[2013] NZCOP 14

COP 003/13

UNDER The Copyright Act 1994

BETWEEN RECORDING INDUSTRY

ASSOCIATION OF NEW

ZEALAND

Applicant

AND Telecom NZ 3760

Respondent

BEFORE THE COPYRIGHT TRIBUNAL

Graeme Austin

HEARING ON THE PAPERS

DECISION

The Application

- [1] The applicant has applied under s 122J of the Copyright Act 1994 (the 1994 Act) for an award under s 122O of that Act. Sections 122A-122U of the 1994 Act were added by the Copyright (Infringing File Sharing) Amendment Act 2011 (the 2011 Act). These sections establish a "special regime for taking enforcement action against people who infringe copyright through file sharing" (s 122B(1)). The applicant seeks an award against the respondent (referred to in these reasons as the account holder) of \$653.42. The Tribunal makes an order for payment by the account holder of \$404.78. Its reasons follow.
- [2] The papers received by the Tribunal in the context of this application include: a detection notice, relating to an alleged infringement on 15 August 2012; a warning notice, relating to an alleged infringement on 26 October 2012; and an enforcement notice, relating to an alleged infringement on 12 January 2013. Attached to the latter document is a schedule with the heading: "Other recent alleged infringements recorded." This schedule provides details of the three notices on which this application to the Copyright Tribunal is conditioned. In addition, there is email correspondence between the account holder and Copyright Tribunal case managers.
- [3] The account holder did not directly challenge the infringement notice. However, a letter was sent by the account holder's daughters (dated 6 March 2013), to which the applicant responded (25 March 2013). A further submission was made, this time by the account holder, on 5 April 2013. The applicant responded in a letter headed "Reply by applicant to informal submission from account holder" (8 April). The applicant objected to the Tribunal's consideration of this letter. For the reasons discussed below, the Tribunal takes the view that the letter should not be considered.

- In the schedule, the preceding warning and detection notices are not identified as such. The Tribunal is satisfied, however, that, in the terms of s 122F(2)(d), the enforcement notice sufficiently "identifies the most recent warning notice issued to the account holder in relation to the rights owner, and the proceeding detection notice." Section 122F(2)(d) does not require in terms that the labels "detection" and "warning" be used in the enforcement notice to describe the earlier notices. Moreover, nothing in the information received by the Tribunal suggests that the applicant was prejudiced by the applicant's failure to use these specific terms. (Attached to warning notice is a similar schedule, which, of course, identifies only the infringements that triggered the warning and detection notices.) That said, the Tribunal considers that it would be preferable if the detection and warning notices were identified as such at all stages of the process. In terms of s 122F(2)(d), it would also be useful for any document accompanying the enforcement notice that purports to identify the previous detection and warning notices to specify the dates of those notices, not merely the dates of the alleged infringements. As the Tribunal explained in [2013] NZCOP 3, without this information, recipients of these documents (the account holder and, where relevant, the Tribunal) may be required to connect too many dots.
- [5] The infringement notices were served by Telecom New Zealand Ltd, Internet Protocol Address Provider (IPAP). According to the applicant, the respondent was the account holder at the relevant time for the IP addresses at which the file sharing is alleged to have occurred.

The Statutory Obligation to Order Payment

- [6] Section 122O(1) of the 1994 Act <u>requires</u> the Copyright Tribunal to order the account holder to pay a sum to the rights holder if the Tribunal is satisfied that:
 - [a] Each of the three alleged infringements that triggered the infringement notices amounted to an infringement of the right owner's copyright;
 - [b] The infringements occurred at the IP address of the account holder; and
 - [c] The three notices were issued in accordance with the Act.
- [7] There is an exception in s 122O(5), under which the Tribunal may decline to make an order if "in the circumstances of the case, the Tribunal is satisfied that making the order would be manifestly unjust to the account holder." In all other cases that is, where s 122O(5) is not engaged the legislation requires the Tribunal to order payment. In this case, the Tribunal does not consider that s 122O(5) applies.
- [8] In s 122N(1) of the Act there are a number of evidentiary presumptions that are relevant to the Tribunal's statutory obligation to order payment:

"122N Infringement notice as evidence of copyright infringement

(1) In proceedings before the Tribunal, in relation to an infringement notice, it is presumed—

