & Spencer Plc.*,³ in relation to the copying of “published editions” as entrepreneurial works, emphasises this difficulty by linking “substantiality” to the appropriation of the skill and labour of the publisher (in the presentation and layout of the edition).⁴ The approach by the judges of the Full Federal Court to assess “substantiality” with reference to the viewer’s perspective of the “essence” of the programme, represents another such approach that seeks to weigh between the arguably conflicting considerations of protecting the fiscal interests of the broadcasters or protecting their production skills, especially since a diverse range of programming content is possible.

² *Id.*

³ *Newspaper Licensing Agency Ltd. v. Marks & Spencer Plc.*, [2003] 1 AC 551, [2001] 3 All ER 977.

⁴ *Id.*, at 561, 985 per Lord Hoffman.

10.3 Visual Disk (Japan, 2005)

21st Division, Osaka District Court, Japan

Decided 29 March 2005

2002 (Wa) No.4484

This summary is adapted from an English translation provided with the kind permission of the Institute of Intellectual Property, Japan

Keywords

Digitization of Photographs, Reproduction of Photographs and Sale as CD-ROMs, Reproduction as Infringement, Automatic Public Transmission Right, Moral Rights, Right of Attribution, Right of Integrity

Facts/Issue(s)

The first defendant entered into a licence agreement with the plaintiff, a professional cameraman, to produce and sell CD-ROMs (described in the judgment as “Visual Disk”) that contained the plaintiff’s photographs. The first and second defendants also displayed the plaintiff’s photographs on their website and provided a free download service for the photographs.

The plaintiff sued, claiming that the defendants’ conduct in producing and selling the Visual Disk was unlicensed, as the disk incorporated photographs that were not licensed by the plaintiff for sale under the licence agreement. Consequently, the plaintiff claimed that the defendants had violated his reproduction right, his right of public transmission and his moral right to attribution of the author’s name and right to maintain the integrity of his photographs. The plaintiff also claimed that the defendants’ conduct in displaying the photographs on the web and in providing a free download service infringed both his copyright as well as his moral rights of attribution and integrity, since the images on the web were low-resolution images, which resulted in a loss of integrity of his photographs, and that the defendants also failed to indicate the plaintiff’s name as photographer on those images.

The defendants’ defence was that they were permitted to use the plaintiff’s photographs pursuant to the licence agreement.

The issue for the court was whether the defendants’ use of the plaintiff’s photographs, other than those that the plaintiff had licensed, which included changing the photographs into digital form and storing them on CD-ROMs for sale, changing the resolution of these photographs for display on a website and providing them for a free download service, infringed the copyright and moral rights of the plaintiff owner.

Ruling & Reasoning

The court found that the defendants had infringed the plaintiff’s copyright when they used the plaintiff’s photographs, other than the licensed photographs, by:

- changing the plaintiff’s photographs into digital high-resolution image data in order to put them onto the said CD-ROM without the consent of the plaintiff, thereby violating the plaintiff’s right of reproduction;
- producing the digital low-resolution image data for the website without the plaintiff’s consent, thereby violating his right of reproduction; and
- enabling a download service for the photographs without the consent of the plaintiff, thereby violating his right of automatic public transmission.

The court also held that the plaintiff's moral right of attribution requiring an indication of the author/photographer's name was also violated if there was no reference to the plaintiff's name. However, the court rejected the plaintiff's claim of breach of his rights of attribution in relation to the licensed photographs, holding that there was an implied consent from the plaintiff not to exercise his right of attribution as regards the sale of the permitted CD-ROMs.

The court also denied the plaintiff's claim that changing the original high-resolution photographs into coarse-grained image data for the web violated his right of integrity in the photographs. The court held that it could not be proven that the resolution of the photographs was so low that made it detrimental to use them for a comprehensive layout or a presentation.

The court awarded the plaintiff damages against the defendants for producing and selling the unlicensed CD-ROMs, providing the unlicensed download service and violating the plaintiff's moral rights.

The court also ordered an injunction against the defendants on the grounds that there was a possibility that the original image data would be held by the defendants' associates.

Commentary

This decision is seminal because of its treatment of the difficult issue of the interface between the economic copyrights of the copyright owner and the exercise of his moral rights.

Article 19(1) of the Japanese Copyright Act provides that the author shall have the right to determine whether or not his name should be indicated as the work's author on the original work or when his work is offered or made available to the public. This right extends to works derived from the author's work are offered or presented to the public.

Although Article 59 of the Japanese Copyright Act states that the moral rights of the author are personal and exclusive to the author and cannot be transferred, many copyright agreements contain advance declarations by the author that he will not exercise his moral rights with respect to the licensed exploitation. Some commentators have taken the view that such blanket waivers are invalid, as they offend public order and good morals pursuant to section 90 of the Japanese Civil Code.¹ However, the court in this case adopted a pragmatic view of the issue and held valid an *implied* waiver by the author as to his right of attribution in relation to his photographs included on the CD-ROM. Although there is an exception in Article 19(4)(ii) excusing the omission of the author's name on a work offered or made available to the public, the exception operates only in conjunction to administrative action for such an omission. Presumably the court saw no reason not to treat the author's prior sanction of the making and subsequent sales of CD-ROMs containing his licensed photographs as a waiver of his objections regarding a breach of his attribution rights. Of course, the additional issue, which did not appear to have been considered by the court, is whether the plaintiff's right of attribution could be exercised in relation to his photographs as *works* embodied on the CD-ROM, as opposed to his right of attribution in relation to the CD-ROM itself as the medium on which the works were embodied.

Likewise, the court's treatment of the author's right of integrity in his work is enlightening. Whereas Article 20(1) of the Japanese Copyright Act gives the author a right to object to any "distortion, mutilation or other modification therefore made against his intent" (subject to exceptions which were not relevant to the instant case), the court held that the digitization of the plaintiff's photographs did not amount to such a breach of his right of integrity. The court's views must have been influenced by Article 20(2)(iv) of the Japanese Copyright Act, which provides an exception for

¹ See Tatsuhiro Ueno, *Copyright Ownership* in JAPANESE COPYRIGHT LAW: WRITINGS IN HONOUR OF GERHARD SCHRICKER 42-43 (Peter Ganea, Christopher Heath and Hiroshi Saitō eds., 2005).

² *Id.*, at 47.

“ modifications that are considered unavoidable in the light of the nature of a work as well as the purpose of and the manner of its exploitation” . If so, this would appear to reflect a recent trend for Japanese courts to rely on this provision as a method of balancing the author’s moral rights interests and the copyright owner’s or licensee’s economic interests,² particularly where the author has licensed that particular form of economic exploitation.

For another example of the court’s treatment of moral rights issues in Australia, see *Schott Musik International GmbH & Ors. v. Colossal Records of Australia Pty. Ltd. & Ors.* (Case 1.3 above).

10.4 Shanghai People's Procuratorate v. Gu Randi & Ors. (China, 2005)

No.2 Intermediate People's Court of Shanghai Municipality
Decided 19 April 2005
(2005) Hu Er Zhong Xing Chu Zi No. 1

Keywords

Infringement by Sale of Unlicensed DVDs, Internet Sales, Sales Overseas, Criminal Prosecution for Illegal Business Operation

Facts/Issue(s)

A U.S. citizen, Randolph Hobson Guthrie (Chinese name Gu Randi) ("Gu") made it a business to sell pirated DVDs overseas (out of China) through ebay.com and a website he registered, threedollardvd.com, from his domicile in Shanghai. He did so without obtaining a Licence for Operating Audio and Video Products. After the overseas customers confirmed the title, quantity, price and freight of their orders for DVDs, and remitted moneys to the account designated by Gu, he would purchase the infringing duplicated DVDs at low prices from two other accomplices, Jin Jianyong and Xie Chunyan and send them overseas via various courier services. All in, Gu sold more than 133,000 pirated DVDs overseas. The sales volume exceeded RMB 3.3 million and the illegal proceeds totalled more than RMB 970,000. Gu was assisted by the other defendants, Wu Dong, Ku Di, and Wu Shibiao, who, clearly knowing that Gu was selling pirated DVDs, still took part in it, and rendered him such assistance as taking deliveries or delivering goods, contacting customers, providing computer management and transport, and so on.

The issue was whether the defendants Gu and others could be indicted for the crime of operating an illegal business operation without obtaining an industry and commerce registration and without obtaining a License for Operating Audio and Video Products, and selling infringing DVDs through the websites www.ebay.com and www.threedollardvd.com to overseas customers, in breach of Chinese laws. Gu's defence was that he was not liable because he only sold infringing DVDs and did not produce them, and that did not require a licence because his selling activities were not conducted in China.

Ruling & Reasoning

The court held that after investigations into the shipping documents disclosed by the shipping and courier companies, banks and other remittance centres, and from an auditing report issued by a certified accounting firm on the basis of information based on the names and addresses of the customers and the dates of their orders, it was clear that Gu sold more than US\$159,000 worth of goods overseas through eBay between 18 October 2002 and 2 November 2003, but the evidence did not disclose the names of the goods sold by him. As the existing evidence did not prove that all these goods were infringing DVDs, and as the court could not exclude the possibility that Gu was selling other goods during this period, the court could not ascertain if Gu had sold more than 53,000 infringing DVDs overseas via eBay.

In this regard, the court upheld the indictment alleging the sale of infringing DVDs through www.threedollardvd.com but ordered the original charge to be revised.

The court noted that the original indictment charged Gu and his other accomplices with selling infringing audio-video discs without obtaining industry and commerce registration and without a License for Operating Audio and Video Products issued by the administrative department of the state, which was a crime under Article 225 of the Criminal Law (commission of an illegal act in a business operation which disrupted the market order). The court however noted that Article 217 of Section Seven of Chapter III of the Criminal Law criminalized an act of reproduction and

distribution without the permission of the copyright owners or owners of the related rights, and Article 218 of the same law criminalized the sale of such infringing duplicates of works. As Article 218 was drafted for the specific purpose of dealing with selling infringing articles that indirectly infringed upon the rightholders' copyright or neighbouring rights, the court thus modified the indictment to one under Article 218 of the Criminal Law.

Applying Articles 6 and 16 of the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate Concerning Some Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights (Legal Interpretation No.19 of 2004), the court held that Gu knowingly sold infringing audio-video duplicates without the copyright owners' permission, obtaining illegal gains which were large, and the other defendants, by rendering various assistance to Gu clearly knowing that Gu was selling infringing audio-video duplicates in large quantities, were joint offenders of the offence of selling infringing duplicates. Gu was the principal criminal and the other defendants, who played an auxiliary or secondary role, were accomplices and were given a lighter sentence. The court also ordered the confiscation of properties illegally obtained by the defendants and the tools used in the commission of the crime.

Neither party appealed the judgment and the first instance judgment received legal effect.

Laws Cited

PRC Interpretation of the Supreme People's Court and the Supreme People's Procuratorate Concerning Some Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights 2004, Articles 6, 16

PRC Criminal Law 1997, Article 26 Paragraph 1 [principal criminal], Article 27 [auxiliary or secondary criminals], Article 35 [deportation], Article 64 [confiscation of illegally obtained properties and tools used in the commission of the crime], Article 67 Paragraph 1 [reduced punishment], Article 217 [penalties for illegal reproduction of infringing products], Article 218 [penalties for illegal sale of infringing products], Article 225 [penalties for committing illegal acts in business operation and disrupting market order]

Commentary

This is a case involving commercial dealings in unlicensed DVDs. It is important to note the reasons that the court advanced for revising the charge to one of "selling of infringing works for gain" under Article 218 of the PRC Criminal Law, instead of Article 217 of the Criminal Law, which criminalizes the reproduction or distribution of infringing works for gain. The court opined that while Article 218 can be subsumed under Article 217, the legislative object behind Article 217 was for the primary purpose of criminalizing infringing acts of reproductions, and Article 218 for the disposition of articles created from the infringing reproductions.

This point has since been reversed by Article 2 of the Interpretation II of the Supreme People's Court and the Supreme People's Procuratorate of the Issues concerning the Specific Application of Law in Handling Criminal Cases of Infringement of Intellectual Property Rights (2007), which states that the infringement crime in Article 217 of the Criminal Law "shall refer to duplication or distribution or both duplication and distribution".

