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The Music On Hold Case

Melissa de Zwart
Monash University School of Law, Australia

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SYMPOSIUM

THE WORST INTELLECTUAL PROPERTY OPINION EVER WRITTEN

THE MUSIC ON HOLD CASE

*Melissa de Zwart**

I. INTRODUCTION

Recent years have seen a great deal of torture inflicted upon the wording of the Australian *Copyright Act*¹ as it and its interpreters struggle to come to terms with rapidly emerging technologies. The most recent decision of the High Court on copyright, the anxiously awaited *Telstra Corp. Ltd v. Australasian Performing Right Ass'n*,² is certainly no exception. This case highlights the difficulties for the courts in applying technologically outmoded drafting to new developments. Unfortunately, it also demonstrates the dangerous consequences of the judiciary being too willing to stretch the wording of the Act to encompass activities which may appear at a general level to be "infringing" but which were never contemplated by the drafters of the legislation.

Consequently, the *Telstra* case is a strong contender for the title of "worst intellectual property case," at least as far as cases affecting digital technology are concerned. It opens up the potential for communications carriers such as Telstra to be liable for copyright infringement, where they are not responsible for

* Lecturer, Faculty of Law, Monash University, Australia.

¹ Copyright Act, 1968.

² *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649.

providing the content but merely the means of conveying that content. In this way, the case provides a troubling precedent for communications carriers in other on-line contexts, in particular, the Internet.

Until the *Telstra* decision, it had been assumed that Internet Service Providers and communications carriers³ would be protected from liability for copyright infringement where they had acted merely as a conduit for the transmission of the infringing material.⁴ This belief was based on the understanding that, unless the service provider had itself initiated the distribution of the infringing material, it could only be liable on the grounds of "authorising" the infringing conduct of a third party. It had been determined in a series of Australian decisions that the concept of "authorisation" embodied in the *Copyright Act* required some element of control over the infringing activity.⁵ Therefore, if service providers did not initiate or control the distribution of the infringing material they could not be held liable for its dissemination. Contrary to this line of reasoning, the High Court in *Telstra* found a communications provider liable for copyright infringement, albeit in the different context of music being played over the telephone to a caller waiting on hold, regardless of whether the infringing communication originated from it or a third party.

If this lack of distinction were to be followed and applied in the broader context of other on-line communications, it may have a drastic limiting effect on the free flow of information on the Internet as communications carriers seek to protect themselves from liability for potentially infringing communications. Although

³ The term "Internet Service Provider" refers to those who operate facilities to connect to the Internet. They may be individuals, educational institutions or businesses. The services they offer vary in terms of facilities provided and prices charged. Communications carriers provide the infrastructure for carrying those services i.e. the wires and telephone lines. In Australia, Telstra operates in both capacities. As the *Telstra* case did not distinguish between these two roles, since the subject matter of the case was telephony rather than the Internet, this article will consider the potential impact of the decision on both forms of providers.

⁴ It is not disputed that where the service provider had itself disseminated infringing material it would be directly liable for that infringing conduct. See, e.g., *Sega Enterprises, Ltd. v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994) (holding the service provider liable).

⁵ *Univ. of New South Wales v. Moorhouse* (1975) 133 C.L.R. 1; *APRA v. Jain* (1990) 18 I.P.R. 663; *Australian Tape Mfr. Ass'n v. Commonwealth* (1993) 176 C.L.R. 480.

the full practical ramifications of the case are yet to emerge, the case has negative policy implications for the development of the Internet, implications that will most probably have to be overturned by legislative action.

