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The Australian Sony PlayStation Case: How Far Will Anti-circumvention Law Reach in the Name of DRM?

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Abstract

This chapter overviews the legal issues arising from the modification of the Sony PlayStation console under Australian Copyright Law - the so called anti-circumvention provisions. It will explain how these provisions have been interpreted by the courts and focus on the very recent decision of the Australian High Court. The article concludes by examining the extent to which the Australia-US Free Trade Agreement (AUSFTA) will impact upon this area of law.

Fearing the death of copyright in the digital networks of the Internet, states of the world agreed in Article 11, WIPO *Copyright Treaty* (WCT) 1996¹ to pass laws that would prohibit circumvention of (through hacking or interfering with) technological measures (DRM) used to protect copyright information e.g. passwords, and copy controls. These laws, known as anti-circumvention laws, are epitomized by the *Digital Millennium Copyright Act 1998* (DMCA) in the USA and a similar set of provisions in the amended *Australian Copyright Act 1968*. The US case that brought anti-circumvention laws to the fore was *Universal City Studios Inc v Reimerdes*². In that case hackers posted software code (DeCSS) on websites that explained how to circumvent technological protection or encryption known as the Content Scrambling System (CSS). This encryption system is employed by the movie industry to regulate the usage of movies distributed on DVD. The Internet identities that distributed the decrypting code claimed that DeCSS allowed people to play DVDs on the free software platform GNU Linux and that this implemented digital choice or diversity.³ However, the US court held that posting of the decrypting code on a website, including linking to a website, in certain circumstances was “providing or otherwise trafficking” in a circumvention device.

The first installment in the Australian chapter of this story is the decision in *Kabushiki Kaisha Sony Computer Entertainment v Stevens*⁴, which is a part of world wide litigation concerning the Sony PlayStation2 console.

1 See also art 18 *WIPO Performers and Phonograms Treaty 1996* (WPPT)

2 111 F. Supp. 2d 294 (S.D.N.Y. 2000) [affirmed on Appeal: *Universal City Studios Inc v Corley* 273 F.3d 429 (2nd Cir. 2001)]

3 B. Fitzgerald, "Intellectual Property Rights in Digital Architecture (including Software): The Question of Digital Diversity?" [2001] *EIPR* 121

4 [2002] FCA 906; [2003] FCAFC 157

The Australian PlayStation Case

Eddie Stevens who was involved in the computer games industry in Sydney was sued by Sony pursuant to the anti-circumvention provisions of the Australian Copyright Act for modifying the Sony PlayStation (PS) computer games platform or console to allow it more functionality. In particular Sony argued that Stevens had breached s 116A of the *Copyright Act 1968* in that he had sold or distributed a circumvention device, namely mod chips, which he knew or ought reasonably have known would be used as a circumvention device. A circumvention device as defined by the *Copyright Act*, is something that has little other purpose than to circumvent a technological protection measure (TPM). A technological protection measure is something that is designed to prevent access to, or copying of copyright subject matter. In this case the mod chips were alleged to have the purpose of circumventing Regional Access Coding - as activated by the Boot Rom - the technological protection measure.⁵

The Technology

The Sony PlayStation is one of the most popular computer games consoles or platforms in the world. When a person wants to play a game they insert a disc into the PlayStation much like inserting a musical disc into a CD player. The PlayStation is coded (through what is called Regional Access Coding (RAC) contained within a track on each CD read by a chip known as a “Boot ROM” located on the circuit board of the PlayStation console (hereafter called “RAC/Boot Rom”)) to play games available in the region in which the PlayStation was sold. This means that a game purchased in the USA or Japan cannot be played on a PlayStation purchased in Australia; the platform will not support it. As well a copied, burnt or unauthorised version of a game will not play on the PlayStation, as the copying process does not embed the necessary coding in the copy. As a consequence of consumers seeking greater choice of digital products or digital diversity, a device known as the “mod chip” or “converter” surfaced in the market place. It extended the functionality of the PlayStation allowing games from other regions as well as copied, unauthorised or burnt games to be played on the PlayStation.

The Digital Agenda Amendments: Anti-Circumvention Law

This was the first case to consider the anti-circumvention law introduced by the *Copyright Amendment (Digital Agenda Act) 2000*. Section 116A *Copyright Act*, effective 4th March 2001, introduced the anti-circumvention notion enshrined in art 11 WIPO *Copyright Treaty* (1996) into Australian law. The section states:

Subject to subsections (2), (3) and (4), this section applies if:

- (a) a work or other subject-matter is protected by a technological protection measure; and*
- (b) a person does any of the following acts without the permission of the owner or exclusive licensee of the copyright in the work or other subject-matter:*
 - (i) makes a circumvention device capable of circumventing, or facilitating the circumvention of, the technological protection measure;*

5 [2002] FCA 906 at [24]

- (ii) *sells, lets for hire, or by way of trade offers or exposes for sale or hire or otherwise promotes, advertises or markets such a circumvention device;*
- (iii) *distributes such a circumvention device for the purpose of trade, or for any other purpose that will affect prejudicially the owner of the copyright;*
- (iv) *exhibits such a circumvention device in public by way of trade;*
- (v) *imports such a circumvention device into Australia for the purpose of:*
 - (A) *selling, letting for hire, or by way of trade offering or exposing for sale or hire or otherwise promoting, advertising or marketing, the device; or*
 - (B) *distributing the device for the purpose of trade, or for any other purpose that will affect prejudicially the owner of the copyright;*
or
 - (C) *exhibiting the device in public by way of trade;*
- (vi) *makes such a circumvention device available online to an extent that will affect prejudicially the owner of the copyright;*
- (vii) *provides, or by way of trade promotes, advertises or markets, a circumvention service capable of circumventing, or facilitating the circumvention of, the technological protection measure; and*
- (iv) *the person knew, or ought reasonably to have known, that the device or service would be used to circumvent, or facilitate the circumvention of, the technological protection measure.*