It would thus appear that pursuant to the Interpretation, Article 217 of the PRC Criminal Law is a more generic penal provision that encompasses an infringing duplication as well as an infringing distribution, and that the defendant Gu in this case could have been indicated under this Article.

It should also be mentioned for completeness that criticisms have been levelled by intellectual property groups on Articles 217 and 218 of the PRC Criminal Law on the basis that they prescribe artificially high quantitative thresholds for determining criminal liability, and also fail to criminalize offences that are in effect "copyright piracy on a commercial scale" (as allegedly required under

Article 61 of TRIPS Agreement¹) even though there is no profit motive involved². However, on 26 January 2009, in the WTO ruling on the intellectual property dispute between the United States and China, the Dispute Resolution Panel concluded that the United States had failed to prove that these criminal thresholds were inconsistent with China's obligations under Article 61 of the TRIPS Agreement.³

For other cases involving criminal prosecutions for infringing commercial dealings in unlicensed works, see *HKSAR v. Lam Shuen Shuen & Anor.* (Case 2.14 above), *Soribada* (Case 7.5 above), *Police v. Vile* (Case 6.4 above) and the cases from Thailand.

¹ Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 Apr. 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

² See e.g. International Intellectual Property Alliance, 2008 SPECIAL 301 REPORT: PEOPLE'S REPUBLIC OF CHINA 84 (11 Feb. 2008), <http://www.iipa.com/rbc/2008/2008SPEC301PRC.pdf> (accessed 25 Feb. 2009).

³ *China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, Panel Report, WT/DS362/R, adopted 26 Jan. 2009.

10.5 Stevens v. Kabushiki Kaisha Sony Computer Entertainment (Australia, 2005)

High Court of Australia, Australia

Chief Justice Gleeson, Justices McHugh, Gummow, Kirby, Hayne and Heydon

Decided 6 October 2005

[2005] HCA 58, 224 CLR 193, 79 ALJR 1850, 221 ALR 448, 65 IPR 513, [2005] AIPC 92-140, 2005 WL 2450272, [2005] ALMD 8401, [2005] ALMD 8403, [2005] ALMD 8396, [2005] ALMD 8402

On appeal from

Kabushiki Kaisha Sony Computer Entertainment v. Stevens, [2002] FCA 906, (2002) 200 ALR 55 (Federal Court of Australia)

Kabushiki Kaisha Sony Computer Entertainment v. Stevens, [2003] FCAFC 157, (2003) 132 FCR 31 (appeal to the Full Court of the Federal Court)

Keywords

Video Games, Technological Protection Measures, Access Control, Access Codes, Temporary Copy in RAM

Facts/Issue(s)

The respondents, Sony companies, were the copyright owners and exclusive licensees of the copyright embodied in various video games as computer programs and as cinematograph films for the PlayStation console. The video games were sold in the form of CD-ROMs. To prevent their piracy, the CD-ROMs included an encrypted access code stored on a number of encrypted sectors of data on the CD-ROMs. When the legitimate CD-ROM was inserted into the PlayStation console, the Boot ROM chip in the console would read the CD-ROMs for the access code. If the access code was not present, the console would not load the video game. Copies of the CD-ROMs would not have the encrypted access code, because conventional CD recording or copying devices would be unable to reproduce the encrypted sectors.

The appellant Stevens sold unauthorized copies of certain Sony PlayStation video games, and also sold modified ("modded") PlayStation consoles so that they could play the copied video games. This was done by way of installing onto the consoles "mod chips" which enabled the games to be played. The respondents Sony sued Stevens, alleging that Stevens had circumvented its technological protection measures under section 116A of the Australian Copyright Act by selling a circumvention device which the person knew, or ought reasonably to have known, that the device would be used to circumvent, or facilitate the circumvention of the technological protection measure. Sony did not allege infringement of its copyright in its games or films against the appellant Stevens.

The appellant's defence was that Sony's access code and the Boot ROM chip were not technological protection measures because, although they operated to prevent the holder of an unauthorized copy of a CD-ROM from playing the game, they did not prevent a user from duplicating an authorized copy of the CD-ROM, and thus did not prevent copyright infringement. Sony's counter-argument was that the definition of a technological protection measure was concerned with devices or products that did not, by their operations, prevent or curtail specific acts of infringing or facilitating copyright infringement but merely had a general deterrent or discouraging effect on those who might be contemplating copyright infringement.

Before the trial judge in the Federal Court, Sony's claims against Stevens failed. In the Full Court, Sony partly succeeded in its claims against Stevens, ruling that Stevens had sold circumvention devices in contravention of Sony's rights under section 116A of the Australian Copyright Act. Stevens appealed to the High Court.

The main issue before the High Court was: Whether the Sony access code and Boot ROM chip system together constituted a “technological protection measure” which acquired legal protection, such that the knowing sale or distribution of devices to circumvent the technological protection measure constituted a breach of Sony’s rights?

Ruling & Reasoning

The High Court found for the appellant based on a technical interpretation of what constituted a “technological protection measure” under the Australian Copyright Act.

A “technological protection measure” was defined in the Australian Copyright Act as “device or product, or a component incorporated into a process, that is designed, in the ordinary course of its operation, *to prevent or inhibit the infringement of copyright* in a work or other subject-matter by either or both [access control means or copy control means]”. The court in its leading judgment held that a technological protection measure had to be one that, but for its operation, there would be no technological or mechanical barrier to access the copyright material or to make copies of the work after access has been gained. It held that the use of the mod chip by Stevens to circumvent the protections provided by the CD-ROM access code and the boot ROM could not be said to be for the “purpose” of reproducing a computer game, as any such copying of the game would already have been made through the ordinary process of “burning” the CD-ROM.

The leading judgment accepted the trial judge’s holding that the Sony device only prevented access to an illegitimate copy of a work after the infringement had taken place. Hence the access code and boot ROM were not technological protection measures as they were not devices which prevented infringement and section 116A was not contravened. The court in its leading judgment was concerned that a broad interpretation of technological protection measures would lead to the prohibition of devices which would prevent the carrying out of conduct which did not infringe copyright and was not otherwise unlawful, the example being the playing in Australia of a PlayStation game lawfully acquired in the United States (because consoles and games distributed in Europe and Australia were formatted in accord with the PAL standard whereas Japanese, South East Asian and U.S. consoles and games were formatted in accord with the NTSC standard, and access codes assigned to such consoles games would vary accordingly).

Justices McHugh and Kirby, in their supporting judgments, agreed with the majority but for different reasons. Justice McHugh accepted that the Sony access code system did not “prevent” infringement, but nonetheless considered that it did not “inhibit” infringement because to inhibit infringement was to make the infringement more difficult - but not impossible - than it would be if the system did not operate, noting that the Sony console’s inability to load the software from an infringing copy of the CD-ROM did not make it impossible or more physically difficult to make an infringing copy. Justice Kirby adopted a strict interpretation of what constituted a “technological protection measure”, holding that it had to be a device which by its own operation prevented or inhibited infringements of copyright. On the evidence adduced by Sony in this case, the access code system was not of this character.

The High Court also dealt with the respondent’s argument that its device (the access code and boot ROM) had prevented PlayStation users from reproducing in the RAM of an unmodified PlayStation console a substantial part of the program from an unauthorized copy of a PlayStation CD-ROM. The High Court also dismissed this argument, holding that this reproduction did not entail a reproduction of the video game in a material form as the storage in the RAM was temporary and was not amenable to further reproduction. Nor was this reproduction held to be a substantial part of the cinematographic film in the CD-ROM.

Laws Cited

Australian Commonwealth of Australia Constitution

Australian Copyright Act 1968 (Cth), Sections 10(1), 14(1), 21(1A), 21(6), 24, 31, 31(1)(a)(i), 85, 86, 87, 88, 116A(1), 116A(3), 116A(4), 116A(5), 116A(7), 116A(8), 116D, 132, 132(5B), 132(6A),

Australian Copyright Amendment (Digital Agenda) Act 2000 (Cth)
Australian Acts Interpretation Act 1901 (Cth), Sections 15AA, 15AB
U.K. Copyright, Designs and Patents Act 1988 (c. 48), Section 296(2)
U.S. Copyright Act 1976, Sections 101 (definitions of "copy" and "fixed"), 1201, 1201(a)(1)(A), 1201(a)(3)

Commentary

This decision from the Australian High Court led to considerable consternation from the software industry that deployed lock-and-key access control methods as technological protection measures. By this interpretation, as no access control method will "prevent" the user from making an infringing copy of the work (without the encrypted key), the access control method (as the lock for validating the encrypted key) can never be a "technological protection measure". As a result, circumvention measures and devices can be deployed against it.

In contrast, on the same facts and issues but on a different statutory regime, the Korean Supreme Court arrived at a decision for Sony. See *PlayStation 2* (Case 10.6 below).

This decision has since been statutorily reversed pursuant to the Copyright Amendment Act 2006, which introduced new statutory definitions for "access control technological protection measure", "controls access" and revised the existing definitions for "circumvention device", "circumvention service" and "technological protection measure".¹ However, the Amendment Act gave statutory recognition to the observations of the Australian High Court that technological protection measures should not be implemented to control the use of a licensed (non-infringing) copy of a work (in this case, a cinematographic work or a computer program) to effect geographic market segmentation.²

Another point worth highlighting from the judgment of the Australian High Court is its holding that temporary copies stored in computer RAM will not constitute "reproductions" for purposes of copyright infringement, as they are not amenable to "further reproduction". This particularly implies that when a work is streamed, in which the work is delivered to the end-user in small parts ("streams") and temporarily stored on the user's computer system, the streams would not constitute an infringement of the work as there was no easy way to "re-assemble" the streams into the original constituent work. On this point, however, the Australian High Court also noted that U.S. authorities had held that temporary copies of a work stored in computer RAM would be reproductions because of the statutory definition of what constitutes a "copy" in the U.S. Copyright Act.

Even if "streaming" a work would not constitute a reproduction of the work, it may still infringe the rightholder's right of communication in the work. For further illustrations about streaming and issues of copyright liability, see *Beijing Feitong Music Co. Ltd. v. Heilongjiang Radio Station* (Case 2.5 above) and *Bugs Music* (Case 7.3 above).

¹ Brian Fitzgerald, *Copyright vision: copyright jails* (26 Oct. 2006), <http://www.onlineopinion.com.au/view.asp?article=5068&page=1>.

² Australian Copyright Act, s 10(1) (definition of "technological protection measure").

10.6 PlayStation 2 (Republic of Korea, 2006)

Supreme Court, Republic of Korea

Decided 24 February 2006

2004 Do 2743

This summary is adapted from an English translation provided with the kind permission of the Supreme Court of the Republic of Korea

Keywords

Video Games, Technological Protection Measures, Access Control, Access Codes

Facts/Issue(s)

Only authorized game software could be run in the PlayStation 2 (PS2) consoles made by Sony Entertainment. Each authorized game CDs/DVDs had an access code and a game program. All PS2 consoles included a Boot ROM that would verify the existence of an access code on the CD/DVD disk to determine whether it was authorized game software. The access code could not be reproduced by a standard device or disk copying program. Thus copies that were made of the authorized game disks could not be executed on the PS2.

The defendant sold and installed Mod chips (referred to in the judgment as the "blue messiah chip") which allowed the PS2 console to play the duplicated copies of PS2 game disks. The chip installed by the defendant ensured that the PS2 console operated as if the correct access code had been read, regardless of whether it was present on the disk or not. The chip made the Boot ROM wrongly recognize the duplicated disk as an authorized game disk with an access code. On the other hand, it was not established that the defendant had made a duplicate copy of the authorized game disk or was involved in its duplication.

The issues for the court in this case were: (1) Whether the access code stored on a storage medium within the PS2 game console was a "technological protection measure" under the Korean Computer Programs Protection Act? (2) Whether the installation of the Mod chip onto the PS2 game console amounted to an act that significantly incapacitated the technology protection measures as stipulated in Article 30 Section 2 of the Korean Computer Programs Protection Act? (3) Whether Article 30 Section 2 of the Korean Computer Programs Protection Act violated the Korean Constitution?