II. THE CASE

A. THE FACTS

Telstra is the largest (and until recently the only) telecommunications carrier in Australia. Australasian Performing Right Association (APRA) is the oldest collecting society in Australia, established to protect the public performance right of songwriters and composers and ensure that they receive remuneration for the public performance of their works. It operates by licensing use of music and returning the licence fees in the form of royalties to its "members," the copyright creators.⁶

The case arose out of a claim by APRA that the playing of music to callers waiting to be connected by telephone ("music on hold") was a breach of the rights of the copyright owner. The parties agreed that this was to be a test case and co-operated in the preparation of the case.⁷

The parties stipulated that the provision of music on hold by Telstra occurred in three ways.⁸ First, where a person made a telephone call to a Telstra service centre and was placed on hold, that person would hear music being played at the centre where the call was placed on hold. In this case, Telstra was providing the music heard by the caller. Secondly, where a person called various businesses or government organisations and was placed on hold, that person would hear music provided by the organisation or a third party. In this case, Telstra was providing only the transmission facility for the music that was heard by the caller. Finally where a caller is placed on hold by a subscriber to the CustomNet

⁶ See *About APRA; An Organisational Overview, Contact Details and Info on the People Who Make APRA Tick*. (visited Mar. 20, 1998) <<http://www.apra.com.au>>.

⁷ It was stipulated that APRA was the owner of the copyright in the music and lyrics of the songs which were the subject of the case. *APRA v. Telstra Corp.* (1993) 46 F.C.R. 131, at 132.

⁸ *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649, at 651.

service provided by Telstra. The call is diverted to a music on hold facility located at the nearest Telstra exchange and the music was provided by Telstra. In any of these three situations, the music may be produced by a pre-recorded tape or compact disc or may be a radio broadcast. In addition, in each situation the caller could be using either a conventional telephone or a mobile phone.⁹

B. THE GROUNDS FOR INFRINGEMENT

In Australia, copyright is granted to owners of literary, dramatic and musical works by section 31(1)(a) of the Copyright Act which provides that copyright in such a work is the exclusive right to:

- (i) reproduce the work in a material form;
- (ii) publish the work;
- (iii) perform the work in public;
- (iv) broadcast the work;
- (v) cause the work to be transmitted to subscribers to a diffusion service;
- (vi) make an adaptation of the work;

or do any of these acts in relation to an adaptation of the work, except to make a further adaptation.¹⁰

Thus, a copyright is infringed where someone does or authorises the doing of any of these acts in relation to a work without the licence of the owner.¹¹

Initially APRA contended that by transmitting music on hold played by itself or by third parties, Telstra was causing the work to be performed in public (section 31(1)(a)(iii)) or broadcast (section 31(1)(a)(iv)), and that by transmitting music on hold to users of mobile telephones it was causing the work to be transmitted to subscribers to a diffusion service (section 31(1)(a)(v)). The issue of performing the work in public, however, was rejected by the

⁹ *Id.*

¹⁰ Copyright Act, 1968, s 31(1)(a).

¹¹ Copyright Act, 1968, s 36(1).

Federal Court at first instance,¹² was not raised in the Full Federal Court proceedings, and was disregarded by the High Court.¹³ The issue for the High Court therefore was whether the transmission of music on hold to conventional and mobile telephones was an infringement of the copyright owner's right to broadcast the work or transmit it to subscribers to a diffusion service. Despite the Federal Court's decision in favour of Telstra that no copyright infringement had occurred, the High Court agreed with the ruling of the Full Federal Court by holding unanimously, that Telstra's providing music on hold to callers from mobile telephones infringed the broadcast right, and by majority that Telstra infringed the owner's right to transmit material to subscribers to a diffusion service.¹⁴

No distinction was drawn in the judgments between the situation where Telstra itself was responsible for providing the music and where it was merely the carrier of music made available by a third party.

C. THE DECISIONS

1. *The Diffusion Right.* APRA argued that the playing of music on hold by Telstra and/or its transmission over the telephone service constituted a breach of the right of the copyright owner pursuant to section 31(1)(a)(v) "to cause the work to be transmitted to subscribers to a diffusion service." In order to determine whether there has been a breach of this right, a court must determine (i) whether the defendant's service is a "diffusion service"; (ii) whether the copyrighted work is "transmitted" to a "subscriber" to that service; and (iii) whether the alleged infringer "caused" that transmission.¹⁵

The meaning of these terms is further illuminated (or possibly obscured) by the various subsections of section 26. Sub-section (1) provides that transmission of a copyright work "to subscribers to a diffusion service shall be . . . the transmission of the work . . . in

¹² APRA v. Telstra Corp. (1993) 46 F.C.R. 131, at 138.