- (a) that each incidence of file sharing identified in the notice constituted an infringement of the rights owner's copyright in the work identified; and
- (b) that the information recorded in the infringement notice is correct; and
- (c) that the infringement notice was issued in accordance with this Act.
- (2) An account holder may submit evidence that, or give reasons why, any 1 or more of the presumptions in subsection (1) do not apply with respect to any particular infringement identified in an infringement notice.
- (3) If an account holder submits evidence or gives reasons as referred to in subsection (2), the rights owner must satisfy the Tribunal that, in relation to the relevant infringement or notice, the particular presumption or presumptions are correct."
- [9] These presumptions provide the principal basis on which the Tribunal is to determine that it is "satisfied" of the matters to which s 122O(1) refers.
- [10] In the enforcement notice, the following appears under the heading "Detail of alleged infringement that triggered this notice":

"IP Address: 125.239.64.40

Date and time of alleged infringement(s): 12JAN2113:13:55;23

Name of the copyright owner: Warner Bros. Records Incorporated. (Warner

Music New Zealand Limited)

Name of the work: IT GIRL JASON DERULO

Type of work: Song

Alleged infringed Act: Copyright has been infringed by this account holder

communicating the work to the public (16(1)(f))

File Sharing application or network used: Mainline (aka BitTorrent)"

- [11] The applicant included similar information in the detection and warning notices. The Warning Notice refers to a song by Lady Gaga ("The Edge of Glory"). The Detection Notice refers to the same Jason Derulo work as the Enforcement Notice.
- [12] Section 122A of the 1994 Act defines "infringement" as "an incidence of file sharing that involves the infringement of copyright in a work by a user." For the purposes of ss 122A to 122U "infringement" thus has two elements. There must be file sharing, and, the file sharing must involve the infringement of copyright. This definition of "infringement" was added by the 2011 Act and applies only to ss 122A to 122U of the 1994 Act.
- [13] File sharing is defined in s 122A:

"file sharing is where—

- (a) material is uploaded via, or downloaded from, the Internet using an application or network that enables the simultaneous sharing of material between multiple users; and
- (b) uploading and downloading may, but need not, occur at the same time."

[14] The Tribunal accepts that in each of the three notices there is sufficient information to engage the relevant presumptions in s 122N. While the information in the IPAP notices might have been set forth in a clearer manner, the Tribunal accepts that the relevant instances of copyright infringement involving file sharing are identified sufficiently.

The 5 April 2013 Document

- [15] Under the statutory and regulatory scheme under which the Tribunal operates, it is not possible for the Tribunal consider the material set forth by the account holder in the 5 April 2013 document (letter by the account holder). The Tribunal accepts the applicant's submission that this letter was received too late to be considered.
- [16] This is a proceedings "on the papers". The account holder consented to the proceeding being conducted in this way (email correspondence with case manager, dated 3 April 2013). Section 122L governs proceedings conducted in this way. It provides:
 - (1) Proceedings before the Tribunal for an order under section 1220 must be determined on the papers unless—
 - (a) any party to the proceedings requests a hearing; or
 - (b) the Tribunal considers that a hearing should be held.
 - (2) The papers on which the proceedings are determined are—
 - (a) the rights owner's application to the Tribunal; and
 - (b) copies of the infringement notices sent to the account holder; and
 - (c) copies of challenges to any infringement notice, and any responses to those challenges; and
 - (d) any additional information provided by the rights owner; and
 - (e) any submissions by the account holder made within the time specified by the Tribunal.
 - (3) The Tribunal may determine its own procedure for determining an application that is dealt with on the papers, subject to any regulations.
 - (4) The Tribunal must make all reasonable efforts to ensure that, unless it orders otherwise or an order is made against the account holder, the identity and contact details of the account holder are not disclosed to the rights owner.
- [17] Also relevant is section 122G, which provides that a "challenge is not valid if it is received more than 14 days after the date of the infringement notice to which it relates." The Copyright Act 1994 provides some flexibility as to the evidence that the Copyright Tribunal may consider. See, eg, s 215(1): "The Tribunal may receive as evidence any statement, document, information, or matter that may in its opinion assist it to deal effectively with the matters before it, whether or not the same would be admissible in a court of law." However, s122L, which is specifically directed to proceedings on the papers under the "special regime" for infringements effected through file sharing, is reasonably clear as to the "papers" that may be considered. It describes these exclusively: "The papers on which the proceedings are determined are..." (added emphasis). None of the delineated categories of documents is relevant in this case. To be sure, s 122L(3), which provides that "[t]he Tribunal may determine its own procedure for determining an application that is dealt with on the