Ruling & Reasoning

The Supreme Court quoted from Article 30 Section 1 and Article 30 Section 2 of the Korean Computer Programs Protection Act, which stipulated that no one should manufacture, import or convey, lend or distribute to the public, devices, equipment and parts that incapacitated significant technology protection measures by avoiding, removing or damaging them, and that no one should transmit or distribute programs or provide technologies that incapacitate technology protection measures. The court also quoted from Article 46 Section 1-3 of the Act, which stipulated that a person who violated the above provisions should be punished.

The court held that "technology protection measures" were, in accordance with Article 2 Section 9 and Article 7 of the Act, measures that effectively prevented infringement of the right to release, the right to bear a name and the right to maintain identity that was given to the writer of the program through core technology or equipment that protected the input of program identification numbers and program numbers, encoding and other legal rights, and program copyrights, including but not limited to, rights to copy, revise, translate, distribute, publish and transmit the program.

The court held that an access code stored on a storage medium within the PS2 game console was deemed to be a technology protection measure, and the act that enabled a copied game disk without an access code to play on a PS2 by installing a Mod chip was reasonably deemed as an act

that incapacitated significant technology protection measures as stipulated in Article 30 Section 2 of the Computer Programs Protection Act.

The court held that nonetheless, Article 30 Section 2 of the Computer Programs Protection Act was not to limit the personal use of copyrighted programs by a person who legitimately possessed and used computer programs, but to limit the acts of those who spread devices that incapacitate technology protection measures to enable the illegal usage of copyrighted programs. A person who duly purchased a copyrighted program was permitted to create a copy by incapacitating the technological protection measures for the purpose of protecting the original version of the copyrighted program in accordance with Article 30 Section 1-3 and Article 14 of the Act.

For this reason the court dismissed the argument that these provisions unfairly limited the act of copying by a person who legitimately obtained a copyrighted program and held that these provisions did not violate Articles 23 and 10 of the Korean Constitution.

Laws Cited

Korean Computer Programs Protection Act 1986 (2002 edition), Article 2 Section 9, Article 7, Article 14, Article 30 Sections 1 and 2, Article 46 sections 1-3
Korean Constitution 1988, Articles 10, 23

Commentary

The Korean Supreme Court had to interpret the Korean Computer Programs Protection Act as regards technological protection measures. It concluded that the access code system used on the Sony PS2 was a technological protection measure, arriving at a conclusion opposite to that of the Australian High Court in *Stevens v. Kabushiki Kaisha Sony Computer Entertainment* (Case 10.5 above), although it also upheld that the right of a licensed user to circumvent a technological protection measure. The decision of the Australian High Court has been subsequently reversed by way of statutory changes to the Australian Copyright Act, which indirectly affirms the interpretation of the Korean Supreme Court in this case.

10.7 Winny I (Japan, 2004) and Winny II (Japan, 2006)

Winny II

Osaka High Court, Japan

Decided 8 October 2009

(unreported)+

On appeal from

Kyoto District Court, Japan

Decided 12 December 2006

2006 (Wa) No. 726

Related criminal proceedings:

Winny I

Kyoto District Court, Japan

Decided 30 November 2004

2003 (Wa) No.2018

The Winny I summary is adapted from an English translation provided with the kind permission of Professor Justin Hughes, Cardozo Law School, Yeshiva University and Mr Shinji Niioka* Further assistance for this summary, especially as regards *Winny II*, was provided by Judge Yuko Hirano**

Keywords

Popular Movies, Users' P2P File Sharing, Winny, Criminal Prosecution for Infringement, Distribution, "Making Available"

Facts/Issue(s)

In May 2002, D2 (the defendant in the second case "*Winny II*"), a Tokyo University graduate school research associate, released the first version of the file-sharing software Winny and made that available for free download.

[The following description of the Winny software is taken from a paper written about the software.]¹ As a true P2P software, Winny worked without the use of a centralised server. Instead, D2 made it possible to achieve anonymity and communication efficiency by configuring the computer of every Winny user (which functions as a "node" in the P2P network) as a proxy server to conduct multi-stage relaying, either of information about the shared files (the file index information or "key", which contained the file name, file size, the IP address and port number of the computer that held the file and its hash value) or the encrypted contents of shared files (as part of its cache), or both. When a Winny user searched for a file, the "key" information would be sent from Winny user to Winny user as intermediaries. When a Winny user sought to download the file, the intermediate Winny users' computers as well as the receiving Winny users' computers would retain the key and cache of the file, so that they could be transmitted to other Winny users.

D1 (the defendant in the first case "*Winny I*") downloaded and installed the Winny software on his computer in December 2002. Beginning January 2003, D1 repeatedly made available about 100 films and 30 dramas (which were originally on DVDs) for download by other Winny users. He did so by placing the files of the films and dramas onto a designated folder on his computer so that they

+ *High court overturns guilty ruling against developer of file-sharing software Winny*, MAINICHI DAILY NEWS (8 Oct. 2009), <http://mdn.mainichi.jp/mdnnews/news/20091008p2a00m0na016000c.html> (accessed 18 Oct. 2009).

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** Judge Yuko Hirano is a judge with the Osaka District Court and concurrently a Visiting Scholar with Stanford Law School.

¹ Isamu Kaneko, *Clarifying the Original Goals of Winny Technology* (Mar. 2006), http://www.glocom.ac.jp/e/publications/Kaneko_1.pdf (accessed 10 May 2009).

became searchable and could be shared with other Winny software users. When almost 100 people had downloaded the files, he would delete the Winny cache. D1 always kept between 15 and 20 movies available for download on his shared folder using the Winny software.

On 14 January 2003, D1 uploaded the file for the movie "Unbreakable" and on 4 September 2003, he uploaded the file for the movie "A Beautiful Mind". By this time, the Kyoto Police Department was conducting its own investigations and they successfully downloaded these two movies from the D1's computer in September 2003. D1 was arrested and charged with the criminal offence of infringing the authors' "right to make transmittable" copyright works.

The issue before the court in the *Winny I* case was whether the defendant was guilty of the offence of infringing the authors' right to make works transmittable by uploading the DVD movies to a designated computer and making them automatically downloadable for many unspecified Internet users of the Winny software. The defendant raised 18 defences, such as: (i) An infringement of the right to make transmittable requires a transmission to the public, but the defendant had made the movie files transmittable to only one specific person (as D1's computer only constituted one node on the Winny P2P system) and not to the public. (ii) There must be direct transmission, not indirect transmission, to infringe a right to make transmittable. (iii) Since the file was transmitted via the Winny software in an encrypted form and in parts, the movie files had "lost their identity and uniformity" and were not protected by copyright law.

In May 2004, D2 was in turn indicted and prosecuted for the offence of aiding the infringement of the authors' right to make works transmittable. The issue before the court in the *Winny II* case was whether D2 was liable as an accessory by aiding the copyright infringers through the development and release of new versions of the Winny program. The prosecutor contended that D2 had developed and released the Winny program "for the purpose of spreading copyright infringement", but D2's defence was that he did not intend to promote copyright infringement by developing and releasing Winny as his only purpose was to verify the technologies used in file sharing software which he was interested in.

Ruling & Reasoning

In *Winny I*, the Kyoto District Court found D1 guilty of the offence of infringing the authors' right to make works transmittable and sentenced him to imprisonment with work for one year but suspended for three years. It held that D1, by using Winny, connecting his computer to the Internet and uploading the DVD movies onto the designated folder on his computer, made the movies automatically and publicly transmissible to Winny users.

The court held that though D1's computer was only one node, through the network set up by Winny, it was possible to exchange files with numerous unspecified Winny users. For this reason, the court rejected D1's argument that there was no "public" transmission.

The court also held that though the files were sometimes exchanged via intermediaries and not directly between sender and receiver, transmission was not interrupted by the conduct of the intermediary Winny users because they had no "conscience" and were autonomously acting as conduits. Therefore, the court rejected D1's argument that there were indirect transmissions.

The court also rejected the defendant's argument that the uploaded movie files had "lost their identity and uniformity" because the uploaded files could be properly decoded and viewed at the receiving computer at the end of the transmission.

In *Winny II*, the Kyoto District Court initially found D2 guilty of enabling copyright infringement and fined him 1.5 million yen. (The prosecutor had demanded imprisonment with work for one year for D2.²)

² HANREI TIMES (No.1229) 106 (15 Mar. 2007).

Under Article 62(1) of the Japanese Penal Code, a person who aids a principal is an accessory. While the court accepted that the Winny program is “meaningful in nature” and that it was “value-neutral technology”, in that it could be used for legitimate file sharing, the court held that it was improper to apply the law without limits. Otherwise, distributing “value-neutral technology” in general could be considered a criminal act. The court held that to determine if a software developer was liable as an accessory by aiding the copyright infringers through the development and release of a program, this depended on (i) how the software was used, (ii) whether the developer recognised the situation and (iii) whether the developer acknowledged its illegality when distributing the software. Here, the court noted (i) the actual use of the software by the public, which was that it was largely used for copyright infringing file sharing, (ii) that D2 knew that Winny was widely used for illegitimately transmitting copyright protected works, and (iii) although D2 acknowledged the situation, he released new versions of Winny. For these reasons, the court held that D2 was liable as an accessory.

The court admitted that D2 had not specifically intended to cause copyright violations on the Internet, and that he did not intend to procure any financial gain. But as he had continued to make available the Winny program to the public on the Internet despite recognizing that it was used for copyright infringement by its users, the court criticised his attitude in this regard as selfish and irresponsible.

For this reason, the court found that D2 had assisted in the principals’ (including D1 in *Winny I*) actions as an infringer in infringing copyright, which constituted accessory activity prohibited under the Japanese Penal Code.

Both parties appealed the *Winny II* decision to the Osaka High Court.³ On 8 October 2009, the Osaka High Court reversed the lower court’s verdict and found D2 not guilty.⁴ The High Court held that the Kyoto District Court’s criterion of accessory liability was not explicit and inappropriate. To be considered as an accessory in the case of using “value-neutral technology”, D2 as the distributor of the software had to not only recognize that the software was used for illegal conduct but also recommend its use only or mainly for illegal conduct. Merely being aware of the possibility that the software could be abused did not constitute a crime of aiding violations of the law, and the court did not accept that D2 supplied the software solely to be used for copyright violations.⁵

Laws Cited

Japanese Copyright Act 1970, Articles 23(1), 119(1)

Japanese Penal Code, Article 62(1)

Commentary

Article 23(1) of the Japanese Copyright Act defines a right of public transmission as follows:

The author shall have the exclusive right to effect a public transmission of his work (including, in the case of automatic public transmission, making his work transmittable)

And Article 119(1) provides that a person who infringes copyright and who does not bring himself within one of the statutory exceptions shall be punishable by imprisonment for a term of up to 10 years or a fine of up to 10 million yen or both. Prior to its revision pursuant to Act No. 92 of 2006, the maximum penalties in Article 119(1) were 5 years imprisonment and 5 million yen in fines respectively. It is this version of the penalties that was applied to the parties in the *Winny I* and *Winny II* cases.

³ *Id.*

⁴ *High court overturns guilty ruling against developer of file-sharing software Winny*, MAINICHI DAILY NEWS (8 Oct. 2009), at <http://mdn.mainichi.jp/mdnnews/news/20091008p2a00m0na016000c.html>.

⁵ *Id.*

The *Winnie I* case is one of the first cases in the world in which a defendant is charged and found guilty of the offence of uploading files for file-sharing using a P2P software. Like the prosecution of the defendant in *HKSAR v. Chan Nai Ming* (Case 10.9 below), the main defence of the defendant is that there is no "public transmission" of a work when it is shared with individual users via the P2P network. However, a critical difference is that in the Hong Kong Copyright Ordinance, there is no explicit definition of what constitutes a "public transmission", unlike the Japanese Copyright Act, which defines "automatic public transmission" and "to make transmittable" to encompass the "making available" right under Article 8 of the WIPO Copyright Treaty and Article 15 of the WIPO Performances and Phonograms Treaty.