A technological protection measure (TPM) is defined under s 10 (1) *Copyright Act* as:

A 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 of the following means:

- (a) by ensuring that access to the work or other subject matter is available solely by use of an access code or process (including decryption, unscrambling or other transformation of the work or other subject-matter) with the authority of the owner or exclusive licensee of the copyright;*
- (b) through a copy control mechanism.*

A circumvention device is also defined in s 10 (1) *Copyright Act* as:

A device (including a computer program) having only a limited commercially significant purpose or use, or no such purpose or use, other than the circumvention, or facilitating the circumvention, of an technological protection measure.

Section 116A (5) creates the civil cause of action against the infringer:

If this section applies, the owner or exclusive licensee of the copyright may bring an action against the person.

The First Instance Decision in the Federal Court on s 116A – RAC/Boot Rom is not a TPM and Therefore the Mod Chip is not a Circumvention Device

At first instance Sackville J held that Regional Access Coding (RAC)/Boot Rom was not a technological protection measure because it did not and was not designed to prevent access to the copyright content or to act as a copy control mechanism of the copyright content. The crucial finding being that RAC/Boot Rom did not prevent reproduction of a game, it only prevented use of a game that was not coded for the region in which the PlayStation was sold.⁶ Therefore, the mod chip could not be a circumvention device because it was not designed for the purpose of circumventing a technological protection measure.⁷ Sackville J rejected the argument that RAC/Boot Rom had the “practical effect” of inhibiting or preventing access or copying in that it created a disincentive for copying by making it difficult for copied games to be played. He explained:

There seems to be nothing in the legislative history to support the view that a technological measure is to receive legal protection from circumvention devices if the only way in which the measure prevents or inhibits the infringement of copyright is by discouraging infringements of copyright which predate the attempt to gain access to the work or to copy it.⁸

However the Judge did comment that if RAC/Boot Rom were a TPM then the mod chip would have satisfied the definition of a circumvention device.⁹ Further, Justice Sackville rejected a submission from the ACCC that in order for a device to be a “technological protection measure”, its sole purpose must be to prevent or inhibit infringement of copyright, noting that a TPM may have a dual purpose.¹⁰

The more complex argument made by Sony was that RAC/Boot Rom was a TPM because it prevented copies of the games being made in the RAM (Random Access Memory) or temporary memory of the PlayStation console.¹¹ The Judge rejected this argument predominantly on the basis that reproduction in RAM was of such a limited and temporary nature that it was not reproduction “in a material form” as required by s 31 (1) (a) (i) *Copyright Act*.¹²

Sony continued this line of reasoning and alleged that playing PlayStation games created a copy of a cinematographic film in RAM. This argument was also rejected, explicitly on the ground that a substantial part of the film was not copied in RAM and implicitly because the film was not “embodied” in RAM.¹³

The reasoning of Sackville J in *Stevens* along with that of Emmett J of the Federal Court in *Australian Video Retailers Association v Warner Home Video Pty Ltd*¹⁴

6 [2002] FCA 906 at [92, 118]

7 cf. *Sony v Gamemasters* 87 F. Supp. 2d 976 (N.D. Cal. 1999); *Sony Computer Entertainment v Owen* [2002] EWHC 45; *Sony v Ball* [2004] EWHC 1738 (Ch); B Esler, “Judas or Messiah: The Implication of the Mod Chip Cases for Copyright in an Electronic Age” (2004) 1 *Hertfordshire L J* 1 http://perseus.herts.ac.uk/uinfo/library/u20277_3.pdf See also an Italian decision (Court of Bolzano) on the legality of the mod chip at: <http://www.alcei.it/english/actions/psmodchip.htm>

8 [2002] FCA 906 at [117]

9 [2002] FCA 906 at [167]

10 [2002] FCA 906 at [104]

11 [2002] FCA 906 at [119 ff]

12 [2002] FCA 906 at [137]

13 [2002] FCA 906 at [158]-[160]

14 (2001) 53 IPR 242 at 262-3

establish a principle that reproduction of a computer program in RAM will not be regarded as an infringing reproduction for the purposes of the *Copyright Act* unless it is reproduced in a manner and on a technology that will allow that temporary reproduction to be captured and further reproduced.¹⁵ The message being that “use/playing” of a computer game is not of itself an infringement under the *Copyright Act*.