papers, subject to any regulations", permits some degree of procedural flexibility. Even so, in the circumstances of this case, s 122L(3) does not assist the account holder. If the letter is a challenge notice, it was filed out of time. The Tribunal should not consider a challenge notice that Parliament has deemed "invalid" under s 122G. If it is not a challenge notice, the document might be considered as a "submission" under s 122(2)(e): "any submissions by the account holder made within the time specified by the Tribunal." However, the reference a "time specified by the Tribunal" suggests that this paragraph applies only to submissions solicited by the Tribunal. The April 5 letter was not. A line needs to be drawn, lest the Tribunal be confronted with a proliferation outside of the statutory deadlines of submissions and countersubmissions for the purposes of the proceedings conducted according to s 122L. For completeness, the Tribunal adds that it would not, in any event, have exercised any relevant discretion (assuming one exists) to consider the document under s 122L(3) in this particular case. The account holder had the time and opportunity to file a challenge, as the daughters' letter of 6 March 2013 indicates. The account holder was also made aware of the statutory deadlines and the implications of failing to Because the applicant is entitled to the benefit of the comply with them. presumptions in 122N, the Tribunal is satisfied of the relevant matters in s 122O(1), and is accordingly required under the legislation to order the account holder to pay a sum to the applicant.

Calculating the Payment

[18] Section 122O(2) prescribes the bases on which the sum is to be calculated:

"The sum specified in the Tribunal order must be determined in accordance with regulations made under this Act and must include a sum in relation to every infringement identified in the enforcement notice that the Tribunal is satisfied was committed against the rights owner at an IP address of the account holder."

[19] The relevant clause in the Copyright (Infringing File Sharing) Regulations 2011 is as follows:

"12 Calculation of sums payable under section 1220 of the Act

- (1) The sum that the Tribunal may order an account holder to pay under section 1220 of the Act is the lesser of—
 - (a) the sum of the amounts referred to in subclause (2)(a) to (d); and
 - (b) \$15,000.
- (2) If the Tribunal orders an account holder, under section 1220 of the Act, to pay a rights owner a sum, the Tribunal must determine the following:
 - (a) for each work in which the Tribunal is satisfied that copyright has been infringed at the IP address of the account holder,—
 - (i) if the work was legally available for purchase in electronic form at the time of the infringement, the reasonable cost of purchasing the work in electronic form at that time; or
 - (ii) if the work was not legally available for purchase in electronic form at the time of the infringement but was available in some other form, the reasonable cost of purchasing that work in another form at that time: or

- (iii) if neither subparagraph (i) nor subparagraph (ii) applies, the amount claimed by the applicant in respect of the work, or any other reasonable amount determined by the Tribunal:
- (b) the cost of any fee or fees paid by the rights owner to the IPAP in respect of the infringements to which the application relate; and
- (c) the cost of the application fee paid by the rights owner to the Tribunal; and
- (d) an amount that the Tribunal considers appropriate as a deterrent against further infringing.
- (3) In considering whether an amount is appropriate under subclause (2)(d) and, if so, what that amount should be, the Tribunal may consider any circumstances it considers relevant, but must also consider—
 - (a) the flagrancy of the infringement; and
 - (b) the possible effect of the infringing activity on the market for the work;
 - (c) whether the sum of the amounts referred to in subclause (2)(a) to (c) would already constitute a sufficient deterrent against further infringing."
- [20] As is noted above, for the purposes of s 122O of the 1994 Act, the term "infringement" is accorded the specific meaning set forth in s 122A. The relevant kind of infringement is infringement by "file sharing."
- [21] Under s 122O(2), the Tribunal is instructed to determine the sum "in accordance with the regulations made under this Act" and to include a sum "in relation to every infringement identified in the *enforcement* notice" (added emphasis). In this application, the enforcement notice refers to two works, the Derulo and Gaga compositions. The Tribunal is directed to take account of the number of infringed *works*, not the number of copies of the relevant work (or works).
- [22] Based on the information provided in the applicant's submissions, the Tribunal sets the total price for electronic copies of the two works infringed at \$4.78.
- [23] Determining the contribution to the total sum to be ordered under clauses 12(2)(b) and (c) is more difficult. As is noted above, reg 12(2) requires the Tribunal to determine a number of "sums", including those set forth in (b) and (c):
 - "(b) the cost of any fee or fees paid by the rights owner to the IPAP in respect of the infringements to which the application relate; and
 - (c) the cost of the application fee paid by the rights owner to the Tribunal."
- [24] According to reg 12(1)(a) the sum that the Tribunal may order an account holder to pay under section 122O of the Act is the sum of the amounts referred to in reg 12(2)(a) to (d). However, s 122O(3) of the 1994 Act provides:

"If the Tribunal makes an order under subsection (1), it may also make an order requiring the account holder to pay to the rights owner either or both of the following:

- (a) a sum representing a contribution towards the fee or fees paid by the rights owner to the IPAP under section 122U:
- (b) reimbursement of the application fee paid by the rights owner to the Tribunal."

[25] The fees to which this subsection refers appear to be in respect of the same amounts to which reg 12(2)(b) and (c) themselves refer, which, as reg 12(1)(a) prescribes, must be included in the *total* sum to be ordered to be paid. The regulations require the fees paid to the IPAP and the Tribunal to be calculated as part of the total sum payable to the applicant, whereas the Act provides that if the Tribunal makes such an order "it may also" make an order requiring the account holder to pay to the rights holder "a sum representing a contribution toward the fee or fees paid to the IPAP" and "reimbursement of the application fee paid by the rights holder."

[26] The regulations must be read as giving effect to the Act. Assuming that double payment was not intended, the Tribunal considers that the sums to which regs 12(2)(b) and (c) refer are those stipulated by s 122O(3). In other words, under reg 12(2)(b), read in the light of s 12O(3)(a) of the Act, the applicant is entitled to a sum representing "a contribution" to the fee(s) paid to the IPAP; under reg 12(2)(c), read in the light of s 122O(3)(b) of the Act, the applicant is entitled to "reimbursement of the application fee paid by the rights holder." Those sums are then to be included in the total sum awarded. The Tribunal considers this approach to best reconcile the regulations and the Act, given the priority that must be accorded to the latter.

[27] The Tribunal calculates those sums as follows. As to the fee paid to the IPAP, this application to the Tribunal was triggered, as is required by the legislation, by the three requisite notices: detection, warning, and enforcement. The total of the fees paid to the IPAP was \$75.00 (\$25.00 each). In other cases, the Tribunal has referred to the educative role of the first two notices, especially the detection notice. It has reasoned that the educative role of an enforcement notice is less than that of the other notices, noting that the enforcement notice is the final step in the statutory process on which an application to the Tribunal is conditioned. Accordingly, it has ordered payment of \$8.33 for the first notice, \$16.67 for the second notice, and the full fee for the final notice (\$25.00), being a total of \$50.00. The Tribunal adopts that approach here.

[28] In this application, the applicant urges the Tribunal to depart from that approach, and seeks an order for payment of the full \$75.00. It states that the approach adopted by the Tribunal in other cases "does not recognise that, having had the first notice, the account holder has nonetheless persisted with the infringing file sharing activity on a second and third occasion. That continuation in the face of an initial warning notice has necessitated the applicant to file two more notices and incur two more IPAP filing fees. This would not have been necessary had the account holder heeded the initial warning." The conclusion does not necessarily follow. Had the infringement ceased after either the first or the second notice, there would be no basis for the application to the Tribunal. By introducing a system that conditions application to the Tribunal on three notices, Parliament has given account holders two opportunities to stop the occurrence of file sharing and, thereby, to negative the account holder's exposure to proceedings before the Tribunal. The Tribunal is, in the exercise of its discretion, entitled to calibrate the contribution to be ordered under s 122O(3)(a) in the light of the facts of particular cases, the threestage structure that Parliament introduced with the 2011 Act, in addition to any other relevant factors. It does so in this case.

[29] The position under reg 12(2)(c) and s 122O(3)(b) is simpler. Unlike in s 122O(3)(a), there is no reference in reg 12(2)(c) to a "contribution" of the amount to be paid. Therefore, the sum determined by the Tribunal for the purposes of reg 12(2)(c) is the full application fee: \$200.