For a further discussion on the issue raised in *Winnie I* as to whether Internet transmissions are regarded as "communications to the public", see the Commentary in the case of *Telstra Corporation Ltd. v. Australasian Performing Right Association Ltd.* (Case 1.4 above).

The *Winnie I* ruling did not create as much controversy within and outside of Japan as the *Winnie II* ruling by the Kyoto District Court, which is the first case in the world where a software developer was held criminally responsible for the unlawful activities of others. While one view is that software developers and engineers have to act in accordance with the law, the contrary view is that it seems particularly harsh for the court to place a legal obligation on engineers and scientists to stop development of technologies if they are aware of possible misuses of their technologies. Another aspect of the judgment worth closer scrutiny is how the court associated D2's continued development of the Winnie program with "assistance" rendered to the infringers such as D1 in *Winnie I*. In *Winnie II*, D2's defence was that under Article 62(1) of the Japanese Penal Code, a principal aided should be a specified person. Therefore, the distribution of technology to many unspecified people did not constitute liability as an accessory. However, the court did not accept this interpretation as it was a minority view. As one learned academic explained, the judgment did not appear to explicate any express or implied relationship or dealing between D2 and the infringers, and seems to be based on a theoretical misunderstanding of punishment of accessories.⁶ And as another observer opined, accessory liability renders the accessory liable for helping others commit a crime only when he is clearly aware of the crime.⁷ In this regard, the Osaka High Court's judgment (as extracted in the brief newspaper report) looked into D2's knowledge in the context that D2 was supplying "value-neutral technology", in other words, technology that could be used for infringing as well as non-infringing purposes. In holding that D2 as the distributor of the software had to not only recognize that the software was used for illegal conduct but also recommend its use only or mainly for illegal conduct, the court is prescribing a higher standard that will trigger culpability. Furthermore, it remains to be seen if the same standard will apply where the software in question is not "value-neutral technology", for instance, where it is used to decrypt scrambled cable TV signals. Of course, what is "value-neutral technology" is itself a difficult question and this may call for further explication by the Japanese courts.

⁶ Makoto Ibusuki, *Revolution or Crisis? The Impact of a P2P Software, "Winnie" – Legal Talk at UNSW, Sydney, Australia* (19 Mar. 2008), http://www.cyberlawcentre.org/2008/talks/ltt_ibusuki_culprit_Winnie.pdf (accessed 10 May 2009).

⁷ *Opinions split over Winnie conviction*, DAILY YOMIURI (14 Dec. 2006).

10.8 Guangdong Zhongkai Cultural Development Co. v. Beijing Zhongsou Online Co. (“The Promise” Case) (China, 2007)

Beijing Haidian District Court
Presiding Judge Song Yushui, Deputy Judge Yang Deji, People's Assessor Xie Tianxun
Decided 26 April 2007
(2006) Hai Min Chu Zi No. 24968

Keywords

Movie as Cinematographic work, P2P client software for Video Downloading, Communication to the Public and Network Dissemination, Transfer of Exclusive Rights of Network Dissemination, *Locus standi* to Initiate Proceedings

Facts/Issue(s)

The plaintiff, Zhongkai Cultural Development Co. Ltd. was the holder of the related copyrights and right of network dissemination in the movie 《无极》 (“The Promise”). On 5 November 2005, the plaintiff licensed Jiebao Co. Ltd (Jiebao) with the exclusive right of network dissemination in the movie between 1 January 2006 and 1 April 2006, and with the non-exclusive right thereafter between 1 April 2006 to the end of 2008.

At around this time, it was discovered that the defendant, Zhongsou Co. Ltd., was publicizing the dissemination of the movie “The Promise” on its website www.zhongsou.com and was also providing for its users’ downloading purposes a P2P software known as “Webpig”. As of 6 January, 2006, there were 125,344 downloads for the movie. The plaintiff and Jiebao sued the defendant in separate proceedings to stop the dissemination of the movie. Subsequently, the court consolidated the proceedings by the plaintiff and Jiebao against the defendant into a common action. On 15 November 2006, the defendant reached a settlement with Jiebao. Jiebao withdrew its suit against the defendant, leaving the Zhongkai Cultural Development Co. Ltd. as the sole plaintiff in the suit.

The plaintiff claimed that it had paid a huge fee to the original copyright owner for the right of network dissemination and other copyrights in the movie. The plaintiff alleged that the defendant had profited from the downloads, infringed the plaintiff’s right of network dissemination and caused huge economic damage to the plaintiff. The plaintiff thus sought a court order for the defendant to stop the infringement, delete the infringing webpage, direct its users to delete the infringing movie and pay damages of RMB 1.2 million to the plaintiff.

The defendant argued that the plaintiff did not have the right to sue since it had already transferred the right of network dissemination exclusively to Jiebao and that Jiebao no longer wanted to sue the defendant. The defendant also argued that what the defendant provided was merely the link to download the movie rather than the movie itself. The defendant also contended that the download software “Webpig” was just software and that it was the users who illegally downloaded and uploaded the movie. The defendant contended that it did not profit from the download of the movie. Finally, the defendant argued that the plaintiff failed to send a take down notice to the defendant.

The court confirmed that the plaintiff was indeed owner of all the copyright in the movie and that at the relevant period (between 1 January and 1 April 2006), the right of network dissemination was held exclusively by Jiebao. The main issues in this case were:

1. If the plaintiff had already transferred the exclusive rights of network dissemination to Jiebao, could the plaintiff sue the defendant when the defendant had already settled with Jiebao out of court?

2. What was the defendant's liability, if any, in publicizing the availability of the movie for download and in making the software "Webpig" available?

Ruling & Reasoning

The court ordered the defendant to delete all material related to the movie "The Promise" on its website. The court also ordered the defendant to notify those users who had downloaded the movie to delete it. Finally the court ordered that the defendant compensate the plaintiff for its notarization fees, but did not award any damages for the plaintiff's economic loss.

The court held, on the first issue, that though Jiebao was the exclusive holder of the right of network dissemination of the movie during the relevant period, the plaintiff remained the copyright holder. Though Article 24 of the PRC Regulations on the Implementation of the Copyright Law provided that the exclusive copyright licensee had the right to exclude anyone, including the copyright owner, to use the work in the same way as the licensee, the right granted to Jiebao under the 5 November 2005 licence could not be extended to encompass the right of the plaintiff as the copyright owner to initiate infringement proceedings.

On the second issue, the facts were that a user who wanted to download the movie must first find it on the defendant's website and then download it using the "Webpig" software supplied by the defendant. During the whole downloading process, the pages displayed and the "Webpig" software interface were closely associated with the defendant, there being nothing to suggest that the software was linked to a third party resource. The court held that judging from the size of the "link" downloaded by users, what the users had been supplied by the defendant was indeed the movie, rather than a link to the movie. So, it was very clear that the defendant was a provider of the infringing material. It was not an intermediary like a search engine or a referral service, and could not avail itself of the safe-harbour defences which would entitle it to receive a take-down notice from the rightholder. As a professional Internet content provider, it had a duty to review the legality of the contents it was making available. By making the movie available for download on its website, it had infringed the rightholder's rights in the movie.

The court accepted that the use of the software "Webpig" on its own did not constitute copyright infringement. However, by combining the availability of the movie in question for download with the availability of the "Webpig" software for doing so on its website, and by providing an automatic and simultaneous "upload" feature for the software which further propagated the download and extended the scope of infringement, the defendant would be held liable for infringing the rightholder's right of network dissemination in the movie.

However, as the plaintiff had granted to Jiebao the exclusive right of network dissemination for the relevant period, this meant that the plaintiff had transferred to Jiebao its right of making profits from the network dissemination of the movie (by selling or leasing it online). In the absence of any evidence by the plaintiff as to the economic loss it suffered, the court held that the defendant's behaviour caused no loss to the plaintiff and its request for damages would be dismissed.

However, the other claims of the plaintiff were upheld.

Laws Cited

PRC Copyright Law 2001, Article 10 Paragraph 1 Item 6 [right of distribution], Item 12 [right of communication on networks], Article 47 Item 1, Article 48

PRC Regulation on the Implementation of the Copyright Law 2002, Article 24

PRC Civil Procedure Law 1991, Article 64 Paragraph 1

Commentary

This case is significant for the court's acceptance of the defendant's argument that supplying the downloading software "Webpig" on its own did not amount to copyright infringement. Presumably the court was cognizant of the *Sony* "substantial non-infringing use" defence for duplication devices first recognised by the famous U.S. Supreme Court decision of *Universal City Studios, Inc. v. Sony Corp. of America*.¹ If so, this case would be one of the first cases in the world to apply the Sony defence to a BitTorrent-based P2P download client software.

Likewise, by holding that P2P software is itself not illegal except where it is used in an integrated manner to infringe another party's copyright, the court appears to have adopted an approach that is very similar to that adopted by the U.S. Supreme Court in relation to the *Grokster* and *Morpheus* P2P client software in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*.²

This decision is to be compared with the earlier decision of *Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing FashionNow Co. Ltd.* (Case 2.7 above), where the court also held that supplying the P2P software in combination with making available the links for downloading the infringing sound recordings, rendered the defendant liable for contributory infringement.

¹ *Sony Corp. of America v. Universal City Studios, Inc.*, (1984) 464 U.S. 417.

² *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

10.9 HKSAR v. Chan Nai Ming (China, 2007)

Court of Final Appeal, Hong Kong:

Chief Justice Li, Justice Bokhary Permanent Judge, Justice Chan Permanent Judge, Justice Ribeiro Permanent Judge and Lord Millett Non-Permanent Judge

Decided 18 May 2007

[2007] HKCFA 36, [2007] HKCU 849, [2007] 3 HKC 255

On appeal from

Magistrates' Court

Decided 7 November 2005

[2005] HKSC 2, [2005] HKCU 1469, [2005] HKCU 1552, [2005] 4 HKLRD 142 (Mag)

Court of First Instance

Decided 12 December 2006

[2006] HKCFI 1402, [2006] HKCU 2058, [2007] 2 HKC 1 (CFI), [2007] 1 HKLRD 95 (CFI)

Keywords

Popular Movies, Users' P2P File Sharing, BitTorrent, Criminal Prosecution for Infringement, Distribution, "Making Available"

Facts/Issue(s)

On 10 January 2005, an officer of the Customs and Excise Department was browsing an internet forum called "bt.movie.hk", which was devoted to BitTorrent movies. He saw that a person using the nickname "Big Crook" had posted a message with a ".torrent" file to enable others in the forum to download the movie "Daredevil" from "Big Crook's" computer. The officer succeeded in downloading the movie and was able to download two further movies, "Red Planet" and "Miss Congeniality", on 11 January 2005 from the same computer.

The officer subsequently traced the IP address to the defendant's computer and raided the defendant's flat. The defendant's computer, together with legitimate VCDs of the three movies and a digital camera were seized. Forensics confirmed that the defendant's computer was the original source (or, in BitTorrent parlance, the initial "seeder" computer) from which copies of the films had been downloaded by, among others, the officer from Customs.

The defendant was charged and convicted of the offence of attempting to distribute three infringing copies of copyright works under section 118(1)(f) of the Hong Kong Copyright Ordinance, "to such an extent as to affect prejudicially the rights of the copyright owner", and sentenced to 3 months imprisonment for each of the three charges. His appeal to the Court of Appeal was dismissed. He subsequently appealed to the Court of Final Appeal.

The issue for the Court of Final Appeal was: Whether the defendant's conduct, in "seeding" and making available the three movies for downloading, amounted to the "distribution" of an infringing "copy" under section 118(1)(f) of the Hong Kong Copyright Ordinance?

Ruling & Reasoning

The court dismissed the defendant's appeal and upheld his conviction.

The court first rejected the defendant's argument that there was no "distribution" of the three movies because there were no "copies" of the works distributed by the defendant, the argument being that a "copy" of a work encompassed the containment or storage of the work in some tangible physical object which served as a suitable storage medium for such copy. The court held that while an electronic copy would often be stored on some tangible object, such that it was capable of and could be intended for physical delivery, the use of such a storage device was not an essential condition for the transfer or distribution of an electronic copy. Thus the court noted that

there could be electronic distributions of copies of works, such as electronic download services, without the need for actual transfer of physical objects. In support, the court noted that section 26 of the Hong Kong Copyright Ordinance referred to the “making available” of copies of works via the Internet. This provision recognized that there was no need for an electronic copy to be made available through a physical transfer of a storage device incorporating the copy.