The Full Federal Court – RAC/Boot Rom is a TPM and the Mod Chip is a Circumvention Device

On 30 July 2003, the Full Federal Court of Australia (French, Lindgren and Finkelstein JJ) overturned the decision of Sackville J at first instance, and held that the sale and distribution of PlayStation mod chips contravened s116A of the *Copyright Act*. The Court held that Regional Access Coding (RAC) embedded on PlayStation Games and activated by the Boot Rom chip on the circuit board of the PlayStation console was a technological protection measure for the purposes of s 116A *Copyright Act* even though it did not prevent copying as such but merely provided a disincentive for copying or burning games – the so called “practical effect argument”.¹⁶

In the words of Lindgren J:

If, as in the present case, the owner of copyright in a computer program devises a technological measure which has the purpose of inhibiting infringement of that copyright, the legislature intended that measure to be protected (subject to any express exception), even though the inhibition is indirect and operates prior to the hypothetical attempt at access and the hypothetical operation of the circumvention device. By ensuring that access to the program is not available except by use of the Boot ROM, or the access code embedded in the PlayStation games, or both in combination, Sony's measure does inhibit the infringement of copyright in the PlayStation games in that way.¹⁷

Likewise French J explained:

If a device such as an access code on a CD-ROM in conjunction with a Boot ROM in the PlayStation console renders the infringing copies of computer games useless, then it would prevent infringement by rendering the sale of the copy “impracticable or impossible by anticipatory action”.¹⁸

15 [2002] FCA 906 at [137, 147-8, 150] This position has now changed as a result of Article 17.4.1 of the Australia-US Free Trade Agreement which obliges Australia to enact laws giving copyright owners the right to prohibit all types of reproduction, in any manner or form, permanent or temporary. This change is implemented under the *US Free Trade Agreement Implementation Act 2004* (Cth) which came into effect on 1 January 2005. The Act amends the definition of ‘material form’ and ‘copy’ in section 10 of the Act and creates an exception to infringement where the reproduction is made as part of the technical process of using a non-infringing copy of the copyright material (see ss 43B and 111B). The critical difference being that temporary reproduction of a whole or substantial part of a computer program (game) or film (game) in RAM generated from an infringing copy of the copyright material will be unlawful.

16 *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157 at [20], [139], [189].

17 Per Lindgren J at [139]

18 At [20];

However in obiter the majority (French and Lindgren JJ, Finkelstein J dissenting) supported Sackville J's holding that playing a PlayStation game and reproducing it temporarily in the Random Access Memory (RAM) of the PlayStation console did not amount to a reproduction in a material form for the purposes of the *Copyright Act*.¹⁹ Once again in obiter the majority (French and Lindgren JJ, Finkelstein J dissenting) supporting Sackville J's decision, apparently with slightly different reasoning, held that there is not a copy of cinematographic film made in RAM when a game is played, because there is no "embodiment in an article" as defined by ss 10 and 24 *Copyright Act*.²⁰

The case was appealed to the High Court of Australia.²¹

The High Court – RAC/Boot Rom is not a TPM and Therefore the Mod Chip is not a Circumvention Device

The High Court rejected the holding of the Full Federal Court that RAC/Boot ROM was a TPM and confirmed the reasoning of Justice Sackville to find that Eddie Stevens was not liable for infringement of s 116A of the Australian *Copyright Act*.²² The Court also agreed with Sackville J and the majority in the Full Federal Court that Sony's arguments based on temporary reproduction in RAM could not be sustained.²³

The majority judgment of Gleeson CJ, Gummow, Hayne and Heydon JJ explained that Justice Sackville's interpretation was correct for the following reasons:

It is important to understand that the reference to the undertaking of acts which, if carried out, would or might infringe, is consistent with the fundamental notion that copyright comprises the exclusive right to do any one or more of "acts" primarily identified in ss 31 and 85-88 of the Act. The definition of "technological protection measure" proceeds on the footing that, but for the operation of the device or product or component incorporated into a process, 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. The term "access" as used in the definition is not further explained in the legislation. It may be taken to identify placement of the addressee in a position where, but for the "technological protection measure", the addressee would be in a position to infringe.

This construction of the definition is assisted by a consideration of the "permitted purpose" qualifications to the prohibitions imposed by s 116A(1). First, s 116A(3) provides that, in certain circumstances, the section does not apply in relation to the supply of a circumvention device "to a person for use for a permitted purpose". The term "supply" means selling the circumvention device, letting it for hire, distributing it or making it available online (s 116A(8)). Secondly,

19 At [168] [26]; cf [208-210]

20 At [181-3], [26]; cf. [222-4]

21 See B Fitzgerald, "The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer's Liberty or Copyright Menace/Circumvention Device?" <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp> An earlier and shorter version of this paper appears in (2005) 10 *Media and Arts Law Review* 89

22 *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58

23 All judges made detailed comments regarding the method of statutory interpretation: [30]-[34] per Gleeson CJ, Gummow, Hayne and Heydon JJ; [124]- [127] per McHugh J; [168]-[169], [215]-[219] per Kirby J.

s 116A(4) states that the section in certain circumstances does not apply in relation to the making or importing of a circumvention device "for use only for a permitted purpose".

The expression "permitted purpose" in sub-ss (3) and (4) has the content given it by sub-s (7). This states that for the purposes of s 116A, a circumvention device is taken to be used for a permitted purpose only if two criteria are met. The first criterion is that the device be "used for the purpose of doing *an act comprised in the copyright in a work or other subject-matter*" (emphasis added). The second criterion is that the doing of that act otherwise comprised in the copyright is rendered not an infringement by reason of the operation of one or more of the exculpatory provisions then set out. (The listed provisions do not include the general fair-dealing exculpations in ss 40, 41 and 42 of the Act.)

The first criterion in s 116A(7) for reliance upon the permitted purpose provisions which are an answer to what would otherwise be a claim under s 116A thus in terms links the use of a circumvention device to the doing of one or more of the acts enumerated in s 31 of the Act (where these are done in relation to a work) and in ss 85-88 (where these are done in relation to subject-matter other than a work).

