

**MALAYSIAN COPYRIGHT LAW IN THE DIGITAL
ENVIRONMENT: DOES IT PROVIDE A BALANCE OF
INTERESTS BETWEEN COPYRIGHT OWNERS AND
THE PUBLIC?**

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ABSTRACT

Copyright law encourages authors to create and share their works with the public by affording them legal protection over their works when published. However, copyright law does not give authors absolute rights so as to ensure that the public will benefit from the works produced by authors. In this way, copyright law promotes the progress of arts and science. The importance of maintaining a balance of interests between copyright owners and the public is widely acknowledged and emphasized in international treaties on intellectual property rights as well as by the courts in case law. The development of digital technologies has brought substantial challenges to copyright law. The process of copying and sharing of digital works is made extremely easy and at low cost. Copyright owners have thus lobbied for stronger protection under copyright law and succeeded in doing so. It is therefore crucial to study how copyright law accommodates the issues raised by digital technologies and whether it provides a balance of interests between copyright owners and the public in doing so.

This thesis examines the application of Malaysian copyright law in addressing the issues arising in relation to digital technologies and whether it maintains a balance of interests between copyright owners and the public in the digital environment. The advent of digital technologies has raised a wide range of copyright concerns. This thesis looks into the questions in five selected areas, namely, digital appropriation of copyright works, the setting of links on websites, peer-to-peer file sharing, the limitation of liabilities of service providers and legal protection over technological protection measures. This thesis analyzes the Copyright Act 1987, being the statute governing copyright matters in Malaysia. It also makes reference to three main jurisdictions, namely, the United States, the United Kingdom and Australia, wherever it is necessary and relevant. Malaysian copyright law is inadequate and insufficient in many ways in addressing the issues in the identified areas. Overall, Malaysian copyright law tilts in favour of copyright owners at the expense of public interest. This thesis concludes with recommendations on how Malaysian copyright law may handle the issues raised by digital technologies more adequately and efficiently, with the ultimate object of striking a balance between the interests of copyright owners and the public.

ABSTRAK

Undang-undang hakcipta menggalakkan para pengarang mencipta dan berkongsi karya mereka dengan orang ramai dengan melindungi karya mereka apabila diterbitkan. Namun begitu, undang-undang hakcipta tidak memberi hak mutlak kepada para pengarang supaya orang ramai akan mendapat manfaat daripada karya yang dihasilkan. Melalui cara ini, undang-undang hakcipta menggalakkan perkembangan seni dan sains. Kemustahakan mengekalkan keseimbangan kepentingan antara pemilik hakcipta dan orang ramai adalah diakui secara meluas serta ditekankan dalam perjanjian-perjanjian antarabangsa mengenai hak-hak harta intelek dan juga oleh mahkamah dalam kes undang-undang. Pembangunan teknologi digital telah membawa cabaran besar kepada undang-undang hakcipta dengan mempermudah proses penyalinan dan perkongsian karya digital serta mengurangkan kos berkenaan. Maka pemilik-pemilik hakcipta telah melobi untuk perlindungan yang lebih kukuh dan berjaya berbuat demikian. Oleh itu, adalah penting untuk mengkaji bagaimana undang-undang hakcipta menyelesaikan isu-isu yang dibangkitkan oleh teknologi digital dan samada ia memperuntukkan keseimbangan kepentingan antara pemilik hakcipta dan orang ramai dalam berbuat demikian. Tesis ini mengkaji pemakaian undang-undang hakcipta Malaysia dalam menangani isu-isu yang timbul berhubung dengan teknologi digital dan samada ia mengekalkan keseimbangan kepentingan antara pemilik hakcipta dan orang ramai dalam persekitaran digital. Kemunculan teknologi digital telah menimbulkan pelbagai masalah hakcipta. Tesis ini bertumpu kepada soalan-soalan itu dalam lima aspek terpilih, iaitu pengambilan digital daripada karya hakcipta, pautan di laman web, perkongsian fail ‘peer-to-peer’, pengehadan tanggungan pemberi perkhidmatan, dan perlindungan undang-undang ke atas langkah perlindungan teknologi. Tesis ini menganalisis Akta Hakcipta 1987, iaitu undang-undang yang mengawal hal-hal mengenai hakcipta di Malaysia. Ia juga merujuk kepada tiga bidang kuasa utama iaitu Amerika Syarikat, United Kingdom dan Australia, di mana sahaja ia adalah perlu dan relevan. Undang-undang hakcipta Malaysia adalah serba kekurangan dan tidak mencukupi dalam menangani isu-isu dalam aspek-aspek yang dikenalpasti. Keseluruhannya, undang-undang hakcipta Malaysia condong memihak kepada pemilik hakcipta dengan mengorbankan kepentingan awam. Tesis ini diakhiri dengan cadangan mengenai bagaimana undang-undang hakcipta Malaysia boleh menangani isu-isu yang dibangkitkan oleh teknologi digital dengan lebih memuaskan dan cekap, dengan tujuan utama untuk mengimbangi antara kepentingan pemilik hakcipta dan orang ramai.

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V

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W

Wolk v Kodak Imaging Network, Inc. 98 U.S.P.Q.2d (BNA) 1152 (SDNY, 2011)

TABLE OF ABBREVIATIONS

Common Abbreviations

Ed. – Editor

Eds. – Editors

et al – (et alia) and others

ibid. – (ibidem) in the same place

id. – (idem) the same as below

Loc. cit. – (Loco citato) in the place

Op. cit. – in the work already cited

Supra – used when referring to sections of the writing or footnotes that has appeared before the present footnote

Vol. – Volume

Periodical Legal Journals

Akron Intell. Prop. J. – Akron Intellectual Property Journal

ALR – American Law Review/Australian Law Review

AMR – All Malaysia Reports

Antitrust Bull. – Antitrust Bulletin

Asper Rev. Int’l Bus. & Trade L. – Asper Review of International Business & Trade Law

Berkeley Tech L J – Berkeley Technology Law Journal

Cal L. Rev – California Law Review

Cal. Rptr – California (CA) Reporter

Cal. Rptr. 2d – California (CA) Reporter, Second Series

Campbell L. Rev. – Campbell Law Review

Cardozo Arts & Ent. L. J. – Cardozo Arts & Entertainment Law Journal

Case W. Res. L. Rev. – Case Western Reserve Law Review

Ch – Law Reports Chancery

CLJ – Current Law Journal

Colum. L. Rev. – Columbia Law Review

DePaul Bus. L. J. – DePaul Business Law Journal

DePaul L. Rev. – DePaul Law Review

Duke L. & Tech. Rev. – Duke Law & Technology Review

EIPR – European Intellectual Property Review

Emory L. J. – Emory Law Journal

Fordham L. Rev. – Fordham Law Review

Fordham Urb. L. J. – Fordham Urban Law Journal

Geo. J. L. & Pub. Pol’y – Georgetown Journal of Law & Public Policy

Harvard L. J. & Tech. – Harvard Journal of Law & Technology

Harvard L. Rev. – Harvard Law Review

IIC – International Review of Intellectual Property and Competition Law

IJL & IT – International Journal of Law and Information Technology

Intell. Prop. L. Bull. – Intellectual Property Law Bulletin

Int’l Rev. L. Computers & Tech. – International Review of Law, Computers & Technology

IOWA L. Rev. – The University of Iowa Law Review

IPJ – Intellectual Property Journal (Canada)

IPQ – Intellectual Property Quarterly

J. Bus. & Tech L. – Journal of Business & Technology Law

Kan. J. L. & Pub. Pol’y – Kansas Journal of Law & Public Policy

KB – Law Reports King’s Bench

LR – Law Reports

MCLJ – Malaysian and Comparative Law Journal

Media L. & Pol’y – Media Law & Policy

Mich L. Rev – The Michigan Law Review

Mich. Telecomm. & Tech. L. Rev. – Michigan Telecommunications & Technology Law Review

MLJ – Malayan Law Journal

MLJA – Malayan Law Journal Articles

MLJR – Malayan Law Journal Reports

MLJU – Malayan Law Journal Unreported

MurUEJL – Murdoch University Electronic Journal of Law

Nw. J. Tech. & Intell. Prop. – Northwestern Journal of Technology & Intellectual Property

N. Y. L. Sch. L. Rev. – The New York Law School Law Review

N. Y. U. J. Int’l L. & Pol. – New York University Journal of International Law & Politics

Or. L. Rev. – Oregon Law Review

Santa Clara Computer & High Tech. L. J. - Santa Clara Computer & High Technology Law Journal

Stan. Tech. L. Rev. – Stanford Technology Law Review

Stetson L. Rev. – Stetson Law Review

Tex. Intell. Prop. L. J. – Texas Intellectual Property Law Journal

Tex. L. Rev. – Texas Law Review

U. Balt. Intell. Prop. L. J. – University of Baltimore Intellectual Property Law Journal

UCLA Ent. L. Rev. – UCLA Entertainment Law Review

UCLA J. L. Tech. – UCLA Journal of Law & Technology

U. Miami Ent. & Sports L. Rev – University of Miami Entertainment & Sports Law Review

U. Mich. J. L. Ref. – University of Michigan Journal of Law Reform

UNSW – University of New South Wales Law Journal

Vand. J. Ent. & Tech. L. – Vanderbilt Journal of Entertainment & Technology Law

Vand. L. Rev. – Vanderbilt Law Review

Vand. J. Transnat'l L. – Vanderbilt Journal of Transnational Law

Whittier L. Rev. – Whittier Law Review

WLR – Weekly Law Reports

Wm. & Mary L. Rev. – William & Mary Law Review

Yale LJ – Yale Law Journal

Law Reports

AC – Law Reports Appeal Cases

All ER – All England Law Reports

ALR – Australian Law Reports

Ch. D – Chancery Appeal Cases or Chancery Division

CLR – Commonwealth Law Reports

Copy. L. Rep. (CCH) – Copyright Law Reporter (CCH)

ECDR – European Copyright and Design Reports

EWCA Civ – Court of Appeal (Civil Division)
EWHC (Ch) – High Court (Chancery Division)
EWHC (QB) – High Court (Queen’s Bench Division)
FSR – Fleet Street Reports
F. Supp. – Federal Supplement
F. Supp. 2d – Federal Supplement, Second Series
HL Cas. – House of Lords Cases
QB – Law Reports Queen’s Bench
RPC – Reports of Patent, Design and Trade Mark Cases
SCC – Supreme Court Cases

Selected Abbreviations

17 USC – Title 17 of the US Code
CA 1968 – Copyright Act 1968
CA 1987- Copyright Act 1987
CDPA – Copyright, Designs and Patents Act 1988
DMCA – Digital Millennium Copyright Act
ISP – Internet service provider
OSP – online service provider
P2P – Peer-to-peer
SPs – Service providers
TPM – Technological protection measures

TRIPS - The Agreement on Trade-Related Aspects of Intellectual Property Rights

UGC – User-generated content

UK – United Kingdom

US – United States

WCT – World Intellectual Property Organization Copyright Treaty

WPPT - World Intellectual Property Organization Performances and Phonograms Treaty

CHAPTER 1

INTRODUCTION

Copyright is one of the various types of intellectual property rights. It grants copyright owners certain exclusive rights over creative and informational works. The Copyright Act 1987 (hereinafter referred to as ‘the CA 1987’),¹ the statute governing copyright and copyright-related matters in Malaysia, lists literary works, musical works, artistic works, films, sound recordings, and broadcasts as works eligible for copyright.² Derivative works and published editions of works are also entitled to copyright protection.³

Through copyright protection, authors are rewarded for their effort and skill in producing works which promote science and arts to benefit the public. However, the exclusive rights asserted over copyright works may deprive the public of free access to information and knowledge. As such, copyright protection should not, and could not, be only about the rights enjoyed by copyright owners. There is thus a need to ensure that copyright law fairly and adequately reconcile and accommodate the interests of the various stakeholders, namely, copyright owners, the public or users of copyright works, and commercial entities such as online service providers in certain instances.