In this regard, the court also made some passing observations about Article 6 of the WIPO Copyright Treaty and Recital (28) of the EC Copyright Directive,¹ and held that these international instruments did not constrain the proper interpretation of Hong Kong’s domestic copyright legislation.

The court next rejected the defendant’s argument that by “seeding” the file, the defendant was not actively “distributing” the file. The court noted that the defendant’s activity here in seeding the file and leaving his computer connected to the Internet and continuing to run software to ensure that entire copies of the films would be transferred to downloaders could not be described as “passive”. The court observed that it would be wrong to mistake the defendant’s use of automated means to achieve his purpose for mere passivity on this part.

The court also rejected the argument that the defendant had not distributed the file, but was merely enabling other users to download the file from members of the BitTorrent swarm. The court noted the trial judge’s finding that the defendant did create and did have possession of such a copy for distribution to the downloading swarm.

Laws Cited

HK Copyright Ordinance (Cap. 528), Sections 23(1), (2), (6), 24(1), (4), 25, 26(1), (2), 31, 35(2), 118(1)(f), 198

HK Crimes Ordinance (Cap. 200), Section 161(1)(c)

International Instruments:

WIPO Copyright Treaty 1996, Article 6

Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (Copyright Directive), Recital (28)

Commentary

The *Chan Nai Ming* case is the first case in the world where a defendant is given a custodial sentence for using BitTorrent technology to “distribute” an infringing copy of a work. The court adopted a view of “distribution” under the Hong Kong Copyright Ordinance by equating “distribution” to “making available” a copy of a work. However, as one academic has observed, the trial and appellate courts in *Chan Nai Ming* did not appear to have examined in detail the technical nature of the BitTorrent protocol before rendering their rulings. In particular, since the BitTorrent protocol uses a “fragmented” method for sharing files in which at any point in time, the BitTorrent users distribute different parts of the file to each other, even independently of the initial “seeder”, in this case *Chan Nai Ming*, there was an issue as to whether Chan could be held liable for the “distribution”.² In the same vein, there is also an issue as to whether the prosecution was correct in charging Chan with an “attempt” to distribute to circumvent, in the words of the Court of Final Appeal, “any difficulties that might be posed by the requirement in the full offence of showing that [the] distribution was to such an extent as to cause prejudice to the copyright owner”³ under section 118(1)(f) of the Hong Kong Copyright Ordinance.

¹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, 2001 O.J. (L 167) 10 (22 June 2001).

² Steven Gething, *Criminal Infringement of Copyright: The Big Crook Case*, in COPYRIGHT LAW, DIGITAL CONTENT AND THE INTERNET IN THE ASIA-PACIFIC 379 (Brian Fitzgerald, Fuping Gao, Damien O’Brien, Samsung Xiaoxiang Shi eds., 2008).

³ *Chan Nai Ming*, [6]. See also Steven Gething, *supra* note 2, at 372.

In addition, the approach taken in *Chan Nai Ming* in equating the right of “distribution” to the right of “making available” is not the only possible approach on the issue. U.S. and Canadian decisions have started to examine this issue, and some relevant decisions for consideration of this point include *A&M Records, Inc. v. Napster Inc.*,⁴ *BMG Canada Inc. v. John Doe*,⁵ *Elektra Entertainment Group, Inc. v. Barker*⁶ and *Atlantic Recording Corp. v. Howell*.⁷ In particular, the more recent U.S. decisions have concluded that a distribution of a copyrighted work requires an “actual dissemination” of copies, and that merely making a copy available does not constitute distribution. The U.S. decisions are of particular interest, because the U.S. does not have an explicit “making available” right in the U.S. Copyright Act.

⁴ *A&M Records, Inc. v. Napster Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001).

⁵ *BMG Canada Inc. v. John Doe*, 2005 FCA 193, 252 D.L.R. (4th) 342, 39 C.P.R. (4th) 97, [2005] 4 F.C.R.81, 51-52 (Fed. Ct. App., Can.).

⁶ *Elektra Entertainment Group, Inc. v. Barker*, 551 F.Supp.2d 234 (S.D.N.Y. 2008).

⁷ *Atlantic Recording Corp. v. Howell*, 554 F.Supp.2d 976 (D.Ariz. 2008).

10.10 Maneki TV (Japan, 2008)

47th Civil Division, Tokyo District Court, Japan

Decided 20 June 2008

Related civil proceedings (provisional disposition):

2006 (Yo) No.22022 (4 Aug. 2006, Tokyo District Court), 2006 (La) No. 10012 (22 Dec. 2006, Intellectual Property High Court)

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Keywords

Contributory Infringement, Broadcasts, Internet Transmissions, "Making an automatic public transmission", Re-broadcasting Device

Facts/Issue(s)

The defendant, ManekiTV, provided a service to allow users of the service to view TV programs via the Internet. The services were provided with the help of a "Location-Free TV" base station, a device manufactured by Sony Corp. A user would purchase the Sony base station and deposit it at the ManekiTV data centre.¹ The defendant would set up the users' base stations by connecting them to a common antenna and to the Internet via the defendant's network hubs and a common router (and to a Fibre to the Home (FTTH) network).² Each base station would function to convert the broadcast signals, which otherwise could not be transmitted via the Internet, into digital data transmissible via the Internet. By connecting his own dedicated monitor or personal computer to the Internet to operate the Sony base station, the user could then watch his own programs without the need for a TV, as long as he had an Internet connection. The user's personal computer or monitor in effect became a "Location-Free TV" system.

The plaintiff was a broadcasting organization which held the right to make transmissions and other neighbouring rights with regard to its terrestrial broadcasts. The plaintiff alleged that the defendant's "ManekiTV" service provided in conjunction with the base station infringed the plaintiff's right to make transmissions with regard to its broadcasts and sought a provisional disposition to stop the defendant.

The issue before the court was whether the defendant was liable to the plaintiff for making the plaintiff's broadcasts transmissible and thus infringing the neighbouring rights to its broadcasts.

Ruling & Reasoning

The District Court found the defendant not liable, holding that the Sony "Location-Free TV" base station was a useful device beneficial to society that enabled people to view TV broadcasts outside their homes, offices or abroad. Users entrusted the defendant with the installation and setup of the base station. In neither case did the plaintiff argue that the use of the device or the provision of such setup services including support services for overseas viewers constituted an infringement of the plaintiff's neighbouring rights.

The District Court held that although each base station was kept in the custody of the defendant, each base station was in name and reality owned by each user. The individual users thus received their broadcasts with the help of their own base stations.

¹ The translation of the reported judgment described this depositing it in the custody of the defendant's office. These facts are confirmed in a CNet report at CNet, *A cat irritates mighty Japanese TV industry* (25 Aug. 2006), <http://asia.cnet.com/blogs/mobileojisan/post.htm?id=39393982> (accessed 19 Feb. 2009).

² *Id.*

The District Court further held that the broadcast data transmitted by one base station could only be received by one corresponding dedicated monitor or personal computer. The equipment was not designed to enable one base station to transmit the broadcast data to more than one dedicated monitor or personal computer, and the base stations operated independently of one another. The defendant was not involved in the transmission process, did not require users to be authenticated before accessing their base stations, and did not take any other measures to control the broadcasts chosen for viewing by the users.

The District Court concluded that it was the users themselves, the owners of the base stations, who received broadcast waves, transmitted the digitized broadcasts to, and received them on, their own dedicated monitors or personal computers with the help of their own base stations. For this reason, it was difficult to deem these as acts conducted by the defendant.

For the same reason, each base station could not be deemed to be an "automatic public transmission server" and the defendant could not be deemed to be carrying out the act of "making a transmission" of the broadcasts under Article 2(1)(ix-5) of the Japanese Copyright Act. The application of the plaintiff for a provisional disposition was dismissed.

The plaintiff appealed to the Intellectual Property High Court. It accepted that the users owned the base station, but argued that all the other equipment - the antenna, the hubs and router - belonged to the defendant as a service provider and was originally integrated with the base stations to function as a single server. As a single integrated server, the plaintiff argued that the system was an "automatic public-transmission server" as it transmitted digitized TV signals to multiple users of the service and that the act of inputting TV signals to the integrated system and connecting it to the Internet each constituted an act of making the broadcasts transmissible.

The Intellectual Property High Court dismissed the plaintiff's appeal on 22 December 2006. It held that even if the defendant's equipment and its components were viewed as constituting an integrated system, the transmissions made by each base station was a one-to-one transmission since each base station was capable of making transmissions to only one PC or monitor that belonged to the user who owned the base station. As there was no public transmission, the Intellectual Property High Court also held that neither each base station nor all the base stations combined with the equipment could constitute an "automatic public-transmission server" and that the defendant's act could not be considered as one that made the broadcasts transmissible.

The High Court rejected the plaintiff's application for leave to appeal to the Supreme Court on 31 Jan 2007 on the provisional disposition of the case.

In the main action, the Tokyo District Court rejected the plaintiff's claim on 20 June 2008. The Court characterised the service that the defendant had provided as one of being entrusted by its users with the Sony "Location-Free TV" base stations, which the users owned and operated to enjoy the TV programs broadcasted by the broadcasters. The defendant was held not to be committing an act of making the broadcasts transmittable for automatic public transmission, a neighbouring right of the broadcasters under Article 99-2 of the Japanese Copyright Act. The broadcasters' claims for an injunction and damages were dismissed.

Laws Cited

Japanese Copyright Act 1970, Article 2(1)(ix-5), Article 99-2

Commentary

This is a seminal case that outlines the tension between the right of the broadcaster to make digital transmissions of its broadcasts, the right of the user to receive such broadcasts for private use and on the Internet medium and the legal obligations of the intermediary that provides such services for the users.

In 1997, the Japanese Copyright Act was revised to introduce a new “making transmittable” right as a species of a “public transmission right”, to encompass interactive transmissions of content on the Internet.³ (This is the Japanese equivalent of the “making available to the public” right under Article 8 of the WIPO Copyright Treaty.⁴)

Articles 99-2 and 100-4 of the Japanese Copyright Act in turn provide broadcasters and cable operators (“wire broadcasting organizations”) the right to make their broadcasts simultaneously transmittable for Internet access (“to make its broadcasts [and wire-broadcasts] transmittable following reception thereof”). Thus the broadcasters in this case were seeking to protect their Internet re-broadcasting rights in this regard when they commenced proceedings against the defendant, Maneki TV.

However, users are clearly entitled to receive and enjoy the free-to-air broadcasts and programming produced by the broadcasters. With the advent of the Internet, users wish to receive such programming over the Internet as well. Where the broadcasters have not provided Internet transmissions of their programming, the service introduced by the defendant was clearly intended to make this possible. The Maneki TV system apparently appeals to Japanese users who wish to receive their programming when overseas, and be the only way for such users to access their domestic programming where there is no satellite or broadcast coverage for their broadcasters.

By holding the transmission of such programming as acts by the users rather than by the defendant, the decision of the Intellectual Property High Court in particular repudiated the case of the broadcasters by characterizing the transmissions as “private”, one-to-one transmissions rather than “public”, one-to-many transmissions. As a learned observer noted, this characterization by the Intellectual Property High Court seemingly rendered of secondary importance the role and function of the defendant service provider (and likewise, the application of the Club Cat’s Eye/Singing at a Karaoke Lounge (Case 4.2 above) principle). This is because no issue of the defendant’s secondary liability will arise if the transmissions were not infringing “public” transmissions. The judgment of the Intellectual Property High Court on the provisional disposition did contain an assertion that its holding stands even if the independently-owned base stations and the defendant’s equipment were to be considered an “integrated system”. This has been criticized as being an unqualified assertion. After all, the “making available” right as prescribed in Article 8 of the WIPO Copyright Treaty seems to envisage multiple one-to-one transmissions. The decision of the Australian High Court in *Telstra Corporation Ltd. v. Australasian Performing Right Association Ltd.* (Case 1.4 above) has already affirmed this possibility.