¹³ Telstra Corp. v. APRA (1997) 146 A.L.R. 649, at 651.

¹⁴ *Id.*

¹⁵ *Id.* at 652.

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 [other] material substance, *to the premises of subscribers to the service.*"¹⁶ Sub-section (2) provides that where a work is so transmitted "the person operating the service shall be deemed to be the person causing the work or other subject-matter to be so transmitted."¹⁷ Further, the reference to the person operating a service of distributing broadcast or other matter is deemed by sub-section (4) to be the person who agrees to provide subscribers with the service, regardless of whether that person transmits the broadcast or other matter or not.¹⁸ Finally, sub-section (5) provides that where a service of distributing matter over wires (or other material substance) is "only incidental to, or part of, a service of transmitting telegraphic or telephonic communications" the subscriber to that service is deemed to be a subscriber to the distribution service.¹⁹

This convoluted section, clearly dealing with technological concepts which have rapidly become outdated, was to cause all of the judges involved in the case serious difficulty. While as noted by the Copyright Convergence Group in its Report of August 1994 that the provisions of section 26 are "highly technical,"²⁰ the section is intended to provide guidance on the scope of the diffusion right. Yet the Court's detailed construction does little to enlighten the modern reader regarding what is intended. As noted in the judgments of McHugh J²¹ and Kirby J,²² it is likely that section 26 was enacted to satisfy the requirements of Article 11bis of the Berne Convention and as such, intended to capture practices such as the relaying of broadcast material to boost reception and use of

¹⁶ Copyright Act, 1968, s 26(1) (Austl.) (Italics added).

¹⁷ s 26(2).

¹⁸ s 26(4).

¹⁹ s 26(5).

²⁰ See, *Highways to Change, Copyright in the New Communications Environment, Report of the Copyright Convergence Group*, 19 (August 1994) ("The provisions of section 26 are highly technical and their interpretation has tested the best judicial minds. Regardless of the detailed construction of the section, it is clear that the right to transmit to subscribers to a diffusion service is inadequate and confusing and, therefore, undesirable").

²¹ *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649, at 665.

²² *Id.* at 688.

a device known as a theatrephone, long vanished and forgotten.²³ None of these envisaged uses was relevant to the case before the court. Nevertheless, all of these provisions had to be considered and applied by the courts in reaching a decision regarding the music on hold system operated by Telstra or provided via its facilities.

Telstra argued that the music on hold facility could not constitute a relevant "diffusion service" because the transmission was received by callers who were merely the beneficiaries of a facility provided for them by others and therefore the transmissions were not made "to the premises of subscribers." Further, they argued the music on hold facility could not be described as a service because the callers may not want to receive it, but are compelled to do so while waiting on hold. APRA on the other hand contended that the transmission of music on hold was part of the general service of telephonic communications and a subscriber to the telephone service could be taken to be a subscriber to the service of distributing music on hold.

At first instance, Gummow J noted that the construction of section 26, in particular sub-section (5), was "by no means as plain as it should be."²⁴ He concluded that a system primarily designed to facilitate communication between two people "could not readily be described as a service of distributing matter."²⁵ He found that the music was provided not for the benefit of the callers but for the benefit of the person who had arranged for the playing of the music. Therefore, there was no transmission to the premises of the subscribers to the service.²⁶

The majority in the Full Federal Court, Black CJ and Burchett J, overturned the decision of Gummow J on the diffusion right.²⁷ Black CJ concluded that the provision of music on hold constituted a service, even if consumers did not appreciate the music, as it was provided for their benefit.²⁸ Distribution of the music took place

²³ See S. Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works 1886-1986*, Centre for Commercial Law Studies, Queen Mary College, 432 (1987).