The need to maintain a balance of interests under copyright law is widely acknowledged and emphasized under the international treaties addressing intellectual property rights.⁴ The Preamble of the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as ‘the TRIPS agreement’),⁵ for instance, recognizes that intellectual

¹ Act 332 with effect from 1 December 1987.

² Section 7(1) of the CA 1987.

³ Sections 8(1) and 9 of the CA 1987.

⁴ Khaw, Lake Tee, ‘Copyright Law in Malaysia: Does the Balance Hold?’, *Journal of Malaysian and Comparative Law*, Volume 31, 2004, 23.

⁵ As a member of the World Trade Organisation, Malaysia has ratified the TRIPS Agreement.

property rights are private rights. At the same time, the TRIPS agreement also recognizes the objectives of national systems for intellectual property protection, including developmental and technological objectives. More significantly, the TRIPS agreement recognizes the special needs of the least-developed country members for maximum flexibility in the domestic implementation of laws and regulations with the objective of enabling them to build a sound and viable technological base. Article 7 of the TRIPS agreement expressly requires that the protection and enforcement of intellectual property rights should promote technological innovation, and transfer and dissemination of technology, ‘to the mutual advantage of producers and users’ of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.’

Malaysia is also one of the contracting parties of the WIPO Copyright Treaty (hereinafter referred to as ‘the WCT’).⁶ The WCT, while recognizing the need to make new rules and clarify some existing rules to adequately address the issues raised by new economic, social, cultural and technological developments in its Preamble,⁷ acknowledges ‘the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention’. The same is recognized under the WIPO Performances and Phonograms Treaty (hereinafter referred to as ‘the WPPT’), which Malaysia has also ratified.⁸

The need to maintain a balance of interests under copyright law is also taken into account by judges in deciding copyright-related cases. Lord Mansfield in *Sayre v Moore*,⁹ for instance, emphasized the importance of preventing two extremes which are equally detrimental: that

⁶ The WCT was adopted in Geneva on December 20, 1996. Malaysia joined the WCT on 27 September 2012.

⁷ The Preamble of the WCT also recognizes the far-reaching impact of the development and convergence of information and communication technologies on the creation and use of copyright works.

⁸ See the Preamble of the WPPT, adopted in Geneva on 20 December 1996. Malaysia joined the WPPT on 27 September 2012.

⁹ [1785] 102 ER 139.

authors who have spent time may not be duly rewarded for their ingenuity and labour on one hand, and that the world may not enjoy improvements and progress of the arts on the other hand.¹⁰ Hence, copyright law is a balancing of ‘the society’s competing interest in the free flow of ideas, information, and commerce.’¹¹

Likewise, the Australian High Court observed in *IceTV Pty Limited v Nine Network Australia Pty Limited*¹² that copyright law attains a balance of competing interests and competing policy considerations; and rewards authors with commercial benefits in view of the fact that the works created by authors will in turn benefit the public.¹³ Similarly, the Supreme Court of Canada in *Théberge v Galerie d’Art du Petit Champlain Inc.*¹⁴ opined that the copyright statute aims to maintain a balance between advancing the public interest through the promotion and dissemination of copyright works and affording creators a fair remuneration for their effort and labour.¹⁵

In fact, it may be argued that the objective of copyright law is to attain the larger public interest such as education, research, and access to information. Reward to authors and copyright owners, in the form of copyright protection over the copyright works, is given with the aim of achieving the said public interest. As the US Supreme Court observed in *Mazer v Stein*,¹⁶ ‘The copyright law, like the patent statutes, makes reward to the owner a secondary consideration.’¹⁷ The provision of just reward for the creators may therefore be considered as the means to an end, namely, the public interest, and not an end in itself.¹⁸

¹⁰ [1785] 102 ER 139.

¹¹ *Sony Corporation of America v Universal City Studios, Inc.* 464 US 417 (1984) at 429.

¹² [2009] HCA 14 (22 April 2009), at para 24.

¹³ *Ibid.*

¹⁴ 2002 SCC 34.

¹⁵ *Id* at para 30. This was later quoted by the Supreme Court of Canada in *CCH Canadian Ltd v Law Society of Upper Canada* 2004 SCC 13, at para 10.

¹⁶ 347 US 201 (1934).

¹⁷ *Id* at 219.

¹⁸ See Menell, P. S., ‘Envisioning Copyright Law’s Digital Future’, 46 N. Y. L. Sch. L. Rev. 63 2002-2003 where it was stated that ‘Copyright law has always been a means to an end – the protection of authors and publishers from competition in the sale of original works for sufficient time to promote creative expression.’ (at 104).

1.1 The challenges brought by the development of digital technologies and the internet

The digitization of copyright works, together with the development of the internet, have posed substantial challenges to copyright law, which has been dealing with analogue works and the offline world previously. While copyright owners may face more severe threats to protection of their copyright works in the digital environment, it should be noted that the scope of their rights has also been expanded as a result of technological changes.¹⁹ In general, digital technologies has brought about a greater conflict between the rights of copyright owners and the public.²⁰

Apart from enabling copying and distribution of digital works with extreme ease,²¹ digital technologies has also permitted more flexible and versatile ways of appropriating existing copyright works.²² However, these activities may infringe the copyright owners' exclusive rights, in particular, the reproduction right.²³ As Liu pointed out, 'the traditional understandings about physical copies, which seem to explain and define the balance of copyright law, do not seem so applicable to digital copies'.²⁴ Thus, issues often arise as to whether a balance of interests is maintained under copyright law by affording adequate

¹⁹ Tushnet, R., 'Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Services It', 114 Yale. L. J. 535 (2004-2005) at 542.

²⁰ Menell opined that the present digital piracy problems highlighted the deepening conflict between the content and technology sectors. *Supra* n 18 at 164.

²¹ Litman, J., 'Lawful Personal Use', 85 Tex. L. Rev. 1871 (2007), at 1895. See also Hayes, M. S., 'The Impact of Privacy on Intellectual Property in Canada', (2006) 20 I. P. J. 67, at 77.

²² Irving, N., 'Copyright Law for the Digital World: An Evaluation of Reform Proposals', 10 Asper Rev. Int'l Bus. & Trade L. 14 (2010). See also Cochran, K., 'Facing the Music: Remixing Copyright Law in the Digital Age', 20 Kan. J. L. & Pub. Pol'y 312, 2010-2011, where Cochran observed that, 'More so than ever before, technology provides computer users the ability to interact with digital media by combining videos, music, images, and text. This interactivity is no longer strictly the privilege of the professional but is now within the capability of any creative person who has access to a computer.' (at 312-313).

²³ See Cochran, K., *Id* at 319.

²⁴ Liu, J. P., 'Owning Digital Copies: Copyright Law and the Incidents of Copy Ownership', 42 Wm. & Mary L. Rev. 1245 2000-2001, at 1249-1250. In fact, some have argued that the novelty of the digital environment calls for a reconsideration of copyright law, see for instance, Boyle, J., *Shamans, Software, and Spleens: Law and the Construction of Information Society* Cambridge: Harvard University Press, 1997, Litman, J., 'Copyright Noncompliance (or Why We Can't 'Just Say Yes' to Licensing), 29 N. Y. U. J. Int'l L. & Pol. 237 (1996-97), and Litman, J., *supra* n 21.

protection to copyright owners and, at the same time, assuring that freedom of creativity and expression is not unduly stifled.²⁵

The development of digital technologies, coupled with the internet, has equipped the public with the ability to distribute and share digital works easily on a worldwide scale.²⁶ However, this results in great difficulties to copyright owners in enforcing their exclusive rights,²⁷ including the right to control communication to the public of copyright works, in the digital environment.²⁸ The problem is compounded by the contribution and participation of internet intermediaries who, through their service and facilities, enable convenient and almost effortless sharing of digital works among the users. The questions relating to liability of internet intermediaries for copyright infringement committed by users become significantly crucial, in particular, in relation to file sharing.²⁹ As Lemley and Reese aptly pointed out, the main problem with lawsuits based on secondary liability lies in the absence of any distinction made between ‘socially beneficial’ and ‘socially harmful’ uses of a program or a service, by either sanctioning both or disapproving both.³⁰ The scope of liability of internet intermediaries may strike a blow on the balance of interests between copyright owners and the public because technology developers, in order to avoid liability,³¹ may be discouraged

²⁵ Cochran commented that copyright law is intended to promote innovation and creativity but the way the law is currently written ‘suppresses the very thing it is designed to promote’. See Cochran, K., *supra* n 22 at 319. Tushnet observed that copyright is an engine of free expression because it supports large corporations and individual artist and thus enable them to be in the business of speaking: Tushnet, R., *supra* n 19 at 541.

²⁶ Web 2.0 with its interactive and peer-based technologies, differs from the previous internet which was ‘a forum of dissemination of information to passive recipients.’ See Lipton, J. D., ‘Secondary Liability and the Fragmentation of Digital Copyright Law’, 3 Akron Intell. Prop. J. 105 (2009) at 115, and Bitton, M., ‘Modernizing Copyright Law’, 20 Tex. Intell. Prop. L. J. 65 2011-2012 at 99.

²⁷ Williams identified the ease and inexpensiveness of copying and distribution of content as one of the main challenges which were not present in the past. See Williams, E., ‘Copyright Law’s Over-protection of Cyber Content and Digital Rights Management’, 12 Intell. Prop. L. Bull. 199 (2007-2008), at 200.

²⁸ As the Canadian Supreme Court observed in *Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers* 2004 SCC 45, [2004] 2 SCR 427, ‘The capacity of the internet to disseminate “works of arts and intellect” is one of the great innovations of the information age. Its use should be facilitated rather than discouraged, but this should not be done unfairly at the expense of those who created the works of arts and intellect in the first place.’ (at para 40).

²⁹ According to Williams, another main challenge posed by the internet is the anonymity of internet users which causes the difficulty of identifying and suing individual infringers. Hence, it is easier for copyright owners to take action against the internet intermediaries instead. See Williams, E., *supra* n 27 at 200. See also Lemley, M. A. & Reese, R. A., ‘Reducing Digital Copyright Infringement without Restricting Innovation’, 49 Vand. L. Rev. 483 (1996) at 1346.

³⁰ See Lemley, M. A. & Reese, R. A., *Id* at 1350. This differs from lawsuits against actual infringers which can differentiate between those who are engaged in infringing conduct and those who are not: Lemley, M. A. & Reese, R. A., *Id* at 1380.