Nonetheless, it is submitted that the deciding factor in this case lies in the uncoordinated and individualistic usage of the base stations by multiple users to achieve what is in effect separate Internet “rebroadcasts” of their favourite programming onto their home TVs and computers. The physical and network aggregation of the base stations would appear to be an incidental implementation of such usage (to achieve economic efficiencies in the purchase of antennas, network equipment and bandwidth). (After all, the broadcasters themselves conceded that the individual usage of the Sony base station was not an infringement of their neighbouring rights.) And it is submitted that this operational and implementation difference between Maneki TV and Rokuga Net (which could, in the light of the Maneki TV case, be described as a centralized broadcast recording service) which led the Intellectual Property High Court to come to a very different result in Rokuga Net (Case 4.7 above). Sometimes, however, this distinction can be a difficult one to make. An example of this is the “Yoridori-midori”/Hard Disk Video Recorder System case, where the defendant arguably exercised no centralized control or management of the broadcasting recording devices. See the Rokuraku case for a case involving almost the same fact situation as Maneki TV and Rokuga Net. See also *Cartoon Network LP, LLLP. v. CSC Holdings, Inc.*,

³ See Article 2(1)(vii-2) (“public transmission”), (ix-4) (“automatic public transmission”) and (ix-5) (“to make transmittable”).

⁴ Teruo Doi, *JAPANESE COPYRIGHT LAW IN THE 21ST CENTURY* 129 (2001).

536 F.2d 121 (2d Cir. 2008) as well as *RecordTV Pte Ltd v MediaCorp TV Singapore Pte Ltd*, [2009] SGHC 287 where the courts accepted the argument that it was the user (rather than the service provider) who made the recording of the TV programmes. However, in *RecordTV Pte Ltd*, the court went on to find the service provider liable for broadcasting the TV programmes.

The disputes in *Maneki TV* and *Rokuga Net* parallel the contentions in the drafting proposed WIPO Treaty on The Protection of Broadcasting Organizations regarding the issue of “ simulcasting ” and concerns expressed by broadcasters that legal protection should be afforded to their live broadcast signals to protect them from theft or misappropriation. (This could be a serious issue for broadcasters who seek to licence their broadcast rights on a regional or territorial basis.) However, this issue is unlikely to be resolved at the international treaty level because the issue of “ webcasting ” (or “ simulcasting ”) has been excluded from the ambit of the current draft of the proposed Treaty.

Table of Cases

49 Things to Do in Your Life, 2007 GaHap 43936 (2008)	157
A&M Records, Inc. v. Napster Inc., 239 F.3d 1004 (2001)	207
A&M Records, Inc. v. Napster Inc., 284 F.3d 1091 (2002)	112, 155
Asei Kobayashi v. Katsuhisa Hattori ('Dokomademo Iko' Case), (2003)	104
Atlantic Recording Corp. v. Howell, 554 F.Supp.2d 976 (2008)	207
Australasian Performing Right Association Ltd. v. Miles, [1962] N.S.W.R. 405	133
Australasian Performing Right Association Ltd. v. Canterbury-Bankstown League Club Ltd., [1964-65] N.S.W.R. 138	133
Australasian Performing Right Association Ltd. v. Metro on George Pty. Ltd., [2004] FCA 1123	29
Australian Performing Right Association Ltd. v. Koolman & Anor, [1969] NZLR 273	133
Australian Tape Manufacturers Assoc. Ltd. & Ors. v. The Commonwealth of Australia, [1993] HCA 10	20, 21
Baby V.O.X., 2006 Da 21002	151, 179
Barson Computers (NZ) Ltd. v. John Gilbert & Co. Ltd., (1984) 4 IPR 533	136
Beijing Feitong Music Co. Ltd. v. Heilongjiang Radio Station, (2005) Ha Min Wu Chu Zi No. 81	48, 195
BMG Canada Inc. v. John Doe, 2005 FCA 193	207
Bookoo Inc. (California, USA) v. Beijing Super Channel Network Co. Ltd. (Beijing, PRC) & Anor., (2001)	69
Bourne v. Fouche, 238 F.Supp. 745 (1965)	134
Bugs Music, 2005 No 480 (2006)	69, 148, 195
Cartoon Network LP, LLLP. v. CSC Holdings, Inc., 536 F.2d 121 (2d Cir. 2008)	120, 210
CBS Songs Ltd. v. Amstrad Consumer Electronic plc., [1988] A.C. 1013	22
Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 1), [2006] HKCFI 547	76, 80, 162, 163
Cinepoly Records Co. Ltd. & Ors v. Hong Kong Broadband Network Ltd. & Ors (No. 2), [2006] HKCFI 1028	78, 79, 162

Club Cat's Eye/Singing at a Karaoke Lounge, 1984 (O) No.1204 (1988)	105, 113, 119, 124, 177, 210
Cooper & Ors. v. Universal Music Australia Pty. Ltd. & Ors., [2005] FCA 972	19, 26, 30, 32, 33, 46, 47, 60, 64, 113, 150
Dalian Audio-Video Publishing House v. Audio-Video Art Service Agency of Haidian District of Beijing (1991)	36
Dalmatian dog figures, 2002 Do 466 (2003)	147, 157
Dreamland Ball Room v. Shapiro, Bernstein & Co., 36 F.2d 354 (1929)	134
Dunia Muzik WEA Sdn. Bhd. & Anor v. Koh Tay Eng, [1989] 2 MLJ 356	37, 128
Elektra Entertainment Group, Inc. v. Barker, 551 F.Supp.2d 234 (2008)	207
EMI Group Hong Kong Limited v. Beijing Baidu Network Technology Co. Ltd. EMI, (2007) Gao Min Zhong Zi No. 593	35, 57, 58, 64
Entertainment Network (India) Ltd. v. Super Cassette Industries Ltd., 2008(4)ALD47(SC)	97
Esashi-Oiwake Case, 1999 (Ju) No.922 (2001)	122
File Rogue, Heisei 16 (Ne) 446 (2003)	32, 55, 110, 155
George Hensher Ltd. v. Restawhile Upholstery Lanes Ltd., [1975] RPC 31	24
Go East Entertainment Co. Ltd. (H.K.) v. Beijing Alibaba Technology Co., Ltd., (2007) Gao Min Zhong Zi No. 616	47, 60, 62
Go East Entertainment Co. Ltd. (H.K.) v. Beijing Century Technology Co., Ltd. (ChinaMP3.com), (2004) Gao Min Zhong Zi No. 713	35, 44, 52, 54, 60, 64, 155
Government of Sipai Hezhe Nationality Township v. Guo Song, CCTV & Beijing North Star Shopping Center, (2003) Gao Min Zhong Zi No. 246	41
Gramophone Co. Ltd. v. Carwardine & Co., [1934] Ch 450	139
Gramophone Co. of India Ltd. v. Mars Recording Pvt. Ltd. & Anor., [2001] INSC 452	84
Gramophone Co. of India Ltd. v. Super Cassette Industries Ltd., 1995IIAD(Delhi)905	85
Guangdong Zhongkai Cultural Development Co. v. Beijing Zhongsou Online Co. (‘The Promise’ Case), (2006) Hai Min Chu Zi No. 24968	32, 54, 67, 113, 202
HKSAR v. Chan Nai Ming, [2007] HKCFA 36	80, 201, 205
HKSAR v. Lam Shuen Shuen & Anor., [2004] HKCU 796	72, 141, 175, 192
HKSAR v. Lau Ying Wai, [2004] HKCU 487	39, 70
HKSAR v. Ng Ping Kwan, [2004] HKCU 1323	74, 132

I-MEPS, 2004 KaHap 2965 (2005)	150
Indian Performing Right Society Ltd. v. Debashis Patnaik & Ors., MIPR2007(1)323	91, 96
Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association & Ors., [1977] INSC 84	81, 89, 90, 131, 159
J Albert & Sons Pty. Ltd. & Ors. v. Fletcher Construction Co. Ltd., [1974] 2 NZLR 107	135
Jacobson v. United States, 503 U.S. 540 (1992)	173
Japanese Society for Rights of Authors, Composers and Publishers v. Miruku Bar & Anor., Hanrei Jiho No. 1624 131 (1997)	108
Korean Supreme Court decision, 92 Do 2963 (1993)	147
Korean Supreme Court decision, 93 Da 9460 (1994)	147
Kritsada Paleevong v. Software Supply International Co. Ltd. & Ors., 1984/2005	178
Lahari Recording Company Limited v. Master Audio Video Manufacturing Co. (P) Ltd., 2008(3)CTC385	88, 93, 183
Lee Mi-bae Songs, 95 Da 29130 (1996)	142, 152, 165, 171
Live Performance & Singing at Nightclub, 2005 (Wa) No. 7734 (2006)	123
M Witmark & Sons v. Tremont Social & Athletic Club, 188 F.Supp. 787 (1960)	134
Maneki TV, 2006 (La) No. 10012	113, 120, 208
Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F.Supp.2d 1029 (2003)	113
Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 380 F.3d 1154 (2004)	113
Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005)	32, 47, 55, 155, 204
Mirabai Films Pvt. Ltd. v. Siti Cable Network & Ors., 2003(26)PTC473(Del)	88, 94, 182
Music Copyright Society of China v. Netease Com., Inc. & Mobile Communications Corporation, (2002) Er Zhong Min Chu No. 3119	38
Network Ten Pty. Ltd. v. TCN Channel Nine (No. 1), [2004] HCA 14	170, 184
Network Ten Pty. Ltd. v. TCN Channel Nine (No. 2), [2005] FCAFC 53	120, 184
Newspaper Licensing Agency Ltd. v. Marks & Spencer Plc., [2003] 1 AC 551	186
Odex Pte. Ltd. v. Pacific Internet Ltd., [2008] SGHC 35	78, 80, 102, 161
One Rainy Night in Tokyo, 1975 (O) No.324 (1978)	105
Pendakwa Raya v. Lim Chee Keong, Case No. 1-62-56-97 (1997)	132

Pendakwa Raya v. Sun Movie Distributors Sdn. Bhd., Case No. 1-63-103-96 (1996)	132
Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (2007)	35
PGM Record v. Visa Khanthap & Ors., 679/2004	170
Phonographic Performance Co. of Australia Ltd. v. Federation of Australian Commercial Television Stations, [1997] FCA 323	27, 90, 131, 159
Phonographic Performance Ltd. v. Hotel Gold Regency & Ors., 151(2008)DLT210	92, 101
Phonographic Performances (NZ) Ltd. v. Lion Breweries Ltd., [1979] 2 NZLR 252	138, 180
PlayStation 2, 2004 Do 2743 (2006)	195, 196
Police v. Vile, [2007] DCR 24	73, 140, 192
Producer of Documentary Film, 2005 (Ne) No.10076 (2006)	125, 165
Public Prosecutor v. Aumnad Agepet, 1543/2005	180
Public Prosecutor v. Mayuree Tavung, 6525/2003	166
Public Prosecutor v. Nad Jangprai, 5181/2004	176, 181
Public Prosecutor v. Payak Meeginda, 5129/2004	174
Public Prosecutor v. Pongchai Buapan, 5049/2004	169, 172
Public Prosecutor v. Sermsak Kamsamer & Anor., 3707/2003	168, 173
R v. Barnes, [1991] 1 S.C.R. 449	173
R. v. Loosely (Attorney General's Reference No. 3 of 2000), [2001] UKHL 53	173
Radio Today Broadcasting Ltd. v. Indian Performing Rights Society, 2006(4)CHN366	83, 131, 159
Rebroadcasting TV Programs, 2004 (Wa) No.17750 (2005)	121, 165
RecordTV Pte Ltd v MediaCorp TV Singapore Pte Ltd, [2009] SGHC 287	120, 211
Rock Records & Tapes Co. Ltd. & 5 Ors. V. Season Karaoke Sdn. Bhd & 4 Ors., [1999] 1 AMR 78	132
Rock Records (M) Sdn. Bhd. v. Audio One Entertainment Sdn. Bhd., [2005] 3 MLJ 552	28, 75, 130, 160
Rokuga Net, 2005 (Ra) No.10007, 10008, 10009, 10010, 10011, 10012	119, 210
Rokuraku II, (2008)	210
Rokuraku, (2007)	210