²⁴ *APRA v. Telstra Corp.* (1993) 46 F.C.R. 131, at 135.

²⁵ *Id.* at 137.

²⁶ *Id.*

²⁷ *APRA v. Telstra Corp.* (1995) 60 F.C.R. 221.

²⁸ *Id.* at 225-29.

over the telephone lines and this service was incidental to the telephone service. Therefore, section 26(5) deems the subscriber to the telephone service to be a subscriber to the distribution service. He concluded that Telstra was the person operating the service of distributing matter and therefore, through the application of sections 26(2) and (4), deemed to be the person causing the work to be transmitted.²⁹ Burchett J agreed with the judgment of Black CJ on this issue.³⁰

Sheppard J dissented, reasoning that the callers who dialled the relevant number, did not do so for the purpose of hearing music and could not relevantly be described as subscribers to the service. He acknowledged the difficulty for the court of applying outdated, technologically specific statutory provisions, concluding that the drafters of the legislation could never have intended the sections to deal with the music on hold scenario.³¹

The High Court was also divided on the issue of whether there had been an infringement of the diffusion right, with a majority finding in favour of APRA. Gaudron and Dawson JJ, supported the majority in the Full Federal Court, holding that the systematic transmission of music on hold was a service of distributing broadcast or other matter, regardless of whether callers appreciated that service.³² In relation to the difficult issue of who were the subscribers to that service, they held that section 26(5) was sufficient to identify the relevant subscribers.³³ They concluded that under section 26(5) Telstra is deemed to have agreed with subscribers to the telephone service to provide them with a

²⁹ *Id.* Black CJ excluded transmission of broadcast material pursuant to the operation of s 199(4) of the Copyright Act. *Id.* at 229.

³⁰ *Id.* at 225-26.

³¹ *Id.* at 232 (Sheppard, J., dissenting) (stating "It should . . . be said at the outset that one would not lightly take the view that this very extensive use, albeit by new technology, of such conventional works as lyrics and music was outside the purview of the bundle of exclusive rights conferred on copyright owners by s 31 of the Copyright Act. Nevertheless, if the use in question is not within the rights conferred by that Act, there will be no infringement.").

³² *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649.

³³ Section 26(5) provides that "where a service of distributing matter over wires or over other paths provided by a material substance is only incidental to, or part of, a service of transmitting telegraphic or telephonic communications, a subscriber to the last mentioned service shall be taken, for the purposes of this section, to be a subscriber to the first mentioned service." Copyright Act, 1968, s 26(5).

diffusion service and as a consequence of the deeming provisions in section 26(2) and (4), Telstra was the operator of that service.³⁴

Kirby J also held that the transmission of music on hold constituted a diffusion service, regardless of whether callers wanted to hear the music. He stated that the difficulties in interpreting section 26(5) could be resolved by examining the sub-section in the context of the fact that the Copyright Act was enacted in terms intended to enable Australia to subscribe to the Berne Convention, itself intended to provide broad protection to copyright creators against dissemination of their works to the public.³⁵ Even though the technology under consideration may not have been in contemplation at the time of the drafting of the legislation, there was still scope to extend application of the section to such technology. Therefore, the effect of section 26(5) is to deem subscribers to a telephone service to be subscribers to the music on hold service.³⁶

Toohey J, like Sheppard J in the Full Federal Court, dissented on the basis that the persons who received the music were not the persons who subscribed to the diffusion service.³⁷ McHugh, J. found that because the music had not been transmitted to the public by wireless telegraphy or similar means (i.e. broadcast) before being transmitted to subscribers via the diffusion service, it could not satisfy the requirement of being "broadcast or other matter" for the purposes of section 26(1).³⁸ However, as this had not been argued by the parties, he could not decide the appeal on this point. Rather, McHugh J, found that as section 26(5) was a deeming provision it had to be construed strictly and on this basis he could not conclude that Telstra had agreed to provide a diffusion service.³⁹

2. *The Broadcast Right.* Given the lack of lines and physical connections in the use of mobile telephones, the diffusion right could not be extended to cover the situation where music is played

³⁴ Telstra Corp. v. APRA (1997) 146 A.L.R. 649, at 656.