³¹ See Lemley, M. A. & Reese, R. A., *Id*. The authors expressed the view that secondary liability has been expanded in the digital age.

from developing more efficient and useful technology.³² This in turn would have a negative impact on the public who may be deprived of technology which serve great and beneficial purposes.

Despite the complicated challenges posed by digital technologies and the internet, it is undeniable that the internet, in particular the World Wide Web, has become an indispensable platform where the public may access useful information and knowledge. The setting of links to websites or webpages would enable users to locate and access the materials easily and efficiently. In this respect, search engines in particular, play an essential role in assisting users to maximize the utility of the Web. However, the internet is the world's largest copying machine and thus all activities on the internet, such as browsing the web, inevitably involve an act of copying, which may constitute copyright infringement.³³ The fact that copying is inevitable in the online environment does not sit well with copyright law, particularly, the way 'copy' and 'reproduction' are defined.³⁴ In fact, Litman commented that copyright owners' exclusive rights of reproduction, even over temporary copies, confer on them a new exclusive right to control reading, viewing or listening to digital copyright works.³⁵ The public may thus be denied the privileges they traditionally enjoy under copyright law.³⁶ Hence, there may be issues of overprotection of copyright which may undermine the balance of interests in the online environment.³⁷

In the abovementioned scenarios, copyright law attempts to address the emerging issues by its existing principles. In some other instances, copyright law responds to the challenges

³² Lipton, J. D., 'Secondary Liability and the Fragmentation of Digital Copyright Law', 3 Akron Intell. Prop. J. 105 (2009), at 118. See also Lemley, M. A. & Reese, R. A., *supra* n 29 at 1386 where the authors remarked, 'Banning the sale of a device or computer program obviously restricts innovation directly, and therefore reduces social welfare by the net social value of that innovation.'

³³ Lemley and Reese commented that lawsuits against search engines are likely to target far more legitimate conduct than illegitimate conduct and the social harm of such lawsuits is therefore greater. See Lemley, M. A. & Reese, R. A., *supra* n 29 at 1380.

³⁴ Litman found that digital technologies and distribution of content in the digital environment upset the current balance of rights between copyright owners and the users. See Litman, J., *supra* n 21.

³⁵ Litman, J., 'The Exclusive Right to Read', 13 Cardozo Arts & Ent. L.j. 29 (1994-1995), at 31-32.

³⁶ Calvert, S. R., 'A Digital World Out of Balance', 13 Santa Clara Computer & High Tech. L. J. 545 (1997) at 554.

³⁷ Williams, E., *supra* n 27.

brought by digital technologies and the internet by introducing new rules.³⁸ One example of the new rules is legal protection over technological protection measures which are applied to protect digital copyright works. Legal protection over technological protection measures under copyright law was introduced in response to the increasing impediments encountered by copyright owners to prevent copyright infringement of digital works.³⁹ It eradicates a deterrent for copyright owners to publish and distribute digital copyright works which are otherwise vulnerable.⁴⁰

However, technological protection measures may give copyright owners extensive rights to control activities which they do not otherwise enjoy under the traditional copyright law. This may in turn upset the balance of interests between copyright owners and the public interests in ensuring continued innovation and maintaining a rich public domain.⁴¹ For instance, copyright owners may use technological protection measures to deny any fair dealing or fair use of their copyright works, or to prevent access to copyright works.⁴² It is therefore a legitimate concern as to whether technological protection measures in effect place an absolute power over information and copyright works into the hands of copyright owners⁴³ and thus undermine the balance of interests in the digital environment.⁴⁴

³⁸ As Schoen commented, copyright law has a peculiar need for flexibility since it must always adapt to new technologies. See Schoen, K., 'Metro-Goldwyn-Mayer v Grokster: Unpredictability in Digital Copyright Law', 5 Nw. J. Tech. & Intell. Prop. 156 (2006-2007), at 156. See also Menell, P. S., *supra* n 20 at 64 where it was observed that copyright law is not a static body of law as it developed responding to the development of technologies, from the printing press, photography, motion pictures, sound recording, broadcasting to the digital technologies today.

³⁹ Panas, J., 'Universal City Studios v Reimerdes: The Best Balance for Copyright Law', 1 Geo. J. L. & Pub. Pol'y 445 (2002-2003).

⁴⁰ Ginsburg, J. C., 'Copyright and Control over New Technologies of Dissemination', 101 Colum. L. Rev. 1613 (2001), at 1613. See also Landau, M., 'Digital Downloads, Access Codes, and US Copyright Law', 16 Int'l Rev. L. Computers & Tech. 149, 2002 at 163 where it was observed that the balance will shift too far away from copyright owners if they have no right to control access to their works.

⁴¹ See Panas, J., *supra* n 39 at 445. See also Miriam Bitton, M., *supra* n 26 at 73.

⁴² Williams, E., *supra* n 29 at 209. Kern found the exceptions to circumvention of technological protection measures extremely narrow: Kern, M. A., 'Paradigm Shifts and Access Controls: An Economic Analysis of the Anticircumvention Provisions of the Digital Millennium Copyright Act', 35 U. Mich. J. L. Ref. 891 (2002).

⁴³ Burk and Cohen warned that where technological restraints take the place of legal restraints, control over the design of information rights would shift to private parties who may choose whether to honour public policies such as fair use. Burk, D. L. & Cohen, J. E., 'Fair Use Infrastructure for Rights Management Systems', 15 Harvard L. J. & Tech. 41 (2001), at p. 51.

⁴⁴ Panas opined that legal protection over technological protection measures, properly constrained, is a way to attain the balance in the digital age: Panas, J., *supra* n 39 at 445. Irving, too, thinks that legal protection over technological protection measures could be implemented in a way in which the balance of interest would be maintained, that is, to require a nexus between the act of circumvention and a copyright infringement: see Irving, N., 'Copyright Law for the Digital World: An Evaluation of Reform Proposals', 10 Asper Rev. Int'l Bus. & Trade L. 141 (2010) at 157.

Another example of the new rules is the limitation of liabilities of internet service providers, which recognizes the fundamental roles played by eligible internet service providers and encourages co-operation between internet service providers and copyright owners in combating copyright infringement in the online environment. Certain categories of internet service providers, subject to the fulfillment of the relevant requirements such as compliance with notice and takedown procedure, are entitled to the limitation of liabilities for copyright infringement which may occur by virtue of the performance of their roles or functions.

With their potential liability for copyright infringement being confined and less uncertain, internet service providers are encouraged to invest in the business and thus to provide better and more efficient service and facilities to the benefit of the public. At the same time, copyright owners with recourse to notice and takedown procedure, may call on internet service providers to act on the complained infringement of copyright. In this way, the provisions on liability limitation of internet service providers may help to strike a balance of interests in the online environment.⁴⁵ However, the provisions prescribing the criteria for eligible internet service providers as well as the notice and takedown procedure may chill freedom of speech and expression, especially in circumstances where copyright owners abuse the procedure.⁴⁶ It is therefore crucial to examine whether legal provisions on the limitation of liabilities of internet service providers maintain a balance of interests between copyright owners and the public.

⁴⁵ *Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers*, *supra* n 28 at para 89. See also Irving, N., *supra* n 44 at 160 where Irving commented that a notice and takedown system ‘with adequate protections and a guarantee of due process for posters of content would serve the legitimate interests of both owners and users...’

⁴⁶ Irving, N., *supra* n 44.

1.2 Objective, scope and importance of the thesis

To reiterate, the advent of digital technologies and the internet has posed considerable challenges to copyright law. In response to the challenges, copyright law has either invoked its traditional rules or introduced new principles. It is crucial to assess whether copyright law maintains a balance of interests of the various stakeholders in doing so.

The objective of the thesis is to determine how Malaysian copyright law addresses the issues arising in the digital environment, and in doing so, whether Malaysian copyright law strikes a balance of interests of the involved stakeholders. Towards this end, the individual chapters examine selected issues which are significant in the digital environment. Based on the findings derived from the deliberation on the said questions, the thesis will also propose recommendations as to how Malaysian copyright law may be improved so as to better conciliate the interests of the involved parties in the digital environment.

Digital technologies and the internet have raised innumerable copyright concerns of wide range. As such, the author has limited the discussion by selecting the aspects which best illustrate the pressing challenges to copyright law, in particular in its attempt to maintain a balance of interests, in the digital environment. However, it is acknowledged that the chosen aspects are by no means exhaustive.

The author conducted the research to answer the following research questions:

- (1) How does Malaysian copyright law address the issues raised by the advent of digital technologies and the internet in selected scenarios;
- (2) Whether a balance of interests of the involved stakeholders is maintained under Malaysian copyright law in dealing with the issues in the selected scenarios; and

(3) How may Malaysian copyright law perform better in striking a balance of interests in the digital environment?

To answer these questions, the thesis examines the questions in the context of the common practice of digital appropriation of copyright works (in chapter 2), peer-to-peer file sharing of copyright works (in chapter 3), the setting of links to websites (in chapter 4), limitation of liabilities of internet service providers (in chapter 5), and legal protection over technological protection measures (in chapter 6). The first three scenarios represent circumstances in which copyright law attempts to address the issues emerging consequent to the introduction of new technologies by its traditional rules and principles, while the latter two areas of study illustrate situations in which new rules and principles were introduced into copyright law to accommodate the concerns arising in the digital environment. Based on the findings derived from the study on the said aspects, the thesis will also propose recommendations as to how Malaysian copyright law may be improved in conciliating the interests of the parties involved in the digital environment.

The scope of the thesis focuses on Malaysian copyright law, which is governed under the CA 1987.⁴⁷ Any relevant local case law would also be pertinent to the research. However, it is noted that there is a serious dearth of decided local cases to shed light on the copyright issues arising in the digital environment. As such, the research refers to three key jurisdictions, namely, the United States, the United Kingdom and Australia. Reference to the said jurisdictions is crucial in examining how copyright law in other countries attempts to address the issues arising in the digital environment, as well as in offering ideas and suggestions on how copyright law may perform better in striking a right balance of interests.

⁴⁷ Act 332 which came into force on 1 December 1987.

The United States is considered the pioneer in introducing laws on intellectual property rights in general and copyright law in particular. The laws introduced in this jurisdiction, such as the Digital Millennium Copyright Act, often become the model of copyright law in other jurisdictions given its influential role in the global economy. In addition, this jurisdiction provides a substantial number of decided cases on issues raised by digital technologies and the internet.

The copyright law of the other two key jurisdictions, the United Kingdom and Australia, resemble Malaysian copyright law in many aspects. English law has always been, and still is, influential on Malaysian law due to historical reasons. Furthermore, the United Kingdom, being a member state of the European Union, serves as a case study of the European Union's approach in addressing copyright concerns arising in the digital environment.

On the other hand, it is observed that Australian copyright law has also experienced changes which are intended to deal with issues brought by digital technologies. Australian copyright law demonstrates that the jurisdiction has its own approach in regulating copyright matters. However, the copyright law of the jurisdiction also shows the influence of the United States, mainly through the Fair Trade Agreement with the latter. As such, the author considers a reference to the copyright law of Australia may offer ideas as to how Malaysian copyright law may approach the questions raised by the advent of digital technologies, which may differ from the copyright law of the United States and the United Kingdom.