If the construction of the definition for which Sony contends were accepted despite the linkage specified in s 116A(7) between the use of a circumvention device and the central provisions of ss 31 and 85-88 of the Act, the permitted purpose provisions would risk stultification. The facts of the present case are in point. The use of Mr Stevens' mod chip in order to circumvent the protections provided by (a) the access code on a CD-ROM in which a PlayStation game is stored and (b) the boot ROM device contained within the PlayStation console cannot be said to be for the "purpose" of reproducing a computer game within the sense of s 31 of the Act. Any such reproduction will already have been made through the ordinary process of "burning" the CD-ROM. The mod chip is utilised for a different purpose, namely to access the reproduced computer program and thereafter visually to apprehend the result of the exercise of the functions of the program.²⁴

Gleeson CJ, Gummow, Hayne and Heydon JJ explained that in 'choosing between a relatively broad and a relatively narrow construction of legislation, it is desirable to take into account its penal character.' While this was not a criminal proceeding the judges stated that the potential for criminal sanction called for caution in 'accepting any loose, albeit 'practical'' construction of the section.²⁵ They added that:

..... in construing a definition which focuses on a device designed to prevent or inhibit the infringement of copyright, it is important to avoid an overbroad construction which would extend the copyright monopoly rather than match it. A defect in the construction rejected by Sackville J is that its effect is to extend the copyright monopoly by including within the definition not only technological protection measures which stop the infringement of copyright, but also devices which prevent the carrying out of conduct which does not infringe copyright and is not otherwise unlawful. One example of that conduct is playing in Australia a program lawfully acquired in the United States. It was common ground in the courts below and in argument in this Court that this act would not of itself have been an infringement. [Footnotes omitted]²⁶

In finally disposing of the issue and settling the meaning of the word 'inhibit' Gleeson CJ, Gummow, Hayne and Heydon JJ explained:

... Sony contended that, unless the term "inhibit" had the meaning given by the Full Court, it was otiose, adding nothing to "prevent". One meaning of "inhibit" indeed is "prevent". However, it may

24 Ibid at [39]-[43]

25 Ibid at [45]

26 Ibid at [47]

be taken that "inhibit" is used in the definition of "technological protection measure" in one of its weaker senses, while still necessarily attached to an act of infringement. One such sense has been given above with respect to acts of secondary infringement by dealing in an article created by an act of primary infringement. Further, the operation of a copy control mechanism to impair the quality or limit the quantity of a reproduction may be said to hinder the act of infringement. In that regard, there is a legislative antecedent in s 296 of the 1988 UK Act. This, it will be recalled, spoke of devices or means intended "to impair" the quality of copies made. In the present case, the Sony device does not interfere with the making of a perfect copy of Sony's copyright in its computer program or cinematograph film.²⁷

They also noted that the definition of TPM was a compromise between the respective interests and that "there was a reluctance to give to copyright owners a form of broad "access control" and "this reluctance is manifest in the inclusion in the definition of "technological protection measure" of the concept of prevention or inhibition of infringement."²⁸

McHugh J explained that 'a device is a device that is "designed ... to ... inhibit" copyright if the device functions,so as to make the doing of an act of copyright infringement - not impossible - but more difficult than it would be if the device did not operate'²⁹ He went on to further explain this notion by way of examples:

This interpretation does not render the term "inhibit" redundant because it applies to at least two categories of devices that do not have an absolute preventative effect on copyright infringement. Thus, there are protective devices that regulate a user's access, not to the work itself, but to the appliance through which works are accessed. For example, "device binding" is a measure through which the decryption key of a work is linked to the "unique identifier" of the computer of a person who is licensed to download and copy a work. The work may only be downloaded and saved (and thus, copied) onto a computer with this identifier. The fact that access to the work is available solely by use of a decryption key that is linked to the computer's identifier does not make it impossible for another user of the same computer - who has not been licensed to reproduce the material - to download and save the work. Nonetheless, in disabling the access of all other computers to the work, "device binding" mechanisms function to make it more difficult for users - who are not licensed to download the work - to have access to an appliance that will enable the copying and infringement of copyright in the work. In this way, "device binding" inhibits, but does not prevent, copyright infringement.

Other devices are designed to make it impossible to do an act of copyright infringement by a particular method or methods, but are ineffective to prevent the doing of the same infringing act by other, more complex, methods. Online access controls are an example. They are measures that decrypt a work that is delivered to the computer through the Internet - "streamed" - when it is delivered to the computer. The work is then immediately re-encrypted, so as to enable only a small portion of the work to be decrypted at any given time. The result is that the work cannot be digitally copied onto the computer to which it is being delivered. However, the re-encryption of the work, after it has been delivered and played, does not restrain the user from reproducing the work on other recording devices while the work is being played. In making it impossible to do an act of copyright infringement (ie reproduction) using one method, but not making it impossible to do the same act of copyright infringement using a more tedious method, online access controls make it more difficult to reproduce the work.³⁰ [Footnotes omitted]

27 Ibid at [55] See also [51]-[52]

28 Ibid at [49]

29 Ibid at [139]

30 Ibid at [139]-[143]

McHugh J concluded by saying that 'if the definition of TPM were to be read expansively, so as to include devices designed to prevent access to material, with no inherent or necessary link to the prevention or inhibition of infringement of copyright, this would expand the ambit of the definition beyond that naturally indicated by the text' of the Act.'³¹

Kirby J explained that as Parliament had chosen such an elaborate and a specific definition a court should be careful to respect this design. He added that the 'difficulty with Sony's interpretation is that it challenges the very assumption upon which the definition of TPM in terms of "devices" would operate to have the designated effect, namely the prevention or inhibition of the infringement of copyright.'³² He explained:

The inclusion of the word "inhibit", in the context of a focus upon a self-operating device, does not alter this conclusion. A strict interpretation does not deprive the term "inhibit" in s 10(1) of meaningful content. That word still has work to do in a number of contexts that are not covered by the word "prevent". For example, it will apply to a protective device which regulates access to the mechanism that provides access to a work, rather than access to the work itself. Such a device will not prevent infringement in all cases. This is because a device limiting access to a work does not prevent infringing copies being made once access is legitimately achieved. However, by restricting access to the work in the first place, such a device makes infringement more difficult. Significantly, such an inhibition operates prospectively; the infringement against which the device is designed to protect occurs subsequent to the operation of the protection device in its ordinary course. ... Secondly, a device that prevents infringement by a particular method, but which is ineffective to protect against infringement by another more complex or involved method, is a device that will not be covered by the term "prevent" in s 10(1). This is because infringement will still be possible, through the more complex method, notwithstanding the operation of the device. However, by making infringement more difficult (say by preventing a common or easily available method of infringement), such a device can be seen to inhibit infringement in the technical sense required by the definition. This further demonstrates the utility of the inclusion of the term "inhibit" in s 10(1), consistent with the strict interpretation that I favour.

Had it been the purpose of the Parliament, by the enactment of the Digital Agenda Act, to create a right to control access generally, it had the opportunity to say so. It even had overseas precedents upon which it could draw. The Australian Government was pressed to provide protection for all devices that "control access". This is evident in the definition of TPM suggested to the Australian Parliamentary Committee by the International Intellectual Property Alliance. Such a definition would effectively have mirrored the provision adopted by the Congress of the United States in the *Digital Millennium Copyright Act of 1998*. By the time the Australian definition of TPM was enacted, the United States Act had been in force for two years. Nevertheless, the propounded definition of wider ambit was not accepted. Instead, in Australia, the Parliament chose to focus its definition upon protection from infringement of copyright as such.

The preference inherent in the Australian Act has been viewed as one which "favours the use of protected works", by limiting the operation of TPMs in terms of control over infringement of copyright rather than a potentially broader control over access. When the competing legislation of other jurisdictions, giving effect to the relevant international treaties, is contrasted, it appears clear that the distinctive statutory formula adopted in Australia was a deliberate one. [Footnotes omitted]³³

Kirby J reinforced his interpretation by stating that:

31 Ibid at [143]

32 Ibid at [204]

33 Ibid at [204]-[209]

Avoiding over-wide operation: There is an additional reason for preferring the more confined interpretation of the definition of TPM in the Copyright Act. This is because the wider view urged by Sony would have the result of affording Sony, and other rights holders in its position, a de facto control over access to copyrighted works or materials that would permit the achievement of economic ends additional to, but different from, those ordinarily protected by copyright law. If the present case is taken as an illustration, Sony's interpretation would permit the effective enforcement, through a technological measure, of the division of global markets designated by Sony. It would have the effect of imposing, at least potentially, differential price structures in those separate markets. In short, it would give Sony broader powers over pricing of its products in its self-designated markets than the Copyright Act in Australia would ordinarily allow

Upholding fundamental rights: A further reason, not wholly unconnected with the last, is relevant to the choice to be made in selecting between the competing interpretations of the definition of TPM. ...The Full Court's broader view gives an undifferentiated operation to the provisions of s 116A that clearly impinges on what would otherwise be the legal rights of the owner of a Sony CD ROM and PlayStation console to copy the same for limited purposes and to use and modify the same for legitimate reasons, as in the pursuit of that person's ordinary rights as the owner of chattels Take, for example, the case earlier mentioned of a purchaser of a Sony CD ROM in Japan or the United States who found, on arrival in Australia, that he or she could not play the game on a Sony PlayStation console purchased in Australia. In the case postulated, there is no obvious copyright reason why the purchaser should not be entitled to copy the CD ROM and modify the console in such a way as to enjoy his or her lawfully acquired property without inhibition. Yet, on Sony's theory of the definition of TPM in s 10(1) of the Copyright Act, it is able to enforce its division of global markets by a device ostensibly limited to the protection of Sony against the infringement of its copyright.

The provisions of the Australian Constitution affording the power to make laws with respect to copyright operate in a constitutional and legal setting that normally upholds the rights of the individual to deal with his or her property as that individual thinks fit. In that setting, absent the provision of just terms, the individual is specifically entitled not to have such rights infringed by federal legislation in a way that amounts to an impermissible inhibition upon those rights constituting an acquisition. This is not the case in which to explore the limits that exist in the powers of the Australian Parliament, by legislation purporting to deal with the subject matter of copyright, to encumber the enjoyment of lawfully acquired chattel property in the supposed furtherance of the rights of copyright owners. However, limits there are. [Footnotes omitted]³⁴

The legislative option: An additional consideration for avoiding reversal of the *Sony* rule in the United States Supreme Court was mentioned by Breyer J in the recent opinion to which I have referred. This was, as the decision in *Sony* in that Court had earlier recognised, that "the legislative option remains available. Courts are less well suited than Congress to the task of 'accommodat[ing] fully the varied permutations of competing interests that are inevitably implicated by such new technology.'" In the Australian context, the inevitability of further legislation on the protection of technology with TPMs was made clear by reference to the provisions of, and some legislation already enacted for, the Australia-United States Free Trade Agreement. Provisions in that Agreement, and likely future legislation, impinge upon the subject matters of this appeal. Almost certainly they will require the attention of the Australian Parliament in the foreseeable future. [Footnotes omitted]³⁵