³⁵ *Id.* at 685-87.

³⁶ *Id.*

³⁷ *Id.* at 661.

³⁸ *Id.* at 666-669. This conclusion was drawn in part from an examination of the history of the section, noting that the relaying of the broadcast material would have been perceived as the type of service in respect of which the section would have principal application.

³⁹ *Id.* at 669-71.

to callers on hold on mobile telephones, hence the reliance on the broadcast right contained in section 31(1)(a)(iv). The term "broadcast" is defined by section 10(1) of the Copyright Act to mean "to transmit by wireless telegraphy to the public."⁴⁰ As a technical point, it is clear that transmissions to mobile phones involve the emitting of electromagnetic energy.⁴¹ It is the requirement that the transmission be "to the public" that caused the major issue in this aspect of the case.

Gummow J examined the operation of the mobile telephone system in Australia and the strict privacy requirements under the relevant telecommunications statutes. He concluded that the system operated by Telstra is essentially one "of confidential communication between two people."⁴² He stated that to hold any communication of a copyright work during this private communication a broadcast to the public would be to distort the language of the broadcast provisions.⁴³

In the Full Federal Court, all three judges were in agreement that although telephone calls are essentially private in character regardless of whether they are made for domestic or business purposes, when applying section 31(1)(a)(iv), the relevant consideration is whether the broadcast is to the copyright owner's public.⁴⁴ As the playing of music on hold generally occurs in a situation which is for business purposes, it could legitimately be considered as a use which the copyright owner could regard as his or hers to control.

The High Court was also unanimous on the issue of infringement of the broadcast right where copyright works were heard by callers using the mobile telephone network.⁴⁵ The court examined the historical development of the interpretation of the phrase "to the public," looking at the development of the concept of the copyright owner's public.⁴⁶ Dawson and Gaudron JJ, with whom Toohey

⁴⁰ "Wireless telegraphy" is defined as "the emitting or receiving, otherwise than over a path that is provided by a material substance, of electromagnetic energy." Copyright Act, 1968, s 10(1).

⁴¹ *APRA v. Telstra Corp.* (1993) 46 F.C.R. 131, at 141.

⁴² *Id.*

⁴³ *Id.* at 144.

⁴⁴ *APRA v. Telstra Corp.* (1995) 60 F.C.R. 221.

⁴⁵ *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649.

⁴⁶ *Id.*

and McHugh JJ agreed, rejected analysis on the basis of whether the audience of the music would be prepared to pay to hear the performance, looking rather at the willingness of the businesses who arranged for the music on hold service to be provided to callers to pay for that service.⁴⁷ "Callers on hold constitute the copyright owner's public, not because they themselves would be prepared to pay to hear the music, but because others are prepared to bear the cost of them having the facility."⁴⁸ In reaching this conclusion, Dawson and Gaudron JJ noted that such an approach was brought about by the development of more technologically advanced forms of communication and the emergence of sophisticated business and marketing techniques.⁴⁹ Kirby J also agreed that the transmission of music on hold could be said to be a transmission to the copyright owner's public.⁵⁰

III. IMPLICATIONS OF THE DECISION—THE INTERNET

In applying the existing provisions of the Copyright Act to the expanding and ever changing world of communications technology, the judges faced the difficult challenge of interpreting and applying the tortured wording of section 26. That section reflects an era of technology long gone and it is now generally accepted by law reform bodies, such as the Copyright Convergence Group, that the section should be repealed.⁵¹ Faced with this relic from the past, the court failed to look to the future implications of the decision. Clearly, the finding that Telstra could be liable for copyright infringement in circumstances where it may not have been in a position to control the content of the transmission has ramifications for other forms of on-line communication. As noted above, no distinction was drawn between Telstra's role as a content provider, i.e. where it actually provided the music being heard and where it merely operated as a carrier with the music being played by a third party, but carried over Telstra's lines. Indeed, Dawson and

⁴⁷ *Id.*

⁴⁸ *Id.* at 659.