This thesis is important because to date there is no single comprehensive study on the application of Malaysian copyright law in the digital environment. There are several journal articles in which the authors discussed either the amendments on the CA 1987 with the objective of accommodating the needs arising consequent to the advent of digital

technologies,⁴⁸ or focused on a particular copyright issue which is prevalent in the digital environment.⁴⁹ However, there was little attention given to the balance of interests between copyright owners and the public in the discussed issues.

Professor Ida Madieha outlined the issues relating to the demise of public interest in her article ‘Electronic Wars and Copyright: The Demise of Public Interest’.⁵⁰ She identified the challenges posed by new information technologies to copyright which include subsistence of copyright, the exclusive rights of electronic works, and legal protection of electronic works. However, the discussion focused on the Copyright (Amendment) Act 1997, which was passed prior to the several substantial amendments on the CA 1987.⁵¹

In 2004, Khaw pondered on the question as to whether the balance of interests holds under Malaysian copyright law in her article ‘Copyright Law in Malaysia: Does the Balance Hold?’.⁵² She elaborated on the need to maintain a balance of interests of various stakeholders under copyright law and explained how Malaysian copyright law attempts to strike the said balance. Khaw then highlighted some areas of copyright law in which the balance of interests may not hold, such as the fair dealing exception, in particular when it is applied in the digital environment. With regard to that, she commented, ‘... in the age of reprography and digital technologies, the notion of what is permissible under the concept of fair dealing or fair use is being challenged; copying when done is not restricted to a few lines or passages.’⁵³ Legal protection over technological protection measures was another aspect of copyright law which

⁴⁸ Ong, R. considered the changes made to the CA 1987 by the Copyright (Amendment) Act 1997, see Ong, R., ‘Copyright in the Digital Age’, [1993] 3 MLJ cxiii.

⁴⁹ Nor Sa’adah Abd Rahman, ‘Internet Challenge to the Copyright Law: The Issue of Framing’, [2006] 2 MLJ lxxiv; Tong, L. L. & Nga, T. T., ‘Copyright Infringement Liability in Peer to Peer Software: The Malaysian Perspective’, [2006] 3 MLJ xxix; and Tay, P. S., ‘Developing a Secondary Copyright Liability Regime in Malaysia: insights from Anglo-American jurisprudence’, [2011] 1 Intellectual Property Quarterly 50.

⁵⁰ Ida Madieha Abdul Ghani Azmi, ‘Electronic Works and Copyright: The Demise of Public Interest’, [1998] 1 MLJ Ci.

⁵¹ After the Copyright (Amendment) Act 1997, the CA 1987 was subsequently amended several times again in 2000, 2002, 2003 and 2012 via the Copyright (Amendment) Act 2000, Copyright (Amendment) Act 2002, Copyright (Amendment) Act 2003 and Copyright (Amendment) Act 2012.

⁵² Khaw, L. T., *supra* n 4.

⁵³ *Id.*

raised several important issues, including the question of balance and its impact on library resources, which Khaw discussed in the article.

Khaw's article raised questions as regards the balance of interests under the Malaysian copyright law. It calls for an in-depth research with reference to the relevant statutory provisions and case law. In addition, Khaw's article referred to the state of Malaysian copyright law as of the year of 2004 while the CA 1987 was amended with the insertion of several new provisions dealing mainly with issues raised by digital technologies in 2012. Thus, the question of whether the balance holds under the current Malaysian copyright law in addressing concerns raised by digital technologies and the internet needs to be investigated further and merits a detailed analysis. However, there has been no extensive research conducted on how Malaysian copyright law may address copyright issues brought by the development of digital technologies, as well as the position of the interests of various stakeholders in those circumstances.

The amendments made to the CA 1987 in the year of 2012 have rendered the need for such a research an even more pressing one. The Copyright (Amendment) Act 2012⁵⁴ has introduced important amendments to Malaysian copyright law including those which aim at accommodating copyright concerns in the digital environment. Among them, the provisions on legal protection over technological protection measures were amended.⁵⁵ A new exception to copyright infringement, namely, temporary copies made during the process of web browsing, was introduced.⁵⁶ A whole new part on the limitation of liabilities of service providers was also inserted into the CA 1987.⁵⁷ The 2012 amendments, which represent the attempt of Malaysian copyright law to keep pace with technological developments, have

⁵⁴ Act A1420 which came into force on 9 February 2012.

⁵⁵ A new section 36A was inserted into the CA 1987 to replace the previous section 36(3).

⁵⁶ See section 13(2)(q) of the CA 1987.

⁵⁷ See Part VIB of the CA 1987.

remarkably altered the landscape of Malaysian copyright law. There is thus a critical need to examine the adequacy of the new provisions in addressing issues arising in the digital environment, as well as whether they maintain a balance of rights of various stakeholders in doing so.

1.3 Methodology

Qualitative research was conducted to explore answers to the abovementioned research questions. Library research was the main methodology adopted in which local and international texts, journal articles, statutes and cases were studied and analysed. No quantitative research was performed because the research questions which the thesis seeks to answer focus on copyright law as contained in the statutes, as well as its interpretation and development which are exemplified in decided cases.

1.4 Organization of this thesis

The thesis consists of seven chapters. A brief overview of the contents of each chapter is as follows.

Chapter 1

This chapter serves as an introduction to the thesis which begins with a discussion on the need to maintain a balance of interests between copyright owners and the public under copyright law. This is followed by a depiction on the challenges copyright law faces due to the advent of digital technologies and the internet. This chapter sets out the objectives, scope and importance of the thesis. In addition, this chapter includes a review of the literature relevant to the thesis and an overview of the chapters in the thesis.

Chapter 2

This chapter examines copyright concerns in relation to practices of digital appropriation, which is prevalent in the era of user-generated content on the Web. As there are numerous ways in which digital appropriation by users may take place, it is impossible to consider the legal position of each and every one of them. Accordingly, this chapter examines the copyright issues arising in relation to only digital sampling and Google Books in particular. The former is selected as it represents digital appropriation commonly practised by individual users and the pre-existing works used are usually altered or otherwise transformed in so doing. Google Books, on the other hand, illustrates an example of digital appropriation which is only feasible for enterprises such as Google Inc. in view of the great costs and amount of effort involved. Google Books also exemplifies instances of digital appropriation in which pre-existing works are not altered at all but a novel use of copyright works is achieved and presented.

This chapter begins with an examination of the issues relating to the reproduction right, which is then followed by a discussion of the substantiality requirement, both in the context of potential liability for copyright infringement in respect of the two instances of digital appropriation. Finally, the chapter considers the application of the fair dealing exception in the two examples.

Chapter 3

Both digital technologies and the internet have made sharing and circulation of copyright works extremely easy and fast with no deterioration of quality in the copies involved. Copyright owners around the world have filed suits against bodies and individuals engaged in peer-to-peer file sharing over the last two decades. Hence, this chapter studies copyright concerns arising in relation to peer-to-peer file sharing, starting with a brief introduction on the processes involved in peer-to-peer file sharing. Next, the chapter investigates the liability

of individual users engaged in peer-to-peer file sharing for copyright infringement by first considering infringement of any exclusive rights of copyright owners and then the applicability of any defence or exception to such conduct.

In view of the vast number of users all over the world who may be engaged in peer-to-peer file sharing, holding peer-to-peer file sharing operators liable appears to be the more pragmatic and efficient option for copyright owners. As such, the chapter explores first, the primary liability of peer-to-peer file sharing operators for copyright infringement and second, their secondary liability for the same. As regards the latter, the chapter examines the legal position under section 36(1) of the CA 1987 which employs the word ‘causes’, unlike ‘authorizes’ in the jurisdiction of England and Australia. A reference is also made to the US jurisdiction in which secondary liability for copyright infringement had developed at a remarkably faster rate. Comparison is made between the approaches in the said jurisdictions with a view to assessing the resulting balance of rights in the context of peer-to-peer file sharing.

Due to the apparently narrow scope of liability for ‘causing’ infringement under the CA 1987, the chapter also studies arguments on joint tortfeasance as relied on in several English cases as an alternative to subject peer-to-peer file sharing operators to liability for copyright infringement.

Chapter 4

Hyperlinks may be said to be the backbone of the internet. Without hyperlinks, it would be exceptionally difficult to find and locate information of one’s interest. As such, it is essential to consider how copyright law addresses issues in relation to hyperlinks. First, this chapter provides a brief introduction on the various types of hyperlinks. Next, this chapter explores

the copyright issues in relation to the act of setting a hyperlink itself, namely, whether such act infringes any exclusive rights of copyright owners and any defences which may be available to such conduct. It is also imperative to analyse liability on the part of users who click on any given hyperlink by virtue of the temporary copies made during the process.

A discussion on the legality of hyperlinks is incomplete without a look into the position of search engines which have substantially and significantly reduced the impediment to browse the unbounded internet by providing a list of links to websites in response to search enquiries entered by users. The operation of search engines involves the making and provision of cached links. Thus, the chapter examines the applicability of the fair dealing exception to search engines' cached links. Another important issue relating to hyperlinks concerns liability of any person who provides links to websites on which infringing copies of copyright works are made available. This chapter, therefore, also studies the possibilities of holding such person or body liable for copyright infringement under the current law.

Some special issues arise in the context of the provision of deep links as well as inline or frame links distinctly and separately, as such this chapter proceeds to review how copyright law addresses the issues in such circumstances.

Chapter 5

A whole new part, namely, Part VIB, was added to the CA 1987 which prescribes the limitation of liabilities of service providers. Obviously, the legal position of service providers under copyright law is one critical area of dispute due to the fundamental roles played by service providers on the internet, either in providing useful service to the public in general which in some circumstances inevitably may contribute to copyright infringement at the same time, or in helping to prevent or reduce copyright infringement. Accordingly, it is vital to

analyze how Part VIB attempts to strike a balance of rights of the involved stakeholders, namely, service providers, copyright owners, and the users.

Chapter 5 begins with an attempt to ascertain the extent of limitation of liabilities intended by Part VIB. Next, it considers limitation of liabilities of each category of eligible service providers. This chapter also studies the notice and takedown procedure implemented under Part VIB and its impact on the balance of rights in particular.

Chapter 6

Legal protection over technological protection measures is another example of new copyright rules which were made to accommodate the emerging needs in the digital environment. In view of the extreme ease of making digital copies as well as distributing them, copyright owners have resorted to technological protection measures with the hope of preventing or reducing infringement of their copyright works in digital form.

This chapter commences with a brief introduction on the types of technological protection measures commonly applied to digital works. The chapter proceeds to examine the scope of ‘technological protection measures’ under section 36A of the CA 1987, in particular whether it covers both access control and copy control technological protection measures. This question is crucial in determining the scope of the prohibited acts in relation to technological protection measures.

The other aspects which this chapter investigates are the meaning of ‘circumvent’, as well as the conditions to be fulfilled for the application of the prohibited acts of circumventing technological protection measures or trafficking in circumvention devices. Both of these areas of research are relevant to ascertain the scope of the prohibited acts under section 36A

of the CA 1987. Lastly, this chapter peruses the exceptions to the prohibited acts under the CA 1987, which is obviously of direct relevance to the balance of rights under copyright law.