The Effect of Australian –US Free Trade Agreement (AUSFTA) on the *Stevens v Sony* Decision

34 Ibid at [213]–[216]

35 Ibid. at [222]–[225]

Background

The existing definition of TPM by including the words “prevents or inhibits infringement of copyright” is said to be narrower in effect than a provision that “controls access” without any reference to copyright infringement. At the time of enactment submissions were made by the International Intellectual Property Alliance (IIPA) to the House of Representatives Legal and Constitutional Affairs Committee (this Committee) that the definition of a TPM in the form of an “access control” should not be linked to copyright infringement.³⁶ It was argued that access controls should be reinforced by anti-circumvention law even if they do not prevent or inhibit infringement of copyright. The “real world” example provided by the IIPA to highlight the point was that of having a lock to prevent opening a door to a house (the access control) which contained a book which upon entry I could read without infringing copyright.³⁷ This view was said to have been endorsed in the *Digital Millennium Copyright Act* (DMCA) in the US. Critics of this approach had argued that such a broad ranging definition of TPM introduced a new form of economic exploitation over information called an “access right”. At no point in time did the IIPA submission suggest that an access control should regulate “use” of copyright material that had already been copied. As well, the IIPA argued on the basis that the law reform being undertaken at that time related to the WCT and WPPT – both treaties dealing with copyright and convened by the World Intellectual Property Organisation. The IIPA’s preferred definition of an effective TPM is the same as the one offered in art 17.4.7 of AUSFTA and the DMCA.

The AUSFTA Obligations – Already Enacted

The AUSFTA has already been implemented in part through the *US Free Trade Agreement Implementation Act 2004* (Cth) which came into effect on 1 January 2005. Article 17.4.1 of AUSFTA obliges Australia to enact laws allowing copyright owners the right to prohibit all types of reproduction, in any manner or form, permanent or temporary. The *US Free Trade Agreement Implementation Act 2004* (Cth) amends the definition of ‘material form’ and ‘copy’ in section 10 of the Act and creates an exception to infringement where the reproduction is made as part of the technical process of using a non-infringing copy of the copyright material (see ss 43B and 111B). The critical difference being that temporary reproduction of a whole or substantial part of a computer program (game) or film (game) in RAM generated from an infringing copy of the copyright material will be unlawful. This will most likely mean that the arguments made by Sony concerning reproduction in RAM will be upheld in the case of infringing material. The decision would remain intact in relation to non-infringing material namely games purchased overseas and possibly back up copies.

Will the Further Changes Required by AUSFTA mean Regional Access Coding is now a TPM?

36 S Metalitz , 7.10.1999, pages 3-5

<http://www.aph.gov.au/house/committee/laca/digitalagenda/submiss.htm>

37 S Metalitz, Public Hearing 21.10.1999 pages 176-177

<http://www.aph.gov.au/house/committee/laca/digitalagenda/pubhear.htm>

The clear intent of the AUSFTA evidenced in art 17.4.7 is to bring Australian anti-circumvention law into line with that in the US through making actual anti-circumvention of an access control unlawful³⁸ and moving the definition of TPM from one that “prevents or inhibits infringement of copyright” to one that “controls access” to protected subject matter.³⁹

Art 17.4.7 of AUSFTA requires that:

7. (a) In order to provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that authors, performers, and producers of phonograms use in connection with the exercise of their rights and that restrict unauthorised acts in respect of their works, performances, and phonograms, each Party shall provide that any person who:

(i) knowingly, or having reasonable grounds to know, circumvents without authority any effective technological measure that controls access to a protected work, performance, or phonogram, or other subject matter; or

(ii) manufactures, imports, distributes, offers to the public, provides, or otherwise traffics in devices, products, or components, or offers to the public, or provides services that:

(A) are promoted, advertised, or marketed for the purpose of circumvention of any effective technological measure;

(B) have only a limited commercially significant purpose or use other than to circumvent any effective technological measure; or

(C) are primarily designed, produced, or performed for the purpose of enabling or facilitating the circumvention of any effective technological measure,

shall be liable and subject to the remedies specified in Article 17.11.13. Each Party shall provide for criminal procedures and penalties to be applied where any person is found to have engaged wilfully and for the purposes of commercial advantage or financial gain in any of the above activities. Each Party may provide that such criminal procedures and penalties do not apply to a non-profit library, archive, educational institution, or public non-commercial broadcasting entity.

38 On the possible exceptions see: AUSFTA art 17.4.7 (e) & (f).

39 “There are two elements involved in implementing the TPM obligation. The first element is the development of amendments to the *Copyright Act 1968* to ensure compliance with Article 17.4.7. The second element involves a determination of whether there are additional exceptions to TPM liability that would be appropriate for Australia to create. The Attorney-General’s Department is currently undertaking the first element. At the request of the Attorney-General, the House of Representatives Standing Committee on Legal and Constitutional Affairs (the Committee) will undertake the second element. The Committee announced this reference on Wednesday 24 August 2005. Information about the reference can be accessed at <http://www.aph.gov.au/house/committee/laca/previnq.htm>. [AG’s Newsletter August 2005](#)”

http://www.ag.gov.au/agd/WWW/enewsCopyrightHome.nsf/Page/eNews_Issue_37_-_August_2005

(b) Effective technological measure means any technology, device, or component that, in the normal course of its operation, controls access to a protected work, performance, phonogram, or other protected subject matter, or protects any copyright.⁴⁰