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ See *Highways to Change: Copyright in the New Communications Environment, Report of the Copyright Convergence Group*, 28 (August 1994).

Gaudron JJ of the High Court explicitly state that this factor is "irrelevant".⁵² This is despite the fact that section 26(2), in addition to providing that the person operating the service shall be deemed to be the person causing the work to be transmitted, states that "no person other than the person operating the service shall be deemed to be causing the work . . . to be so transmitted, whether or not he provides any facilities for the transmission."⁵³

It is this failure to distinguish between the roles of content providers and content carriers that represents the most troubling aspect of the decision. The parallels between the Internet and the transmission of copyright material via the music on hold service are clear. Each involves the distribution of matter over telephone lines or the distribution of matter incidental to a telephone service, given the broad interpretation of section 26 by the majority of judges in *Telstra*. Kirby J was the only one to directly address the potential consequences of this aspect of the decision, with the following concluding remarks to his judgment:

It has been suggested that the foregoing conclusions could have significant consequences for other information technologies—including facsimile services, video conferencing and data transmission. In particular, it has been argued that telecommunications carriers and perhaps even internet service providers could potentially become liable as a result of internet users' downloading works which are protected by copyright. Clearly, such issues go beyond the scope of this appeal. They were not developed in the arguments of the parties. However, the parliament may need to consider these questions—and others arising—and to formulate a legislative response to them. They cannot be solved, but have not been overlooked, by me.⁵⁴

⁵² *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649.

⁵³ Copyright Act, 1968, s 26(2).

⁵⁴ *Telstra Corp. v. APRA* (1997) 146 A.L.R. 649, at 695 (citing Loughlan, *Music on Hold: The Case of Copyright and the Telephone. Telstra Corp. Ltd. v. Australasian Performing Rights Association Ltd.* (1996) 18 SYDNEY L. REV. 342, at 347-8).

Thus, Kirby J alone flags, but does not attempt to resolve, the major problem created by the decision in this case.

Until now, it has largely been assumed that on-line service providers will be liable for copyright infringement only where they are acting as content providers or could be said to have authorised an infringing communication. In particular, communications carriers such as Telstra have been perceived as immune from liability because they merely provide the physical infrastructure over which the communications are transferred.⁵⁵ The provision of service facilities for communication has not been perceived as sufficient to constitute authorisation within the meaning of section 36.⁵⁶

The concept of authorisation in a digital context has not been judicially considered in Australia. The classic formulation is that the word "authorise" should be interpreted as meaning sanction, approve, countenance and permit.⁵⁷ Later decisions have referred to this as the ability of the defendant to "control" the actual infringing use.⁵⁸ While there is no Australian authority on point, commentators have uniformly suggested that the Australian concept of "authorisation" should operate in an on-line environment as it does in U.S. cases such as *Religious Technology Center v. Netcom On-Line Communications Services*.⁵⁹

In that case, the Church of Scientology sought unsuccessfully to make the operator of a bulletin board service and a service provider, Netcom, liable for the transmission of allegedly infringing messages to the "alt.religion.scientology" newsgroup posted by a third party. The court concluded with respect to the service

⁵⁵ See, *Report to the Federal Minister for Communications and the Arts*, (30 June 1996) (visited May 8, 1998) <<http://www.dca.gov.au/aba/olsrprt.htm>> (summarizing an investigation of Australian Broadcasting Authority, into the content of on-line services).

⁵⁶ See *supra* note 11 and accompanying text.

⁵⁷ *University of New South Wales v. Moorhouse* (1975) 133 C.L.R. 1, at 13 (Gibbs J., joining the majority in holding that a copyright infringement declaration was wrongly made).

⁵⁸ *APRA v. Jain* (1990) 18 I.P.R. 663; *Australian Tape Manufacturers Association v. Commonwealth* (1993) 176 C.L.R. 480.