[30] The final matter to be considered is, in terms of reg 12(2)(d), "an amount that the Tribunal considers appropriate as a deterrent against further infringing". Subclause 12(3) provides:

"In considering whether an amount is appropriate under subclause (2)(d) and, if so, what that amount should be, the Tribunal may consider any circumstances it considers relevant, but must also consider—

- (a) the flagrancy of the infringement; and
- (b) the possible effect of the infringing activity on the market for the work; and
- (c) whether the sum of the amounts referred to in subclause (2)(a) to (c) would already constitute a sufficient deterrent against further infringing."

[31] The regulations do not stipulate whether the reference to deterrence is directed to an individual respondent in a particular case or whether the Tribunal is entitled to consider the deterrence effect of the award on file sharing activity more generally. The reference in s 12(3)(a) to "the flagrancy of the infringement" appears to focus on the infringement by the individual respondent. However, phrase "the possible effect of the infringing activity on the market for the work" in s 12(3)(b) could have a broader focus, albeit one trained only on the specific works to which the infringement notices refer, not file sharing of copyright-protected works more generally. (The terminological distinction between "the infringement" and "infringing activity" presumably signals some relevant difference.) Of course, to segregate individual and general deterrence may be unrealistic. The Tribunal's decisions are published, and an order made against a specific respondent might itself serve as a more general deterrent to others.

[32] Those points made, the Tribunal turns to the three factors it must consider under subclause 12(3):

(a) The flagrancy of the infringement

[33] The Tribunal does not consider the infringement in this case to have been "flagrant". The applicant urges that it was - or, at least, it appears to be of the view that the account holder's behaviour was flagrant, but "not 'particularly flagrant'", referencing [2013] COP 1, which, the applicant says, made a finding "on similar facts as here" that the relevant behaviour was "not 'particularly flagrant'".

[34] The applicant states that it has emphasized this issue because "very important points of principle are involved". The applicant advances the view that the approach in [2013] 4, in which flagrancy was not found, "cannot be correct". In that case, the Tribunal reasoned that infringement by file sharing on three occasions (described in the Detection, Warning, and Enforcement notices) did not rise to a level that could be described as "flagran[t]" for the purposes of the 2011 amendments and the regulations made under it.

[35] In the light of the applicant's full and very helpful submissions on this point, the Tribunal considers it appropriate to explain its understanding of its obligation to consider the "flagrancy of the infringement" in a little further detail, and why, in this case, it does not consider the infringement to have been flagrant.

[36] The Tribunal must consider the "flagrancy of the infringement" in the specific legislative and regulatory context that frames the special jurisdiction introduced by the 2011 Act for file sharing. Its consideration of "flagrancy" under clause 12(3)(a) may therefore only occur in the light of the Tribunal's obligation to determine "an amount that the Tribunal considers appropriate as a deterrent to further infringing" under clause 12(2)(d) of the regulations. This context is different from s 121(2)(a) of the Copyright Act 1994, even if some of the relevant legal concepts are the same. The latter empowers a court (not the Tribunal) to award "such additional damages as the justice of the case may require" having regard to all the circumstances of the case, and in particular to "the flagrancy of the infringement", etc. In its submissions, the applicant refers principally to cases arising under that section, or its equivalent in UK copyright legislation. The Tribunal's jurisdiction under the regulations is much more constrained. Unlike a court, it has no broad jurisdiction to consider the "flagrancy of the infringement" in the light of what "the justice of the case may require". Similarly, the Tribunal's obligation to consider "flagrancy" is not linked to any general jurisdiction to award damages to compensate the copyright owner for infringement of the copyright owner's exclusive rights, which are delineated principally in s 16 of the 1994 Act. The Tribunal's focus under the special regime concerned with infringement by file sharing is accordingly much narrower. (See [2013] NZCOP 4.) It is not necessary therefore to engage fully with the parts of the applicant's submissions that refer to case law that has considered the concept of "flagrancy" in the context of s 121(2)(a), or its equivalent in cognate jurisdictions. However, the Tribunal does note the comment of Judge Michael Fysh QC in Harrison v Harrison [2010] FSR 24, a case to which the applicant refers, that a "finding of additional damages ... must be a matter of degree and context in each case" [para 42].