The critical question concerning the continued relevance of the *Stevens v Sony* reasoning will be whether the amended Australian law will equate “access” with “use”. If “controls access” means for example controlling access to copyright subject matter **before** any act of using, reproduction or communication occurs then the *Stevens v Sony* reasoning will remain important, as regional access coding does not “control access” before the relevant act. It does not stop someone being able to access the copyright subject matter for the purpose of using, copying or communicating it. This approach fits well with the argument proposed by the IIPA that access should be decoupled from the activity that goes on after access is achieved; access is merely the lock on the door. It does not concern itself with any activity (e.g. use)⁴¹ that will occur after access has been achieved. However if “controls access” means for example the right to control use or playing of a game on a PlayStation **after** access to copyright subject matter has been achieved then the *Stevens v Sony* reasoning will be of limited application.⁴²

40 Consider: *DMCA* s 1201 (a) (1) (2) & (3)

(2) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that— (A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

(3) As used in this subsection— (A) to “circumvent a technological measure” means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner; and

(B) a technological measure “effectively controls access to a work” if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.

41 On one view it might be argued that you have not achieved access to a PlayStation game if you cannot play it on the console you have purchased. It is hard to justify such an approach as it ignores the fact that once access is established a consumer can use modified technology to play the game. If they could not achieve access to the game in the first place there would be nothing that could be done to enable use. By trying to draw the legality of the modified technology into the definition of access the proponents of this view are extending the notion of access control (having its origins in copyright law) to a broader right to control use (having significant impact on consumer law).

42 On this interpretation see, *Sony v Gamemasters* 87 F. Supp. 2d 976 (N.D. Cal. 1999):

“39. Defendant concedes in its opposition papers that “[t]he Game Enhancer makes temporary modifications to the [PlayStation] computer program ... [c]hanging these codes with the Game Enhancer does not alter the underlying software made by SONY.” (Def. Opp. at 6). Based upon the declarations before this Court, the Game Enhancer’s distinguishing feature appears to be its ability to allow consumers to play import or non-territorial SCEA video games. As discussed above, SCEA specifically designed the PlayStation **console to access only those games** with data codes that match the geographical location of the game console itself. The Game Enhancer circumvents the mechanism on the PlayStation console that ensures the console operates only when encrypted data is read from an authorized CD-ROM. (Pltf’s Reply at 7). Thus, at this stage, the Game Enhancer appears to be a device whose primary function is to circumvent “a technological measure (or a protection afforded by a technological measure) that effectively controls access to a system protected by a registered copyright....” 17 U.S.C. § 1201(a)(2)(A). (Emphasis added)” See also Gleeson CJ, Gummow, Hayne

The very great fear is that as software inhabits an enormous number of the consumer goods we purchase in this day and age there is tremendous scope for embedding TPMs in all kinds of products and thereby radically redefining the parameters of a sale of goods or services. If TPMs as protected by anti-circumvention law can be used to structure the scope/usability of the product through code or technology then what the consumer is buying may not be readily apparent and worse still, may not allow choice of or interoperability with other accessories.⁴³

If the definition of a TPM is to move from “prevent or inhibit copyright infringement” to “controls access” meaning “controls use” then we have not only legislated an access right in our copyright law but we have also legislated a far reaching right to control and define consumer use. This would be better placed in our consumer legislation and assessed in that light than articulated and justified as an aspect of copyright law. The AUSFTA in essence acknowledges such a point in art 17.4.7 (d).⁴⁴

As Australia has moved to open up the flow of goods and services across borders in line with free trade principles through the removal on the restrictions on parallel importation of copyright material in certain circumstances it seems odd that the AUSFTA should be interpreted as promoting the reintroduction of such barriers through technology. The barrier that law has taken away AUSFTA is threatening to reintroduce through technological regulation.

Constitutional and statutory interpretation principle/s and international free trade principles suggest that “controls access” should not be given a broad interpretation so as to include use. In this way the fundamental reasoning and logic of *Stevens v Sony* would prevail and Australian consumers would be more secure in understanding what they are buying and allowed a broader choice and interoperability of accessories. Some will still argue that to be able to segment markets across the world through price differentiation is not bad in economics nor in anti-trust or competition law. However once we have removed parallel importation restrictions and recognise that digital content can be distributed cheaply and efficiently across the globe in an instant, arguments taking us back to segmented markets reinforced through technology are not appealing. Arguments suggesting the cost of distribution in Australian are so high

and Heydon JJ in *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58 at [43] where they say “The mod chip is utilised for a different purpose, **namely to access** the reproduced computer program and thereafter visually to apprehend the result of the exercise of the functions of the program.” (Emphasis added).

43 *The Chamberlain Group Inc v Skylink Technologies Inc* 381 F.3d 1178 at 1203, 1204 (Fed Cir. 2004); *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522; 2004 U.S. App. LEXIS 27422 (6th Cir 2004); B Fitzgerald, “The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer’s Liberty or Copyright Menace/Circumvention Device?” <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp> An earlier and shorter version of this paper appears in (2005) 10 *Media and Arts Law Review* 89

44 AUSFTA art 17.4.7 (d): Each Party shall provide that a violation of a measure implementing this paragraph is a separate civil or criminal offence and independent of any infringement that might occur under the Party’s copyright law.

that a differential pricing structure is needed to make such distribution efficient are questionable in light of the increasing capacity to distribute online in a cost effective manner.