Chapter 7

Chapter 7 answers the research questions by setting down the findings which are derived from the research in each of the preceding chapters (Chapters 2-6). This chapter also proposes suggestions as to how Malaysian copyright law may be refined with a view to striking a balance of rights of all stakeholders involved.

1.5 Limitations of research

This research focuses on the selected areas in which digital technologies and the internet have posed challenges and questions to copyright law. It is acknowledged and admitted that there are many other aspects in which the research questions may be examined. It follows that the findings and suggestions in the thesis are confined to only the chosen areas of research.

It is acknowledged that there is no method or formula by which the balance of interests between copyright owners and the public may be measured or calculated. Hence, the author is unable to present any data or figures to demonstrate how the balance tilt in favour of either copyright owners or the public. In any event, the question on whether copyright law maintains a balance of interests in certain scenarios or circumstances is never a matter which can be quantified. It is a question which should be addressed from a qualitative perspective

and should be considered by taking into account the impact of copyright law on the rights and obligations of the involved stakeholders with regard to the facts and circumstances.

CHAPTER 2

DIGITAL APPROPRIATION

2.1 Introduction

Digital technologies have offered users tremendous flexibility and great potential in appropriating existing copyright works to produce new and creative works. In some cases, although no new works are created, digital technologies have enabled novel and innovative use of works. In both instances, questions may arise in regard to the possible liability for copyright infringement. In the context of analogue works, the same issues may also arise when one makes use of existing copyright works to create new works. Copyright law addresses the issues by a few doctrines to balance the interests of the preceding authors, copyright owners, and subsequent creators.

The exclusive rights to control activities such as reproduction, distribution or communication to the public of copyright works are crucial in protecting the copyright owners' economic interests. Nonetheless, these rights are not without borders. In fact, the reach and limits of these exclusive rights is one important means in which copyright law seeks to preserve a fair balance of interests of copyright owners and the public who may wish to make use of the copyright works. Therefore, despite the fact that the creation of certain works may in and of itself infringe copyright, copyright law generally affords copyright protection in the new works produced by subsequent creators. This is in line with the purpose of copyright in encouraging the creation of more works which will in turn benefit the public.

Even where it is established that a particular act falls within the exclusive rights of copyright owners to control, copyright owners are required to prove substantiality of the portion which has been used or exploited when establishing copyright infringement. Substantiality is assessed based

on the qualitative and quantitative aspects of the portion which has been used or exploited. A showing of similarities between the two works at issue is not sufficient. The *de minimis* rule which disregards trivial use is an important principle as well. In this way, a balance of interests is sought to be maintained under copyright law under which subsequent creators are not prohibited from making any use of pre-existing copyright works at all, except to the extent to which the use falls within the exclusive rights of the copyright owner. In the event the copyright owner successfully shows ‘substantiality’ of the portion that has been exploited, the subsequent creators may still seek harbour under any of the statutory exceptions. If any of the exceptions is applicable, no liability for copyright infringement will arise.

The same tests which have been adopted in determining copyright infringement in relation to analogue works are applicable to circumstances where copyright works are digitally appropriated. Thus, it has to be determined first whether a digital appropriation falls within the exclusive rights of the copyright owner; whether the portion used or exploited amounts to a substantial part of the copyright work; and whether any exception may be available to the subsequent creator. However, digital technologies enable new and innovative uses of copyright works which are impossible with analogue works. It is thus pertinent to assess the impact and adequacy of these tests when applied to the digital environment. In particular, it is necessary to determine whether the application of the same rules to instances of digital appropriation would yield results which may objectively be regarded as a fair balance when viewed from the perspective of the different interested parties.

This chapter explores the issues relating to digital appropriation of copyright works in the context of Malaysian copyright law. The infinite and unbounded nature of digital appropriation makes it impossible to examine the issues in respect of each and every practice of digital appropriation. As such, two instances of digital appropriation of current importance and interest, namely digital

sampling and the Google Books project, are chosen as the scenarios to be studied in this chapter. Digital sampling is selected because it represents a commonly practised form of remix as well as an example of user-generated content produced by the ordinary individual users.¹ Google Books illustrates a novel use of copyright works which otherwise may be impossible in the analogue world. It is a large scale project which is and can only be undertaken by enterprises such as Google Inc.

The next section examines the issues as regards infringement of copyright owners' exclusive rights in the context of digital appropriation, of which the reproduction right is the focus. This is followed by the third section which considers the question of substantiality as applied to digital appropriation. The fourth section explores the applicability of statutory exceptions to digital appropriation.

2.2 The Reproduction Right in the Digital Realm

2.2.1 Section 13(1)(a) of the Copyright Act 1987

Section 13(1)(a) of the Copyright Act 1987² (hereinafter referred to as 'the CA 1987') provides that copyright in a work shall include the exclusive right to control in Malaysia 'the reproduction in any material form' of the whole work or a substantial part thereof, 'either in its original or derivative form'. The definition of 'material form' itself is capable of covering any form of storage as long as the work or a substantial part thereof can be reproduced,³ which clearly includes any

¹ As Halbert explained, 'User-generated content is a term used to describe the division between culture produced as a commodity for consumption and the culture that is generated by people acting as creative beings without any market incentive.' See Halbert, D., 'Mass Culture and the Culture of the Masses: A Manifesto for User-Generated Rights', 11 Vand. J. Ent. & Tech. L. (2008) 921.

² Act 332 with effect from 1 December, 1987.

³ 'Material form' as defined in section 3 of the CA 1987 includes 'any form (whether visible or not) of storage from which the work or derivative work, or a substantial part of the work or derivative work can be reproduced'.

digital form of storage. In turn, the definition of ‘reproduction’ in section 3 of the CA 1987 provides that reproduction is the making of copies of a work in ‘any form or version’.⁴

In establishing ‘reproduction’, there must be proved objective similarities between the two works at issue and a causal connection between them.⁵ The requirement of objective similarities, though not expressly provided for in the CA 1987, is embedded in Malaysian copyright law by virtue of a line of court decisions.⁶ As Millett J explained in *Spectravest Inc v Aperknit*,⁷ reproduction does not refer to only exact replication. One is allowed to produce a new work by using another pre-existing work as an inspiration but not ‘steal its essential features and substance and retain them with minor and inconsequential alterations.’⁸ The test is thus ‘whether there is such a degree of similarity between the salient features of the two works that the one can be said to be a reproduction of the other.’⁹

2.2.2 Digital Sampling

The practice of digital sampling grew in the early 1980s when digital synthesizers with Musical Instrument Digital Interface (MIDI) keyboard controls provided the technical possibility to slow down, speed up, manipulate and combine sounds from a sound recording.¹⁰ As explained in *Newton v Diamond*,¹¹ sampling involves ‘the incorporation of short segments of prior sound

⁴ As defined in section 3 of the CA 1987, ‘reproduction’ refers to ‘the making of one or more copies of a work in any form or version, and in relation to an artistic work includes the making of a copy in three dimensions of a two-dimensional work and the making of a copy in two dimensions of a three-dimensional work’. ‘Copy’ is defined in section 3 as ‘a reproduction of a work in written form, in the form of a recording or film, or in any other material form’.

⁵ LexisNexis, *Halsbury’s Laws of Malaysia*, vol 7 (2003) Intellectual Property [520.082].

⁶ See, for instance, *Longman Malaysia Sdn Bhd v Pustaka Delta Pelajaran Sdn Bhd* [1987] 2 MLJ 359. See also Khaw, L.T., *Copyright Law in Malaysia* (3rd ed), Petaling Jaya: LexisNexis, 2008, at 229.

⁷ [1988] FSR 161.

⁸ *Id* at 170.

⁹ *Ibid*.

¹⁰ Robert M. Szymanski, ‘Audio Pastiche: Digital Sampling, Intermediate Copying, Fair Use’, 3 U.C.L.A. Ent. L. Rev. 271, at 277 (Spring 1996).

¹¹ 349 F.3d 591 (9th Cir. 2003).

recordings into new recordings.’¹² The inclusion of fragments of a sound recording also involves the reproduction of the underlying musical works.

It should first be noted that section 13(1) of the CA 1987, which provides the copyright owner’s exclusive rights, applies to both musical works and sound recordings. The reproduction right allows the copyright owners to control the making of copies of their copyright works, either in original or derivative form. Thus, copyright owners of musical works and sound recordings enjoy the reproduction right which includes the right to make adaptations of the work. This differs from the approach adopted in some other jurisdictions such as the UK Copyright, Designs and Patents Act 1988 (hereinafter referred to as ‘the CDPA’) which provides for the adaptation right only in respect of literary, dramatic or musical works, but not in respect of sound recordings, films or broadcasts.¹³

Section 13(1)(a) of the CA 1987 expressly provides for the exclusive right of copyright owners to control the reproduction of the whole work or a substantial part thereof, and ‘either in its original or derivative form’. ‘Derivative form’ is not defined in the CA 1987. However, section 8 of the CA 1987 which stipulates that derivative works are eligible for copyright protection may offer some clues on the meaning or scope of ‘derivative form’ of a copyright work. Section 8 prescribes ‘translations, adaptations, arrangements and other transformations of works’¹⁴ and collections of

¹² This definition was adopted by the US Court of Appeals for the 6th Circuit in *Bridgeport Music Inc v Dimension Films Inc* 410 F. 3d 792, 798 (6th Cir. 2005).

¹³ Section 21 of the CDPA. As such it may be argued that copyright owners of sound recordings do not enjoy the right to control digital sampling that makes use of their sound recordings under the UK copyright law. However, it may still constitute an infringement of copyright in the relevant musical works if the portion taken is found to be ‘substantial’.

¹⁴ Section 8(1)(a) of the CA 1987. Section 3(1) defines ‘adaptations’ as including (a) in relation to a literary work, a version of the work (whether in its original language or a different language) in which it is converted into a dramatic work; (b) in relation to a dramatic work, a version of the work (whether in its original language or a different language) in which it is converted into a literary work; (c) in relation to a literary or dramatic work— (i) a translation of the work; (ii) a version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book or in a newspaper, magazine or similar periodical; (d) in relation to a literary work in the form of a computer program, a version of the work, whether or not in the language, code or notation in which the work was originally expressed not being a reproduction of the work; (e) in relation to a musical work, an arrangement or transcription of the work; (f) in relation to a literary or artistic work, a version of the work (whether in its original language or a different language) in which it is converted into a film.

works eligible for copyright or compilation of mere data which constitute intellectual creation¹⁵ as derivative works which are entitled to be protected as original works. It follows therefore that it is an act of reproduction if a copyright work is translated, adapted or otherwise transformed; and where it is included as a part of a collection of works.

Paragraph (e) of the definition of ‘adaptation’ in section 3 of the CA 1987 explains that adaptation of a musical work includes ‘an arrangement or transcription of the work’.¹⁶ It is however silent on what may constitute adaptation or, more generally, derivative forms of sound recordings. As Khaw observed, ‘... there is no reason to suppose that “derivative form” in relation to a sound recording or a film means anything other than an adaptation, arrangement or transformation of the sound or visual images fixed in the recording, film or broadcast.’ Khaw considered that the reproduction right in respect of a sound recording may cover the right to limit the practice of sampling.¹⁷

The inclusion of brief segments of pre-existing sound recordings in the making of a new recording obviously involves an act of reproduction which is within the power of the copyright owner to control as prescribed under section 13(1)(a) of the CA 1987. Copyright owners enjoy the exclusive right to control reproduction, including adaptation or other forms of transformation made of their musical works and sound recordings, and hence, it is submitted that digital sampling would require their permission.