⁵⁹ 907 F. Supp. 1361, 33 I.P.R. 132 (N.D. Cal. 1995). See, Stephen Loughnan, *Service Provider Liability for User Copyright Infringement on the Internet* (1997) 8 AUSTRALIAN INTELL. PROP. J. 18, and Melissa de Zwart, *Controlling Content on the Information Superhighway: The Liability of Internet Service Providers for Copyright Infringement* (1997) 5 CURRENT COM. L. 1 (analyzing Internet Service Provider liability under U.S. case law).

provider, that its role was similar to that of the owner of a photocopying machine who allows members of the public to make copies on it.⁶⁰ Netcom played no positive role in the distribution of the allegedly infringing posting, the message merely being transmitted via its network service, and there was nothing to distinguish it from the other computers involved in the distribution of the message. Similarly, the court found that there was no evidence that the operator of the bulletin board service had played any affirmative role in the distribution of the posting as any copies made were the result of automatic commands in the bulletin board system.⁶¹

The opposite result was reached in *Playboy Enterprises, Inc. v. Frena*⁶² where the defendant operated a bulletin board accessible to subscribers for a fee. Subscribers were able to upload images onto the bulletin board and it was found that the images available included some one hundred and seventy images copied from Playboy publications.⁶³ The operator was found liable in respect of copyright infringement, regardless of the fact he had not himself placed the images on the bulletin board. The facts of this case demonstrated that Frena was a hands-on operator of the board and should have been aware of the copyright notices attached to many of the postings.⁶⁴ Even so, the result has been criticised as overly strict.⁶⁵

The decision in *Telstra*, therefore, represents a departure from the narrow concept of control as applied in existing U.S. authority and is disappointing for its failure to confront the issue of authorisation which may have lead to a vastly different result with respect to the situation where Telstra was merely providing the facilities for conveying the transmission. Liability of Telstra in its role as a common carrier was recognised as an undesirable outcome by the

⁶⁰ *Id.* at 1368.

⁶¹ *Id.* at 1369.

⁶² 839 F. Supp. 1552 (M.D. Fl. 1993).

⁶³ *Id.* at 1556-57.

⁶⁴ *Id.*

⁶⁵ See *Religious Technology Center v. Netcom On-Line Communications Services*, 907 F. Supp. 1361, 1370 n.16 (N.D. Cal. 1995).

Copyright Convergence Group in its 1994 Report.⁶⁶ The decision leaves the way open for service providers to be found directly liable for the transmission of material supplied by third parties. The need for resolution of these issues may not go unsatisfied however. It was announced in June 1997 that APRA, heartened by its victory in *Telstra*, had commenced an action against OzEmail, one of Australia's largest Internet Service Providers, claiming that by transmitting music to its subscribers, it was in breach of the distribution right. It is to be hoped that a clearer line will be drawn in this case between provision of content and provision of transmission facilities.

IV. PROPOSALS FOR REFORM

It is likely that the provisions which caused the High Court to perform amazing feats of interpretive acrobatics in *Telstra* will be replaced in the near future with the proposed introduction of two new copyrights in Australia—a broadly based technology neutral transmission right, and a right of making available to the public.⁶⁷ These rights are intended to strengthen the rights of copyright owners in the light of the emergence of digital technology and are designed to enable Australia to become a signatory to the two new World Intellectual Property Organisation Treaties concluded in December 1996: the WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty.⁶⁸ The new transmission right would replace both the diffusion and broadcasting rights that were at issue in *Telstra*, providing for transmission both by wired and non-wired means in a non-interactive manner, i.e. the transmission of signals to a receiving device at a time chosen by the person making the transmission.⁶⁹ The right of making available

⁶⁶ *Highways to Change, Copyright in the New Communications Environment, Report of the Copyright Convergence Group* (20 August 1994) ("if the decision [in *APRA v Telstra Corp.*] at first instance is overturned, it is possible that Telstra, in its capacity as a common carrier, could be responsible for the content of the services provided by means of its infrastructure. This too is an undesirable outcome.").