The lifting of parallel importation restrictions were meant to liberate us from the imperialism that British and US publishers have forced on us for many generations.⁴⁵ Why would we entertain the return to such imperialism in a digital environment that allows Australian consumers the possibility of immediate access to a global distribution market for the very first time? Today we can buy direct from New York and have it delivered via the Internet. Why should technology be allowed to stultify this and force us back to a situation where we buy the Australian edition at a marked up price?

Ultimately any TPM that is designed like regional coding to segment markets in digital entertainment products should not be reinforced by anti-circumvention law so as to make Australian consumers second class citizens in a global market. It is almost unthinkable that a copyright treaty and a copyright chapter in an FTA could end up being implemented in domestic law to the effect that the consumer's liberty is restricted by preventing them from using games lawfully acquired in New York on the games console purchased in Australia. That would be both frightening and outrageous.

Kirby J in *Stevens v Sony* questions whether such an enactment would be constitutional.⁴⁶ Parliament would act to legislate these amendments under the intellectual property power s 51 (18) and/or the external affairs power s 51 (29) (implementing the WCT⁴⁷, WPPT and AUSFTA) with other powers such as the trade and commerce power or the corporations power having potential relevance. Any inherent limits found in the intellectual property power (as yet undefined by the High Court)⁴⁸ or the guarantee of compensation ("just terms") for acquisition of property under s 51 (31) would be the obvious constitutional limits.⁴⁹ Section 51 (31) would have particular relevance where property rights to chattels have already vested and the AUSFTA amendments purport to reduce the value (through functionality) of such chattels to the benefit of the copyright owner.⁵⁰

45 Consider the excellent overview of the history and context of Australian copyright law by Benedict Atkinson: "Copyright Law in Australia 1905-1968: Narrative, Counter-Narrative and the Challenge of the Historical Record" (Unpublished LLM Thesis, University of Sydney, 2002)

46 At [216]

47 E.g. Art 11 WCT: Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.

48 See: *Grain Pool of WA v The Commonwealth* [2000] HCA 14 at f/n 218 per Kirby J

49 See further: B Fitzgerald, "The Playstation Mod Chip: A Technological Guarantee of the Digital Consumer's Liberty or Copyright Menace/Circumvention Device?" <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp> An earlier and shorter version of this paper appears in (2005) 10 *Media and Arts Law Review* 89; B Fitzgerald, "Unjust Enrichment As A Principle of Australian Constitutionalism" (1995) available at <http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp>

50 Consider: Kirby J in *Stevens v Sony* at [216]

Conclusion: The Limits of TPMS

The critical issue for Australia is to ensure that the implementation of the AUSFTA obligations does not result in the reinforcing of TPMs that deny Australian consumers their legitimate rights to participate in the global market for digital entertainment products. *Stevens v Sony* highlights for the very first time the need to bring into the balance and reconcile the fundamental rights of consumers with those of copyright owners. The next great battle in this digital copyright war will not necessarily be between pirates and copyright owners but between the digital liberties of the everyday Australian consumer and the increasing reach of copyright owners in the form of multi-national corporations.

My point is that if the definition of technological protection measure is amended to focus on “controls access” and this is equated to “controls use” then the liberties of Australian consumers will be radically altered by this legislation which serves to implement a part of the AUSFTA designated “Intellectual Property”. The recent decision in *Stevens v Sony* has guaranteed Australian consumers a fair degree of liberty in the face of imperialistic regional coding restrictions. Will this significant decision reinforcing the liberties of Australian consumers be made redundant by the Australian Parliament’s actions?

If TPM means “controls use” then we have entered a whole new dimension in which the interests of Australian consumers risk being subjugated to the needs of powerful multi-national corporations. In that situation the strongest consideration needs to be given to the exceptions that will apply to ameliorate this impact. My suggestion is that the Australian Parliament should clearly articulate the view that “controls access” do not reach so far as to “control use” of consumer products. We need to “unlock” the digital environment through interoperability and choice not suffocate it through an ill defined and unprincipled “grab” for control over the liberty of Australian consumers.

At the end of the day the balanced definition of TPM will represent a part of what I term “digital constitutionalism”⁵¹ and be fundamental in ensuring the emerging yet vitally important principle of “digital liberty”.

51 B. Fitzgerald (ed) *Cyberlaw* Volume 1 (2005) Ashgate London; B. Fitzgerald, “Software as Discourse: The Power of Intellectual Property in Digital Architecture” (2000) 18 *Cardozo Arts and Entertainment Law Journal* 382–5; Paul Schiff Berman “Cyberspace and the State Action Debate: The Cultural Values of Applying Constitutional Norms to ‘Private’ Regulation” (2000) 71 *University of Colorado Law Review* 1263; Jack M. Balkin “Virtual Liberty: Freedom to Design and Freedom to Play in Virtual Worlds” (2004) 90 *Virginia Law Review* 2043; B Fitzgerald “Principles of Australian Constitutionalism” (1994) 1 (2) *Proceedings of the 49th ALTA Conference* 799; B Fitzgerald “Australian Constitutionalism” (20/6/97 Unpublished Manuscript on file with author); A Hutchinson, *Waiting for Coraf: A Critique of Law and Rights* (1995) University of Toronto Press, Toronto; *Associated Press v US* 326 US 1, 20. See further A Giddens, *The Constitution of Society* (1984) Polity Press, Cambridge; Alan Hunt *Foucault and law: towards a sociology of law as governance* (1994) Pluto Press, London; E Ehrlich *Fundamental Principles of Sociology of Law* (1936) trans. By WL Moll (NY: Arno Press edn 1975).

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