¹⁵ Section 8(1)(b) of the CA 1987.

¹⁶ The entry of ‘arrangement’ in Encyclopaedia Britannica explains it as ‘in music, traditionally, any adaptation of a composition to fit a medium other than that for which it was originally written, while at the same time retaining the general character of the original. The word was frequently used interchangeably with transcription, although the latter carried the connotation of elaboration of the original, as in the virtuosic piano transcriptions of J.S. Bach’s organ works by Franz Liszt, the Italian composer-pianist Ferruccio Busoni, and others. In later times the definitions were almost reversed, with arrangement connoting musical liberty in elaboration or simplification.’ See Editors of Encyclopaedia Britannica, ‘Arrangement’, *Encyclopaedia Britannica Online*, 2015, Encyclopaedia Britannica, 4 November 2015 <http://global.britannica.com/EBchecked/topic/36011/arrangement>. It is noted that the definitions of ‘arrangement’ and ‘transcription’ in Oxford Dictionaries appear to carry a similar meaning in relation to music. ‘Arrangement’ is explained as ‘a musical composition arranged for performance with instruments or voices differing from those originally specified’, while ‘transcription’ is defined as ‘an arrangement of a piece of music for a different instrument, voice, or group of these’.

¹⁷ See Khaw, L.T., *Copyright Law in Malaysia* (3rd ed), Petaling Jaya: LexisNexis, 2008, at 222. See also Sterling, J. A. L., *Intellectual Property Rights in Sound Recordings, Film and Video*. London: Sweet & Maxwell, 1992, at para 4.35 where Sterling noted that ‘Sampling, re-mastering and colourization may involve adaptation of the records which have been used: such operations will in any event involve reproduction.’

2.2.3 Google Books

The scope of ‘reproduction’ in section 13(1)(a) as discussed earlier, when read together with section 36(1)¹⁸ of the CA 1987, will render an act of reproduction to be an infringing act regardless of the fact that such reproduction may, in some cases, be merely technical. An understanding that ‘the storage of a protected work in digital form in an electronic medium constitutes a reproduction’ was reached and included in the agreed statements to the World Intellectual Property Organization Copyright Treaty (‘the WCT’) and the World Intellectual Property Organization Performances and Phonograms Treaty (‘the WPPT’).¹⁹ However, new and innovative uses of copyright works enabled by digital technologies almost always involve reproduction of the works, particularly where the reproduction is an integral and essential part of a technological process.

Google Books²⁰ is one of the many examples of new frontiers offered by digital technologies. Under Google Books project, books submitted by libraries under the Library Project and publishers under the Partner Program are scanned and kept under the index of Google’s system. Under the Partner Program, authors and publishers may submit books to Google which will then include them in search results. In this way, authors and publishers can promote their books on a worldwide scale.²¹ The Library Project includes the collections of some major libraries²² in Google Books. In the same manner as how a card catalog operates, Google Books helps users to find books of their interest easily.²³ Google search engine performs a search in response to a user’s inquiry by

¹⁸ Section 36(1) of the CA 1987 provides that it is a copyright infringement when a person does or causes any other person to do ‘an act the doing of which is controlled by copyright’, which includes the acts as listed in section 13(1), without the licence of the copyright owner.

¹⁹ WCT, agreed statements on Article 1(4); WPPT, agreed statements on Articles 7, 11 and 16.

²⁰ Further to its Google Books Partner Program which enables publishers to submit their publications to Google for scanning and then entering into its search engine, Google fostered partnership with certain major university libraries to make digital copies of their collection available on the internet. See *Google Books History*, Google Books. 4 November 2015 <https://books.google.com/intl/en/googlebooks/partners/tour.html>.

²¹ *Promote Your Books on Google – for free*, Google Books. 4 November 2015 <https://books.google.com/intl/en/googlebooks/partners/tour.html>.

²² The libraries include the Austrian National Library, Bavarian State Library, Columbia University, Harvard University, Cornell University Library, University of California, and the New York Public Library. See *Library Partners*, Google Books. 4 November 2015 <https://books.google.com/intl/en/googlebooks/library/partners.html>.

²³ *Google Books Library Project – An enhanced card catalog of the world’s books*, Google Books. 4 November 2015 <http://books.google.com/intl/en/googlebooks/library/>.

examining the full text of the scanned collections.²⁴ In order to achieve this, Google copies the whole of the texts submitted to it for implementing the project.²⁵

In *The Authors Guild, Inc. v Google, Inc.*,²⁶ Judge Chin held that a prima facie case of copyright infringement was established by the plaintiff against Google, the defendant, for digitally copying millions of books and keeping the copies on its server and back up tape.²⁷ According to the judge, the defendant's act was an infringement of the plaintiff's reproduction right. The distribution right was also infringed when the defendant made available digital copies for the Library Project partners to download.²⁸

The copyright issues in relation to Google Books call for a reconsideration of how copyright infringement should be determined in light of the development of digital technologies. Traditionally, it will be an infringement if a work is reproduced without the relevant copyright owner's authorization. While it is clear that the whole of the copyright works are scanned for Google Books purposes, only a few snippets are displayed inclusive of the search terms in many cases.²⁹ The reproduction of the whole of the books takes place 'behind the scene', that is, when the books are scanned and kept by Google in entirety on its server but these are not made available

²⁴ As stated in *The Authors Guild, Inc. v Google, Inc.* 05 Civ. 8136 (DC) at 5, Google had scanned more than 20 million books in entirety under its Library Project. Google Print was announced in 2004 and Google Print Library Project commenced in the same year. In 2005, Google renamed Google Print as 'Google Books'. By December 2007, over 10,000 publishers and authors from more than 100 countries took part in the Partner Program and 28 libraries participated in the Library Project.

²⁵ Google did not get permission from the copyright owners to scan the books which were still copyrighted. Thus, authors and book publishers commenced a class action lawsuit alleging copyright infringement in respect of the project against Google in 2005. Google reached a settlement with authors and book publishers which was preliminarily approved by the court in 2008. The settlement was later revised and a fairness hearing was eventually held in 2010. As it was a class action, the settlement agreement had to be fair, adequate and reasonable. In March 2011, Judge Chin delivered his opinion rejecting the agreement, see *Authors Guild v Google Inc.* 770 F. Supp. 2d 666 (SDNY 2011). The US Court of Appeals for the Second Circuit later vacated the decision on the class action by Judge Chin and remanded the case for consideration of the fair use issues: *Authors Guild, Inc. v Google Inc.* 721 F.3d 132, 134 (2d Cir. 2013).

²⁶ 05 Civ. 8136 (DC).

²⁷ Section 106(1) of the US Copyright Act, which is also known as Title 17 of the US Code (the 17 USC).

²⁸ Section 106(3) of the 17 USC.

²⁹ Google's search result shows bibliographic information of the book and links of the online bookstores from which a user may purchase the book or libraries where one may borrow the book. In respect of a work of which the copyright has expired, the whole book will be available for reading and downloading. *Supra* n 23.

to the public in whole. Be this as it may, regardless of the fact that only a few snippets are displayed, the reproduction right of the copyright owners of the books is infringed.

The reproduction right comes into play also in situations where the copyright owner grants a licence to reproduce the works only in a specified manner instead of a general licence to reproduce the works for all purposes. For instance, Google may in the future decide to use the copies of the books in a different manner from its current practice. Obviously, the question of whether Google may legally do so depends largely on the terms of the agreement between the parties.³⁰ However, there may be situations where the agreement does not stipulate clearly as to the scope of the licence granted thereunder. On this issue, the Malaysian case of *Rock Records (M) Sdn Bhd v Audio One Entertainment Sdn Bhd*³¹ is relevant. The case involved an application for summary judgement by the plaintiff for copyright infringement in respect of the unauthorized reproduction of sound recordings in the form of karaoke VCDs by the defendant. The court held that the plaintiff as the copyright owner enjoyed the rights of exclusive control including the right to control the reproduction³² of sound recordings in various material forms or media such as cassettes, laser discs (LD), video compact discs (VCD) or digital video compact discs (DVD).³³ Abdul Malik Ishak J explained as follows,

‘... a licence granted by the copyright owner to reproduce the sound recordings in cassette format does not extend to the right of reproduction of the sound recordings in video compact disc (VCD) format. And a licence to reproduce the

³⁰ If there is a clearly stated agreement on the matter, the parties’ rights and liabilities will be governed by the agreement. In *Batiste v Island Records, Inc.* 179 F.3d 217; 1999 U.S. App. LEXIS 13602 for instance, the US Court of Appeals for the Fifth Circuit found that under the contracts in dispute the plaintiffs had granted the defendant publisher the copyright in the entire musical composition including ‘all rights of whatsoever nature’ relating to the copyright, and the right to license, ‘in any or all fields of use, by any method now or hereafter known, throughout the world, records embodying the performances’. As such the grant was sufficiently wide to encompass the licensing of a record containing a digital sample of the original song.

³¹ [2005] 3 MLJ 552.

³² Section 13(1)(a) of the CA 1987.

³³ *Supra* n 31 at 563.

sound recordings in LD format does not extend to the right to reproduce the sound recordings in VCD format.’³⁴

It is clear from the above statements that the reproduction right is severable in terms of the material form or media format in which a copyright work is embodied. The above statement may lend support to the stand that a licence to reproduce hard copies of a copyright work may not extend to reproduction of the same into digital form. Likewise, a licence to make copies in a particular digital form may not authorize the reproduction of the work in another form.

Reference may also be made to *Grisbrook v MGN Ltd & Ors*,³⁵ an English case in which disputes arose between the defendant, a newspaper publisher, and the claimant, a freelance photographer. The main issue was whether the claimant’s prior licence granted to the defendant permitting the reproduction of his photographs in the published editions of the newspaper authorized the making available of the photographs to the public via the defendant’s two websites.³⁶

Patten J sitting in the High Court held that the photographers could not have intended to restrain the newspaper publisher’s ability to keep their back editions and such a licence could cover any form of new technology available from time to time. However, this was different from making the back numbers database more widely accessible by the public. Patten J found that the exploitation of the claimant’s photographs by the defendant through its back numbers websites was not envisaged by the parties at the time of granting the licence. Patten J explained that ‘any licence

³⁴ *Ibid.*

³⁵ [2009] EWHC 2520 (Ch).