⁶⁷ See *Discussion Paper, Copyright Reform and the Digital Agenda Proposed Transmission Right, Right of Making Available and Enforcement Measures* (July 1997) (visited May 8, 1998) <<http://www.dca.gov.au/pubs/digital.html>> (hereinafter "Discussion Paper").

⁶⁸ *Discussion Paper*, *supra* note 67, at paragraph 1.1.

⁶⁹ *Discussion Paper*, *supra* note 67, at Part 4.

would extend to interactive services, where material is provided on-line and can be accessed at a time chosen by the receiver.⁷⁰ This will of course remove the enormous difficulties faced by each of the courts in interpreting section 26.

In considering the ramifications of *Telstra v. APRA Corp.* for communications carriers, it should be noted that the *Discussion Paper*, which was released prior to the handing down of the High Court's decision in the case, sought submissions on the issue of the copyright liability of communication carriers and other on-line service providers. The *Discussion Paper* concluded that such issues should generally be left to be decided according to existing principles of direct infringement and authorisation.⁷¹ In relation to communications carriers, i.e. providers of physical transmission facilities only, the *Discussion Paper* notes that the Agreed Statements adopted by the WIPO Diplomatic Conference on the WIPO Treaties included Article 8, which provides:

It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention.⁷²

This may permit communications providers such as Telstra and Optus, to be excluded from liability where all they are providing is the physical facilities for transmission rather than the content.⁷³

The alternative approach, represented by the decision in *Telstra*, may be to discourage on-line service providers from entering the market, limiting Australian access to the Information Highway, and raising user costs.⁷⁴ Further, over-regulation may have a

⁷⁰ *Discussion Paper*, *supra* note 67, at Part 4. It is possible that the two rights may be merged into a single "communication to the public" right following submissions received in response to the *Discussion Paper*.

⁷¹ *Discussion Paper*, *supra* note 67, at para 4.72.

⁷² *Discussion paper*, *supra* note 67, at para. 3.19 (citing the World Intellectual Property Organisation Copyright Treaty, Dec., 1996, art. 8).

⁷³ *Discussion Paper*, *supra* note 67, at para 3.25.

⁷⁴ See F. Macmillan and Blakeney, *The Copyright Liability of Communications Carriers* THE JOURNAL OF INFORMATION LAW AND TECHNOLOGY, (1997) (visited May 8, 1998) <http://elj.warwick.ac.uk/jilt/commsreg/97_3macm/>.

“chilling” effect on free speech, casting the on-line service provider in the role of the copyright police and removing the need for copyright owners themselves to be particularly vigilant.

As Whyte DJ recognised in *Netcom*, to impose liability on the service provider is to impose liability on the wrong party, merely because that party is accessible and readily identifiable. He stated that where there is a primary infringer directly liable for the infringing act,

it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet.⁷⁵

For this reason, the failure of the courts in *Telstra* to distinguish the situation where the service provider was only providing the physical means of conveying the infringing material, leads to the creation of a disturbing precedent for on-line service providers.

V. CONCLUSION—A BAD CASE

In the *Telstra* case, the various judges were confronted with some of the more arcane and convoluted sections of a Copyright Act that is becoming increasingly irrelevant. The court was yet again expected to fit a square peg into a round hole by applying sections that use terms that no longer have any practical relevance, particularly with regard to the diffusion right, interpreting sections whose real meaning has become obscured by technological evolution. However, in being willing to extend the application of the sections in this way the High Court has created a problem with respect to the issue of direct liability of communication providers. In particular, it represents a dangerous precedent if applied indiscriminately to the latest form of wired communication—the Internet. It is hoped that legislative measures will soon be undertaken to overcome the difficulties created by this precedent,

⁷⁵ *Religious Technology Center v. Netcom On-Line Communications Services*, 907 F. Supp. 1361, 1372 (N.D. Cal. 1995).

a clear candidate for the worst intellectual property opinion ever written because of its ability to conjure into existence a service, a subscriber, and a provider of a service that never truly existed.