Saeksan Tape & Record Registered Partnership v. Rose Video Co. Ltd & Ors., 7328/2001	144, 164, 171
Schott Musik International GmbH & Ors. v. Colossal Records of Australia Pty. Ltd. & Ors., [1997] FCA 531	23, 189
Shanghai People's Procuratorate v. Gu Randi & Ors., (2005) Hu Er Zhong Xing Chu Zi No. 1	190
Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Baidu Technology Co. Ltd., (2006) Yi Zhong Min Chu Zi No. 2491	56, 64
Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing FashioNow Co. Ltd., (2005) Er Zhong Min Chu Zi No. 13739	32, 53, 113, 204
Shanghai Push Sound Music & Entertainment Co., Ltd. v. Beijing Yobo Century Technology Co. Ltd., (2008) Hai Min Chu Zi No. 6939	68, 150
Shanghai Xinchuan Online Co. Ltd. v. Tudou.com Co. Ltd. ('The Crazy Stone case'), (2007) Hu Yi Zhong Min Wu (Zhi) Chu Zi No. 129	65
Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304 (1963)	134
Simultaneous Broadcast Satellite Retransmission, 2005 (Ne) No. 10009, 10010, 10011, 10077	114, 118, 144
Simultaneous Communication Satellite Broadcast Retransmission, 2005 (Ne) No. 10012	115, 117, 144
Solid Gold Publishers Sdn Bhd v. Orang-Orang Yang Tidak Dikenali Yang Kononnya Berniaga Sebagai Shenton Video Centre (Terengganu) Sdn Bhd & Anor., [1998] 5 MLJ 122	132
Solid Gold Publishers Sdn. Bhd. v. Chan Wee Ho & Ors., [1998] 5 CLJ 735	132
Sonata of Temptation, 2007 GaHap 53681 (2008)	156
Sony Corp. of America v. Universal City Studios, Inc., (1984) 464 U.S. 417	20, 22, 204
Soribada, 2005 Da 11626 (2007)	32, 55, 113, 153, 192
Stevens v. Kabushiki Kaisha Sony Computer Entertainment, [2005] HCA 58	193, 197
Super Cassette Industries Limited v. Bathla Cassette Industries Pvt. Limited, 2003VIIIAD(Delhi)572	85
Super Cassette Industries v. Nirulas Corner House (P) Ltd., 148(2008)DLT487	92, 95
Super Cassettes Industries v. People Infocom & Anor., 2007(34)PTC273(Del)	87, 94, 183
Supply of Karaoke Equipment for Business Use ('Video Mates' Case), 2000 (Ju) No.222 (2001)	106, 107, 177
Telstra Corporation Ltd. v. Australasian Performing Right Association Ltd., [1997] HCA 41	25, 201, 210

The Performing Right Society Ltd. & Anor. v. United Artists Singapore Theatres Pte. Ltd., [2001] SGHC 54	28, 83, 90, 131, 158
Tse Mui-chun v. HKSAR, [2004] HKCFA 12	75
Universal Music Australia Pty. Ltd. & Ors. v. Sharman License Holdings Ltd. & Ors., [2005] FCA 1242	19, 26, 30, 31, 35, 54, 113, 129
Visual Disk, 2002 (Wa) No.4484 (2005)	187
WEA International & Anor. v. Hanimex Corporation Ltd., [1987] FCA 379	19, 22
Windy Sound, 2003 Da 41555 (2006)	145
Windy Sound, 2003 Da 41555 (2006)	198
Yasuo Kusumoto v. Takeo Kobayashi, 10 Mutai Saishu 287 (1978)	104
Yoridori-midori/Hard Disk Video Recorder System, 2005 (Wa) No.488	210
Zhejiang FanYa Co. Ltd. (5fad.com) v. Beijing Yahoo! China & Alibaba Information Technology Co. Ltd., (2006) Er Zhong Min Chu Zi No. 07905	50

Table of Statutes

Australia		Trade Practices Act 1974 (Cth)	
Acts Interpretation Act 1901 (Cth)		s 52	32
s 15AA	195	s 52A	32
s 15AB	195		
s 18A	35		
s 21	35		
		India	
		Civil Procedure Code 1908	
Commonwealth of Australia Constitution	194	Ord. 1 r. 3	93
s 51(ii)	22	Ord. 2 r. 3	93
s 51(xviii)	22	Ord. 7 r. 11	95, 101
s 51(xxi)	22	Ord. 39 r. 1	88, 95, 183
s 55	22	Ord. 39 r. 2	88, 95, 183
		Ord. 39 r. 3	88
Copyright Act 1968 (Cth)		s 151	88
Part VC	22		
s 3	35	Companies Act 1956	88, 91, 101
s 10	32		
s 10(1)	26, 194	Constitution	
s 13	19, 30, 35	Art. 14	98
s 13(2)	32	Art. 19(1)	98
s 14(1)	185	Art. 300A	98
s 22(6)	32		
s 23(1)	28	Contract Act 1872	
s 24	28	s 188	101
s 25(4)	185	Copyright Act 1957	
s 26 (repealed)	26	s 2	87, 98
s 31(1)(a)(iv)	26	s 2(ff)	95
s 31(1)(a)(v)	26	s 2(t)	84
s 55(2) (repealed)	24	s 3	98
s 85	32, 35	s 4	98
s 85(1)	159	s 6	98
s 85(1)(c)	28	s 11	98
s 86(c)	28	s 13	82, 98
s 87	185	s 13(1)	82
s 87(a)	185	s 13(4)	98
s 87(c)	185	s 14	82, 93, 95, 98, 183
s 89	35	s 14(1)	82, 98
s 101	19, 30, 32	s 16	98
s 101(1)	35	s 17	82, 89, 98
s 101(1A)	35	s 18	82, 85, 189, 98
s 110(3)	28	s 19	82, 85, 89
s 112E	32, 35	s 19(4)	88
s 152	28	s 19A	98
		s 20	85
Copyright Amendment (Digital Agenda)		s 27	98
Act 2000 (Cth)	35, 195	s 30	85, 98, 101
		s 30A	98
Copyright Amendment Act 1989 (Cth)	22	s 31	98
Federal Court Rules 1979 (Cth)		s 31(1)	98
Ord. 52 r. 22	35	s 31(1)(b)	98
		s 31(2)	98

s 31A	98	Juvenile Justice Act 1986	98
s 31A(4)	98		
s 32	98		
s 32(1A)	98	Japan	
s 32A	98	Civil Code 1896	
s 32B	98	Art. 95	115
s 33	82, 91, 98, 101		
s 33(1)	101	Code of Civil Procedure 1890	
s 33(3)	91, 98, 101	Art. 89	106
s 34	98, 101	Art. 93	106
s 34(1)	101	Art. 95	106
s 34(3)	101	Art. 399	106
s 34A	98	Art. 399-3	106
s 34A(2)	98	Art. 401	106
s 35	98, 101		
s 35(2)	101	Copyright Act 1970	
s 37	95	Art. 2(1)(viii)	115
s 50	98	Art. 2(1)(ix-2)	115
s 51	85, 93, 95, 98, 101	Art. 2(1)(ix-5)	209
s 51(ii)	95	Art. 2(1)(x)	126
s 52	85, 95	Art. 16	126
s 52(1)	85, 95	Art. 17(1)	126
s 52(1)(j)(i)	84	Art. 19(1)	188
s 52(1)(j)(ii)	84, 85	Art. 19(4)(ii)	188
s 52(1)(k)	95	Art. 20(1)	188
s 53A	101	Art. 20(2)(iv)	188
s 54	101	Art. 22	106
s 55	93, 95, 98, 101	Art. 23(1)	200
s 58	93	Art. 29	126
s 60	89	Art. 30(1)	112
s 61	101	Art. 59	188
s 61(1)	101	Art. 92(2)	115
s 62	101	Art. 92(2)(i)	114
s 62(2)	88	Art. 92-2(1)	112
s 63	98	Art. 96-2	112
s 72	98	Art. 98	119
s 74	98	Art. 99-2	209
s 78	98	Art. 102(1)	112
		Art. 112(1)	118
Copyright Rules 1958		Art. 119	108
Rule 3(3)	98	Art. 119(1)	200
Rule 9	98		
Rule 11A	98	Copyright Act Enforcement Order 1970	
Rule 11C(4)	98	Article 3	106
Rule 11D	98		
Rule 14I	98	Penal Code 1907	
Rule 14J	98	Art. 62(1)	200
Rule 14K	98		
Rule 21	85	Supplemental Provisions to the Copyright Act 1970	
Evidence Act 1872		Art. 14 (repealed)	106
s 12	91		
General Clauses Act 1897	98		

Korea		Patent Act 1961 (2003 edition)	
Civil Act 1958 (2002 edition)		Art. 126	155
Art. 105	152		
Art. 750	155	Private International Act (2001 edition)	
Art. 760	155	Art. 2	157
		Art. 24	157
Civil Procedure Act 1960 (2002 edition)		Art. 32	157
Art. 300(2)	155		
Computer Programs Protection Act 1986 (2002 edition)		Malaysia	
Art. 2 s 9	197	Copyright Act 1987	
Art. 7	197	s 3	131
Art. 14	197	s 7(1)	131
Art. 2 s 9	197	s 7(1)(e)	131
Art. 30 s 2	197	s 10	131
Art. 30 s 1	196, 197	s 10(2)(a)	131
Art. 30 s 2	196, 197	s 13	131
Art. 46 s 1	197	s 13(1)	131
Art. 46 s 2	197	s 13(1)(a)	131
Art. 46 s 3	197	s 26(1)	131
		s 27	131
Constitution 1988		s 36(1)	131
Art. 10	197	s 42	131
Art. 23	197	Evidence Act 1950	
		s 2	131
Copyright Act 1986 (2000 edition)		Rules of the High Court 1980	
Addenda (1985) Art. 4(3)	146	Ord. 1A	131
Art. 2	146	Ord. 14	131
Art. 2 item 7	149	Ord. 14A	131
Art. 2 item 14	149	Ord. 18 r. 19	131
Art. 5	147	Ord. 41 r. 11(1)	131
Art. 5(1)	146		
Art. 41(1)	143		
Art. 42(1)	143		
Copyright Act 1986 (2003 edition)		New Zealand	
Art. 2 item 7	152	Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003	137
Art. 2 item 18	152		
Art. 42	152	Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998	136
Art. 62	152		
Art. 67	152	Copyright Act 1962	
Copyright Act 1986 (2006 edition)		s 2(4)	136
Art. 2(1)	157	s 3(9)	136
Art. 20	155	s 6(1)	136
Art. 42	155	s 6(2)	134, 136
Art. 61	155	s 7(3)	136
Art. 67	155	s 10(2)	136
Art. 72	155	s 13(5)(c)(iii)	139
Art. 91	155	s 19(10)	136
Art. 125	157	s 19(11)	136
Art. 126	157	s 19(9)	136
Art. 127	157	s 2(6)	139