³⁶ The claimant supplied the defendant with many photographs for publication in its newspapers. In the absence of any written agreement, it was understood that the claimant owned copyright in each of the photographs and the defendant was sanctioned to publish the photographs in one or more of its newspapers subject to payment to the claimant for every publication. By a letter, the claimant revoked the licence in favour of the defendant to use the photographs. The claimant commenced an action against the defendant claiming licence fees in respect of the use of a certain number of his photographs. The claimant also brought another action alleging copyright infringement on the part of the defendant in offering for sale on its websites some of the claimant’s photographs. The two actions were later consolidated. The two relevant websites republished the defendant’s newspapers in PDF format, which included the plaintiff’s photographs.

represents a derogation from or relaxation of the copyright owner's statutory rights' and thus in the absence of an express agreement, a defendant must vindicate a claim for extending the licence to cover 'what would otherwise be separate acts of infringement.'³⁷

When the English Court of Appeal heard the appeal,³⁸ the court noted that the case involved no contract in writing³⁹ but a contract by conduct. In such a situation, the licence must be 'limited to what is in the joint contemplation of the parties at the date of the contract' and does not embrace 'new unexpected profitable opportunity.'⁴⁰ Accordingly, the court refused to accept the suggestion that the parties had intended by their conduct that the defendant had the right without further payments to make use of the claimant's photographs by including the photographs on their websites.⁴¹ The court observed that newspapers are basically ephemeral but the inclusion of the pictures into the website renders it 'a permanent and marketable record easily available world-wide' which has the potential to diminish 'the value of the further use' by the claimant of his photographs.⁴²

The ruling in *Grisbrook v MGN Ltd & Ors*⁴³ appears to be in conformity with the view expressed by Abdul Malik Ishak J in the Malaysian case of *Rock Records (M) Sdn Bhd v Audio One Entertainment Sdn Bhd*⁴⁴ as discussed earlier. It is submitted that such approach of construing the scope of the reproduction right, over which a licence is granted, does justice to both copyright owners and licensees. If a sanction to reproduce a copyright work is interpreted as authorizing

³⁷ *Supra* n 35 at para 65.

³⁸ [2010] All ER (D) 116 (Dec).

³⁹ The English Court of Appeal noted that if the dispute is whether a written licence is extended to subsequent forms of technology it depends mostly on the wording used in the licensing agreement and is not limited to the technology in the parties' contemplation at the time of making the licence: *Sick Children v Walt Disney Productions Inc* [1968] 1 Ch 52; *Senra v Famous-Lasky Film Service Ltd* (1922) 127 LT 109.

⁴⁰ The English Court of Appeal quoted Lightman J in *Robin Ray v Classic FM plc* [1998] FSR 622, para 9.

⁴¹ The defendant argued that the operation of the website was merely a further delivery of the original newspaper. The Court of Appeal agreed with this argument but noted that it did more than that since a website operates over a global area and thus its coverage greatly exceeds that could have been reached by hard copy newspapers.

⁴² *Supra* n 38 at para 38.

⁴³ *Supra* n 38.

⁴⁴ *Supra* n 31 at 212.

reproduction in all new and future media formats, it will put copyright owners in a very vulnerable position. The effect will be that once a copyright owner has given consent to the reproduction of his work in a certain media format, he will lose control over the reproduction of the same in all potential media formats, including those which the copyright owners could not have reasonably contemplated when licensing their right of reproduction.

2.3 The ‘Substantiality’ Requirement

In claiming that a digital appropriation of existing copyright works constitutes copyright infringement, it is crucial to show that the use involves either the whole or a substantial part of the copyright work.⁴⁵ This is a long-established requirement of copyright law. The same requirement is statutorily incorporated in section 13(1) of the CA 1987 which defines copyright as the exclusive right to control certain acts, such as reproduction, distribution or communication to the public, of ‘the whole work, or a substantial part thereof’. This is in accordance with the *de minimis* rule under which the courts take no account of trifles. If only an insubstantial part of the copyright work has been utilized without consent it will not be held as infringing copyright. However, there has never been a clearly defined line between acceptable minimal use and infringing substantial use of a copyright work under the existing law. As established by the law, the meaning of ‘substantial’ is a question of fact and degree.⁴⁶

⁴⁵ ‘It would be defective law which denied relief to a copyright owner unless the infringer had made a precise imitation of the whole of the work.’ See Laddie, et al. *The Modern Law of Copyright and Designs*. (3rd ed.) London, Edinburgh & Dublin: Butterworths, 2000, at para 3.130.

⁴⁶ *Chatterton v Cave* (1878) 3 App Cas 483 at 498, HL.

2.3.1 Digital Sampling

The advent of digital technologies has raised new challenges to this already problematic question on the extent of legally acceptable use of copyright works. Sampling of sound recordings is one example of those concerns.⁴⁷ The question of copyright infringement in relation to sampling revolves around whether the inclusion into a new work of a short segment of a pre-existing copyright work constitutes a substantial part of the pre-existing sound recording and of the underlying copyright works.⁴⁸

In *Bridgeport Music, Inc. v Dimension Films*⁴⁹ the dispute was over the use of a sample from the composition and sound recording in a rap song.⁵⁰ The segment copied from the sound recording was three notes which were played repeatedly at the opening of the recording.⁵¹ The district court found that the use was *de minimis* since the sampling in the case did not ‘rise to the level of a legally cognizable appropriation’⁵² The district court granted summary judgement in favour of the defendant. One of the plaintiffs, Westbound Records, Inc. appealed on the ground that the question of substantiality should not be considered at all when the defendant did not dispute that it digitally sampled a sound recording.

⁴⁷ Professor Fitzgerald and O’ Brien stated that new digital technologies and the Internet have brought great potential for ‘remix’ such as cutting, pasting, mashing, sampling etc. See Fitzgerald, B. & O’Brien, D., ‘Digital Sampling and Culture Jamming in a Remix World: What Does the Law allow?’, *Media and Arts Law Review* 10(4), 2005: 279-298, 6 November 2015 <http://eprints.qut.edu.au/3687/1/3687.pdf>.

⁴⁸ Sterling pointed out that sampling involves two main copyright issues. First, whether a substantial part of pre-existing material has been used without authorization and thus possibly constitute an infringement. Second, does the new production qualify for a distinct copyright. See Sterling, J. A. L., *Intellectual Property Rights in Sound Recordings, Films and Video*. London: Sweet & Maxwell, 1992, at para 4.14. There could also be an infringement of the concerned performers’ rights under section 16A of the CA 1987 as well as issues in relation to authors’ moral rights under section 25 of the CA 1987. However, the present discussion focuses only on copyright issues in relation to sound recordings, musical works and literary works in the form of lyrics.

⁴⁹ 410 F.3d 792 (6th Cir. 2005).

⁵⁰ The composition and sound recording was ‘Get Off Your Ass and Jam’ while the rap song was ‘100 Miles and Runnin’ which was included in the sound track of the movie ‘I Got the Hook Up’.

⁵¹ The district court described the sample in the following words: ‘The rapidity of the notes and the way they are played produce a high-pitched, whirling sound that captures the listener’s attention and creates anticipation of what is to follow.’ See *Bridgeport Music v Dimension Films* 230 F.Supp.2d 830 (M.D.Tenn. 2002) at 839.

⁵² *Id* at 841. The district court found that no reasonable person without being informed of the source would recognize the source of the sample in dispute. The district court’s decision was supported further by the findings on the small quantity of copying involved and the lack of qualitative similarities between the sample and the copyright work. Thus, the district court held that the plaintiffs would not succeed on the claim of copyright infringement.

The relevant statutory provisions on copyright in sound recordings are found in section 114 of the 17 USC. Section 114(a) of the 17 USC provides that the exclusive rights in relation to sound recordings are the right of reproduction,⁵³ the right of preparing derivative works⁵⁴ and the right of distribution.⁵⁵ Section 114(b) imposes further limits on the right to prepare derivative works by stating that such right covers only circumstances where ‘the actual sounds fixed in the sound recording are rearranged, remixed, or otherwise altered in sequence or quality’. It also clarifies that the rights of reproduction and preparing derivative works of a copyright owner in a sound recording do not extend to ‘the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.’⁵⁶

In hearing the appeal, the US Court of Appeals for the Sixth Circuit first held that the analysis used to decide infringement of a musical composition copyright was not to be used to determine infringement of a sound recording.⁵⁷ Next, the court held that section 114(b) of the 17 USC expressly excluded a sound recording’s copyright owner from enjoying rights to control ‘the making or duplication of another sound recording that consists “entirely” of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording’. This means ‘a recording containing any sounds of another recording would constitute infringement’. Thus, the court concluded that ‘any unauthorized use of a digital sample taken from another’s copyrighted recording would be an infringement of the copyrighted

⁵³ Section 106(1) of the 17 USC. The reproduction right in relation to a sound recording is restricted to ‘the right to duplicate the sound recording in the form of phonorecords, or of copies of motion pictures and other audiovisual works, that directly or indirectly recapture the actual sounds fixed in the recording’: section 114(b) of the 17 USC.

⁵⁴ Section 106(2) of the 17 USC.

⁵⁵ Section 106(3) of the 17 USC.

⁵⁶ Section 114(b) of the 17 USC. A similar position is observed in Australia where the Federal Court held in *CBS Records Australia Ltd & Ors v Telmark Teleproducts (Aust) Pty Ltd* (1987) 72 ALR 270; (1988) 79 ALR 604 that it must be a duplicate containing the exact sounds of the sound recording to be an infringing copy.

⁵⁷ *Supra* n 49.

recording'. Besides, the court also found that a digital sample was a derivative work and thus infringed the sound recording copyright owner's right to produce derivative works despite the fact that the use involved might be *de minimis*.

The court opined that section 114(b) of 17 USC made it the exclusive right of a copyright owner of sound recording to 'sample' the sound recording. The court gave a few reasons to support the judgement. First, one should get a licence to sample and this requirement of getting a licence to sample would not stifle creativity significantly.⁵⁸ Second, the mechanism of market will ensure a fair licence price is fixed. Third, sampling is always intentional. The court was of the view that any part taken in sampling was valuable. The court stated, 'No further proof of that is necessary than the fact that the producer of the record or the artist on the record intentionally sampled because it would (1) save costs, or (2) add something to the new recording, or (3) both.'

It should be borne in mind that sampling also involves the question of copyright infringement of the underlying musical or literary work, which calls for the application of the *de minimis* rule. Accordingly, it is ironical for the question not to be considered at all in relation to sound recordings. This is especially so when one considers that traditional copyright works such as literary or musical works enjoy greater protection under copyright laws as compared to neighbouring rights like sound recordings, for instance, in terms of copyright duration. By precluding the *de minimis* rule from consideration in relation to sound recordings, the decision in

⁵⁸ In 1992 Island Records and Warner-Chappell Music sued a band, Negativland, and SST Records Ltd for the unauthorized and unattributed sampling of U2's song. The band was forced to settle by paying the plaintiffs \$25,000 and half of the proceeds since it could not afford the costs of litigation. See Rimmer, M., 'The Grey Album: Copyright Law and Digital Sampling', Media International Australia Incorporating Culture and Policy, Feb. 2005: 40-53, 6 November 2015, http://works.bepress.com/matthew_rimmer/16. In another case, *Grand Upright Music Ltd v Warner Brothers Records, Inc.* 780 F.Supp. 182 (SDNY 1991), the real issue of the case centred on ownership of the sound recording and not sampling. Nonetheless, the court remarked that the defendants 'knew they were violating the plaintiff's rights' by not getting a proper licence (at 184-185). The case was well-known for its opening statement, 'Thou shalt not steal.' (at 183).