[37] "Flagrancy" suggest something beyond the normal case. The Tribunal is, in exercising its discretion, entitled to determine that some cases might involve "flagrant" infringement, and others will not. This is also suggested by judicial discussion of "flagrancy" in the context of s 121 (or its equivalent). For example, in Ravenscroft v Herbert and Another [1980] RPC 193, 208, Brightman J said: "Flagrancy in my view implies the existence of scandalous conduct, deceit and such like; it includes deliberate and calculated copyright infringements." The Tribunal refers to this passage, not because it is necessarily dispositive in the context of the 2011 Act and its accompanying regulations. (Moreover, other cases have added to this understanding of "flagrancy"; see, e.g., Nottinghamshire Healthcare National Health Service Trust v New Group Newspapers Ltd [2001] RPC 49 [para 59], where Pumphrey J reasoned that "recklessness can be equated to deliberation" for the purposes of the UK equivalent of s 121. See also Harrison v Harrison [2010] FSR 25 [para 39].) Rather, for present purposes, with its reference to Ravenscroft, the Tribunal underscores the point that something material beyond the infringement itself will often need to be identified by the applicant before that infringement will be characterized as "flagrant". It is perhaps also relevant that, within the regulatory scheme governing its jurisdiction, the Tribunal is entitled to determine that, notwithstanding any "flagrancy", the appropriate amount to be ordered under subclause 12(2)(d) need not be augmented because of it. This is suggested by the relationship between clauses 12(3)(a)-(c) and 12(2). The Tribunal is directed to

consider the factors mentioned in clause 12(3)(a)-(c) when, in the Tribunal's view, the sum of the amounts referred to in clause 12(2)(a)-(c) would *not* constitute a sufficient deterrent against further infringement.

[38] In this case, when determining whether the infringement involved "flagrancy", the Tribunal considers that it is entitled to consider the number of infringements involved. There were three instances of infringement referred to in the enforcement notices (relating to two works). By the use of the adjective "normal", the Tribunal should not be taken, as the applicant suggests in paragraph 24(e) of its submissions, to be "trivialising" file sharing, or "institutionalising" the ignoring of enforcement notices. Nor should the Tribunal be understood to be suggesting, either in this or in earlier decisions, that flagrancy will never be found in cases in which no more than the minimum number of infringements has occurred. It will depend on the context. Contrariwise, the Tribunal is not precluded, when reaching its decision as to whether, in a particular case, the infringement should be characterised as "flagrant", from taking account of the fact that the number of infringements that occurred was the minimum number on which any application to the Tribunal under the 2011 is conditioned. For completeness, the Tribunal notes that the evidential presumptions in s 122N apply only to the incidents of infringement to which the enforcement notices refer. In this case, they number three.

(b) The possible effect of the infringing activity on the market for the work

[39] The Tribunal acknowledges and takes into account the possibility that the market for the relevant work has been deleteriously affected by the incidents of infringement stipulated in the enforcement notices.

(c) Whether the sum of the amounts referred to in subclause (2)(a) to (c) would already constitute a sufficient deterrent against further infringing

[40] In this application, the Tribunal does not consider that the sum of the amounts calculated under subclause (2)(a) to (c) would constitute a sufficient deterrent against further infringing. The circumstances taken into account by the Tribunal include the respondent's downloading and making available of unlicensed copies of the copyright-protected work and the retail cost of licensed copies of the work. Even though the correspondence on the file suggests that the actual downloading was not done by the account holder, the 2011 Act indicates that account holders also have important responsibilities to prevent the use of their accounts for infringement of copyright through file sharing. The evidence before the Tribunal suggests that these responsibilities might have been taken more seriously.

[41] In the light of all the relevant circumstances of this case, the Tribunal considers that an addition of \$150 to the sum of the amounts in subclause (2)(a) to (c) would serve as an appropriate deterrent against further infringing.

[42] The total sum to be paid by the respondent is as follows:

Under reg 12(2)(a): \$4.78 Under reg 12(2)(b): \$50.00 Under reg 12(2)(c): \$200.00 Under reg 12(3): \$150.00.

The total sum ordered is therefore: \$404.78.

Decision of the Copyright Tribunal delivered by Graeme Austin.

DATED at WELLINGTON this 20th day of August 2013

Graeme Austin Member Copyright Tribunal