s 24(3)	134	Interpretation II of the Supreme People's Court	
s 56	136	and the Supreme People's Procuratorate of the	
Copyright Act 1994		Issues concerning the Specific Application of	
s 12(3)	136	Law in Handling Criminal Cases of Infringement	
s 12(5A)	136	of Intellectual Property Rights (2007)	
s 131	136	Art. 2	191
s 134	141		
s 134	141	Interpretation of the Supreme People's Court	
s 35	136	and the Supreme People's Procuratorate	
s 35(3)	136	Concerning Some Issues on the Specific	
Crimes Act 1961	141	Application of Law for Handling Criminal Cases	
		of Infringement upon Intellectual Property	
		Rights (2004)	
Sentencing Act 2002	141	Art. 5	191
		Art. 6	191
		Art. 8(1)	60
		Art. 16	191
People's Republic of China			
Civil Procedure Law 1991			
Art. 64 para. 1	203	Interpretation of the Supreme People's Court	
		and the Supreme People's Procuratorate	
Contract Law		Concerning Some Issues on the Specific	
Art. 93 para. 1	49	Application of Law for Handling Criminal Cases	
		of Infringement upon Intellectual Property	
		Rights (2006)	
Copyright Law 1990			
Art. 12	43	Art. 7(1)	60
Copyright Law 2001		Interpretations of the Supreme People's Court	
Art. 10 para. 1 item 6	203	on Several Issues Concerning the Application	
Art. 10 para. 1 item 11	46	of Law in the Trial of Cases Involving Copyright	
Art. 10 para. 1 item 12	39, 47, 51,	Disputes over Computer Network (2003)	
	59, 66, 203	Art. 4	46
Art. 40	57	Art. 5	44, 45, 46
Art. 41	47, 57, 59, 64	Art. 8 para. 1	60
Art. 41 para. 1	54, 68		
Art. 43	49	Interpretations of the Supreme People's Court	
Art. 47 item 1	51, 64, 203	on Several Issues Concerning the Application of	
Art. 47 item 4	47, 54, 57, 68	Law in the Trial of Cases Involving Copyright	
Art. 48	54, 66, 203	Disputes over Computer Network (2006)	
Art. 48 para. 2	57	Art. 3	46, 51, 54, 64, 69
		Art. 4	66, 69
Criminal Law 1997		Art. 7 para. 1	51, 60
Art. 26 para. 1	191		
Art. 27	191	Regulation on the Implementation of the	
Art. 35	191	Copyright Law 2002	
Art. 64	191	Art. 24	203
Art. 67 para. 1	191		
Art. 217	190, 191	Regulation on the Protection of the Right	
Art. 218	191	to Network Dissemination of Information	
Art. 225	191	(2006)	69
		Art. 14	51, 60, 64, 66
General Principles of the Civil Law 1986		Art. 15	64, 66, 69
Art. 4	42	Art. 22	66
Art. 118	37	Art. 23	57, 60, 64, 69
Art. 130	46, 54, 66, 67		
Art. 134 para. 1 item 9	42		

People's Republic of China (Hong Kong SAR)		s 22(1)	159
Copyright Ordinance (Cap. 528)		s 26	159
s 14	75	s 30	159
s 23(1)	206	s 83	160
s 23(2)	206	s 117	159
s 23(6)	206	s 195(1)	159
s 24(1)	206		
s 24(2)	77, 80	Copyright Act (Cap. 63, 1999 Rev Ed)	
s 24(4)	206	s 136(9)	162
s 25	206		
s 26(1)	206	Copyright Act (Cap. 63, 2006 Rev Ed)	
s 26(2)	77, 80, 206	s 83	162
s 31	175, 206	s 103(1)	162
s 31(2)	175	s 114(1)	162
s 32(2)	77, 80	s 123	162
s 35(2)	206	s 136(1)	162
s 118	175	s 136(2)	162
s 118(1)(a)	70	s 136(3)	162
s 118(1)(d)	72	s 136(3A)	162
s 118(1)(e)(ii)	72	s 136(3A)(c)	162
s 118(1)(f)	205, 206	s 136(6A)	162
s 118(3)	70	s 136(6B)	162
s 119(1)	70, 72		
s 121	75	Rules of Court (Cap. 322, R. 5, 2006 Rev Ed)	
s 121(10)	74, 75	Ord. 15 r. 6(2)	162
s 198	206	Ord. 24	162
		Ord. 24 r. 6	162
Crimes Ordinance (Cap. 200)		Ord. 24 r. 6(1)	162
s 161(1)(c)	206	Ord. 24 r. 6(5)	161, 162
		Ord. 26A	162
Intellectual Property (Miscellaneous Amendments) Ordinance 2000	175	Telecommunications Act (Cap. 323, 2000 Rev Ed)	162
Personal Data (Privacy) Ordinance (Cap. 486)			
s 57	77		
s 58(1)(a)	77	Thailand	
s 58(1)(b)	77	Civil and Commercial Code 1925 (B.E. 2466)	
s 58(1)(c)	77	s 171	171
s 58(1)(d)	77	s 368	170, 171
s 58(1)(f)	77		
s 58(2)	77, 80	Copyright Act 1994 (B.E. 2537)	178, 180
s 58(3)	77	s 4	173, 177, 179
s 61	77	s 6	173, 175, 177
Schedule 1	77	s 8	173, 175, 177
		s 15	165, 173, 175, 177, 179
		s 17	165
Singapore		s 18	179
Copyright (Network Service Provider) Regulations 2005		s 28	177
Reg. 3(2)	162	s 28(1)	173
Reg. 3(2)(b)	162	s 29	175, 177
		s 31	166, 168, 175
		s 61	166
Copyright Act (Cap. 63, 1987 Ed)		s 69	173, 175, 177
s 7	159	s 70	166, 168, 175
s 18(1)	159	s 75	173, 175

s 76	173, 175
s 79	177
Penal Code 1956 (B.E. 2499)	
s 29	166
s 30	166
s 32	168, 175
s 33	168, 175, 177
s 56	166
s 83	168
s 91	175
Restraint of Tape and Television Material Act 1987 (B.E. 2530)	174
s 4	175
s 6	175
s 11	175
s 20	175
s 34	175
United Kingdom	
Copyright Act 1911	139
s 2	93
s 2(1)	93
s 2(2)	93
s 13	93
Copyright, Designs and Patents Act 1988 (c. 48)	
s 296(2)	195
Data Protection Act 1988 (c. 29)	
s 29	77
United States	
Copyright Act 1976	
s 101	195
s 501(b)	102
s 512(h)(1)	162
s 1201	195
s 1201(a)(1)(A)	195
s 1201(a)(3)	195

Index

Adaptation	41	telecommunication visual rights	87
folk song	41	video CD	72
musical work	41		
Assignment	93, 125, 130	Collecting society	
compared with licence	121, 164, 170, 178	levy against tape vendors	21
compared with manufacturing licence	142	music copyright association	151
future copyright	81	phonograms	101
Audio-visual work		Communication to the public	95
<i>See Cinematographic work</i>		automatic public transmission	208
		automatic public transmission right	187
Author		broadcast	25, 176
composer	81, 89, 142, 151	diffusion service	25, 135
lyricist	89	in hotel	91, 95
song-writer	142	in restaurant	180
writer	151	making available	33, 44
		network dissemination	38, 48, 53, 56, 62, 65, 68, 202
Broadcast		telecast by downstream operator	182
background music	121	telephone callers on hold	25
FM radio	97	test of 'public'	25
free-to-air transmission	119	transmissible right	110
in hotel	95	wireless telegraphy	25
in hotels, bars and restaurants	101	Compulsory licence	84, 97
Internet radio station	48	copyright owner's consent	84
Internet transmission	208	licence previously granted	97
programme	184	Copyright	
re-broadcasting	184	character features	156
re-broadcasting device	208	plot	156
recording	119	story line	156
simultaneous broadcast retransmission	114	Criminal prosecution	174
simultaneous satellite broadcast retransmission	1117	infringement	148, 166, 168, 172, 176, 180, 198, 205
TV	184, 208	locus standi	172
visual images	184	unlicensed business operation	174, 190
Cinematographic work	27, 65, 84, 95, 158, 182, 198	Defences	
anime	161	ephemeral record for diffusion service	135
audio rights	93	independent creation	103
audio-visual rights	87	innocent infringement	70
broadcast of audio track	27	temporary reproduction	193
concert documentary	125	Derivative work	
karaoke	130	karaoke from sound recording	130
master tape	125	music video from animated video	156
movie	202	originality	145
music performance	125	remix	23
music video derived from animated video	156	version recording	84
sound track	27, 81, 84, 89, 130		

Device		possession for sale	74
karaoke equipment	107	publication	36
karaoke machine	105, 176	re-broadcasting	121
		rental to public	174
Diffusion service	25, 135	reproduction	19, 33, 110, 140, 148, 151, 156, 172, 178, 180, 187
(See Communication to the public)		re-transmission	119
Digital environment		sale	128, 142, 168, 174, 187, 190
BitTorrent	205	supply of equipment	107
burning CDs	140	temporary reproduction	148
digital sampling	145		
digitization	187	Intermediaries	
download	38, 56, 58, 65, 153	mobile operator	38
hyperlinks	33, 50	network service provider	44, 56, 58, 62, 161
Internet sales	190	online music service provider	148
mobile services	38	online video service provider	65
online viewing	65	P2P developer	31, 53
P2P client software	53, 202	P2P operator	31, 53
P2P file sharing	31, 76, 79, 161	P2P service provider	153
	198, 205	referring website	33
ringtone downloads	38	search engine	50
search engine	44, 56, 58, 62		
streaming	48, 58, 148	Jurisdiction	
video download	202	Copyright Board	97
Winy	198	foreign plaintiff	156
		overseas sale	190
Discovery		Liability	
Norwich Pharmacal	76, 79	abetment	44
subscriber account information	76, 79, 161	aiding and abetting	153
		authorizing infringement	19, 21, 29, 31, 33
Evidence		control over premises and promoter	29
entrapment	166, 168, 172	duty of care	107
infringement	174, 176, 180	employee	72
		joint liability	44, 53
Film		joint tortfeasorship	29
(See Cinematographic work)		secondary or indirect	153
		shop proprietor	72
Hyperlinks	33, 50	Licence/contract	(See also Assignment)
(See Digital environment)		disc manufacturing agreement	142
Infringement	72, 103, 130, 133, 138, 158	exclusive licensee	36, 202
contributory infringement	65, 107, 110, 208	interpretation	170
distribution	76, 151, 198, 205	interpretation via industry practices	142
importation	135	manufacture	142
joint liability	62	manufacture on new media	142
locus standi of copyright owner	202	not exclusive-licensee	161
locus standi of exclusive licensee	153	sale of copyright	164
locus standi of non-exclusive licensee	161	sub-licensee	161
locus standi to commence proceedings	101	transfer of ownership	170
making available	198, 205	TV broadcaster	27
making for sale or hire	70		
manufacture	93		
marketing and sale	93		

Media		nightclub	123
blank tape levy	21	receipt of payment	138
cassette tape	36	singing customers	105
CD-ROM	187	sound track in cinematographic work	158
music CD	72, 74, 140		
tape	19, 21	Remedies	
video CD	72	injunction	87, 91, 93, 107, 128, 182
Moral rights		Safe harbour	50, 58, 68
right of attribution	125, 187	hosting provider	65
right of integrity	23, 125, 156, 187	hosting provider or content provider	68
		take-down notice	50, 58
Musical work	50, 81, 91, 97, 103, 123, 128, 133, 135, 151, 153, 158, 176	Sentencing	
background music	121	guidelines	140
composition	164	role of proprietor and employee	72
folk song/folklore	41	severity of penalties	166
karaoke	105, 176		
lyrics	170	Sound recording	21, 27, 31, 53, 58, 62, 68, 76, 79, 87, 101, 128, 130, 135, 138, 142, 153, 158, 168, 170, 176, 178
melody	170, 178	album	44, 48, 53, 151
mobile phone ring tone	70	classical music	145
musical diagram	178	karaoke	130, 176
on-hold music	25	live concert	145
ringtone	38	master tape	36, 151, 178
techno dance music	23	MP3 file	33, 56, 153
		music CD	72, 74
Ownership		non-cinematographic work sound track	89
author of work	164	TV series	36
proof of ownership	74, 130	version	170
statutory declaration	74, 130	voice	19
Parallel imports		Technological protection measures	
actual maker theory	136	access code	193, 196
hypothetical maker theory	136	access control	50, 193, 196
manufacturing authority in importing country	135	protected web pages	50
Performer		Transmission right	78, 80, 111, 149, 156, 187
performance rights	89, 114	(See Communication to the public)	
Phonogram		Version recording	84
See Sound recording		(See Derivative work)	
Producer		Video game	193, 196
cinematographic work	81, 89, 125		
phonogram	148, 151	Wireless Telegraphy	25
		(See Communication to the public)	
Public performance			
by band	133		
in coffee club	133		
in hotel	91		
in public	138		
licence sticker	176, 180		
live performance	29, 123		
music venue	29		

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