Bridgeport Music effectively conferred broader protection over sound recordings than that over the underlying literary or musical works.⁵⁹

In rejecting the *de minimis* rule with regard to sound recordings in sampling cases, *Bridgeport Music* has, in effect, defeated an important mechanism under copyright law which helps to maintain a fair balance of interests between copyright owners and subsequent creators. Sampling is undoubtedly a practice which makes use of pre-existing sound recordings but its ultimate object is to create a new work out of the portions taken from different and various pre-existing sound recordings. The strict approach may have the potential of stifling creativity which the digital technologies could offer especially in respect of amateur or new artists who cannot afford the licensing fees.⁶⁰

From the Malaysian position, section 13(1) of the CA 1987 provides for the exclusive rights of sound recordings copyright owners in the same manner as those of literary or musical works, with reference to acts performed in relation to ‘the whole work or a substantial part thereof’. It is very clear that the substantiality requirement is statutorily incorporated with respect to both literary or musical works and sound recordings under the Malaysian copyright law. It follows therefore that the approach in the case of *Bridgeport Music* is not applicable in Malaysia.

The difficult copyright issues with regard to the practice of sampling were recognized by the authors of *Copinger and Skone James on Copyright*⁶¹ since ‘a very small and musically

⁵⁹ Somoano commented that ‘In essence, by excluding the use of *de minimis* doctrine, and by characterizing the alleged infringing work in sound recording sampling cases as a derivative work, the *Bridgeport* court grants to sound recording copyright owners a stronger right to prepare derivative works than it does to musical composition copyright owners. The court does not provide any justification for these disparate levels of protection, stating only that a digital sample fits the definition of a derivative work for a sound recording, “a rearranged, remixed, or otherwise altered in sequence or quality”.’ Somoano, M. L., ‘Note: *Bridgeport Music, Inc. v Dimension Films: Has Unlicensed Digital Sampling of Copyrighted Sound Recordings Come to an End?*’, 21 *Berkeley Tech. L. J.* 289 at 304.

⁶⁰ Scheietinger, John, ‘*Bridgeport Music, Inc v Dimension Films: How the Sixth Circuit Missed a Beat on Digital Music Sampling*’, 55 *DePaul L. Rev* 209 (2005-2006), 233. See also Baroni, Michael L, ‘A Pirate’s Palette: The Dilemmas of Digital Sound Sampling and a Proposed Compulsory License Solution’, 11 *U Miami Ent & Sports L Rev* 65 (1993) 93.

⁶¹ Garnett, K., Davies, G. & Harbottle, G. *Copinger and Skone James on Copyright* (15th ed), London: Sweet & Maxwell, 2005.

unexceptional part of a recording of a popular piece of music may yet be instantly recognizable.’⁶² The learned authors suggested that the rule ‘what is worth copying is worth protecting’ should be applied in relation to sampling. However, as correctly pointed out by the authors of *The Modern Law of Copyright and Designs*,⁶³ the words ‘rough’ and ‘prima facie’ in the phrase ‘rough practical test that what is worth copying is prima facie worth protection’⁶⁴ should be given due attention ‘for otherwise the proposition obviously proves too much’.⁶⁵

Essentially, the question whether digital sampling constitutes an infringement depends on ‘substantiality’ of the portion sampled. The Malaysian court in *Longman Malaysia Sdn Bhd v Pustaka Delta Pelajaran Sdn Bhd*⁶⁶ applied the three factors listed by Ricketson in *The Law of Intellectual Property*⁶⁷ in determining the substantiality requirement. First, the originality, that is, the skill or labour of the author, of the part taken has to be considered.⁶⁸ Second, whether the defendant shared the same purpose as the plaintiff in taking the relevant part. Third, whether such use by the defendant’s affected the sale of the original work.

The first factor when applied in relation to musical works would take into consideration the skill or labour of the music author of that particular portion.⁶⁹ In *Newton v Diamond*⁷⁰ the defendants secured a licence to sample the sound recording of the plaintiff’s performance without a licence to

⁶² *Id* at para 7-68. The authors continued, ‘Indeed, this [the recognisability of the part of a recording taken] is usually the very reason why the part has been taken and, by the repeated use of the extract, the defendant draws on the popularity of the claimant’s work to attract the public for his own benefit.’

⁶³ Laddie, et al. *The Modern Law of Copyright and Designs*. (3rd ed.) London, Edinburgh & Dublin: Butterworths, 2000, at para 3.131.

⁶⁴ As per Peterson J in *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 at 610. However, it should be noted that it was applied as a test on originality and not infringement in the case.

⁶⁵ Laddie, et al. *The Modern Law of Copyright and Designs*. (3rd ed.) London, Edinburgh & Dublin: Butterworths, 2000, at para 3.131.

⁶⁶ *Supra* n 6. The case involved a claim of copyright infringement in respect of tables and diagrams in a textbook. The court had to decide whether a substantial part of the plaintiff’s work was reproduced by the defendant.

⁶⁷ Ricketson, *The Law of Intellectual Property*. Sydney: Law Books, 1984, at paras 9.10-9.14.

⁶⁸ *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 per Lord Pearce at 293: ‘whether a part is substantial must be decided by its quality rather than its quantity.’ See also Laddie, et al., *loc.cit*.

⁶⁹ The question of ‘substantiality’ may be decided with reference to several factors, including the nature of the relevant copyright work and the objective of protecting such work. As Sackville J observed in *Nationwide News Pty Ltd & Ors v Copyright Agency Ltd* (1996) 34 IPR 53 at 71, ‘the cases concerned with substantiality in relation to works cannot necessarily be applied uncritically to allegations of infringement of published edition copyright.’ Sackville J remarked at 72, ‘In relation to a published edition, the quality of what is taken must be assessed by reference to the interest protected by the copyright. That interest, as has been seen, is in protecting the presentation and layout of the edition, as distinct from the particular words or images published in the edition.’

⁷⁰ *Supra* n 11.

use the underlying composition. The district court granted summary judgement to the defendants on the ground that no licence to use the underlying composition was necessary since the notes taken did not possess sufficient originality to attract copyright protection. Even on the assumption that it was copyrightable, such taking by the defendants was *de minimis* and thus excused.

The district court's summary judgement was affirmed by the US Court of Appeals for the Ninth Circuit on the ground that the portion taken was neither quantitatively nor qualitatively significant.⁷¹ Considered in terms of quantity the notes sampled appeared only once in the composition, whereas in terms of quality it was no more significant than any other section. One of the authorities relied on by the court was *Fisher v Dees*⁷² which held that a use is *de minimis* if the average audience would not recognize the appropriation.⁷³

If the lyrics of a song are reproduced, it will also be relevant to consider whether the part copied is substantial. In *Ludlow Music Inc. v Robbie Williams*,⁷⁴ the claimant, the copyright owner of the lyrics of the song 'I am the Way (New York Town)', sued the defendants over the latter's composition 'Jesus in a Camper Van' which included a line from the claimant's lyrics.⁷⁵ The court found that the extent of copying was substantial, although quantitatively, the defendants only copied one out of four verses. This was because the defendants' song took the central idea from the claimant's song, which the court held to be sufficient substance to amount to copyright infringement.⁷⁶

⁷¹ *Supra* n 11.

⁷² 794 F.2d 432 (9th Cir. 1986).

⁷³ The difficulty of distinguishing definitely and clearly between *de minimis* taking and infringing use was evident in *Newton v Diamond* 204 F.Supp. 2d 1244 (C.D. Cal. 2002) itself in which Graber J dissented by finding that an average audience would recognize the appropriation and thus the defendants' use was not *de minimis*.

⁷⁴ [2001] FSR 271.

⁷⁵ The defendants sought permission from the claimant and the latter was willing to grant the permission provided that it was given 50% of the copyright in the new composition on worldwide basis. The defendants offered 10% of copyright ownership instead and proceeded to produce and distribute records of the song. The claimant then sued the defendants for copyright infringement.

⁷⁶ The court reiterated the principle that substantiality of the part copied shall be considered in relation to the whole work. The court also expressed that the court is not required to act as 'an arbiter of either art merit or good taste', otherwise it may result in a form of censure by refusing copyright protection to copyright works on the ground that they lack art or moral values in the opinion of the court.

In determining the question of substantiality in relation to neighbouring rights⁷⁷ such as sound recordings, the approach should differ from that in deciding substantiality in relation to literary, musical or artistic works due to the differences in the nature of the subject matter and the interest being protected in them by copyright. Hence, the rule that reproduction of a portion which is not original will not usually be regarded as a substantial reproduction was held to be inapplicable to neighbouring rights in *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd & Ors*.⁷⁸ It is submitted that in respect of sound recordings, the factors such as the nature of sound recordings and the objective of protecting them should be considered. As Sackville J observed in *Nationwide News Pty Ltd & Ors v Copyright Agency Ltd*, ‘the quality of what is taken must be assessed by reference to the interest protected by the copyright’.⁷⁹

Therefore, it is crucial to identify the interest being protected in a sound recording. Section 3 of the CA 1987 defines ‘author’ in relation to sound recordings as ‘the person by whom the arrangements for the making of the ... recording were undertaken’ and ‘sound recording’ as any fixation of a sequence of sounds or of a representation of sounds capable of being perceived aurally and of being reproduced by any means’. It was held in *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd & Ors*⁸⁰ that the question of substantiality in relation to a television broadcast is to be considered with regard to the ‘cost and skill in assembling or preparing and transmitting programmes to the public’. Given the similar nature of broadcasts and sound recordings being neighbouring rights, and when read together with the definition of ‘author’ of sound recordings, it

⁷⁷ They are films, sound recordings, broadcasts and published editions of works: see sections 7(1) and 9 of the CA 1987.

⁷⁸ [2005] FCAFC 53. Hely J observed at para 55 that ‘... originality is not a touchstone for the assessment of substantiality as originality forms no part of the identification of the interest protected by the copyright. For that reason, the notion that reproduction of non-original matter will not ordinarily involve a reproduction of a substantial part of a copyright work can have no application in the case of Part IV copyright [that is, other than literary, musical and artistic works.]’

⁷⁹ *Supra* n 69 at 72.

⁸⁰ *Supra* n 78.

is submitted that the interest being protected by copyright in sound recordings refers to the cost and skill in arranging for the making of the fixation of the sound recordings.

It is a question of fact depending on the circumstances of each case, whether the cost and skill in arranging for the making of a sound recording has been exploited in such a way that it is just to regard the taking as being ‘substantial’. Even though it has always been reiterated that substantiality is a question of quality rather than of quantity, the amount of the portion taken is still a material factor to be taken into account.⁸¹ In the case of digital sampling, the quantity taken is usually not much as only short segments are reproduced. It is therefore hard to see how the quantity alone would tantamount to a ‘substantial’ part of the cost and skill in arranging for the making of the sound recordings.

If the portion taken is recognizable, the sampling in dispute may have qualitatively reproduced a substantial part of the sound recording if a strict approach on the test of qualitative importance is adopted.⁸² However, some authors have suggested that a more liberal approach on ‘substantiality’ should be applied which takes into consideration whether the portion taken has contributed to its ‘popular appeal or commercial success’.⁸³ As held by Finkelstein J in *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)*,⁸⁴ one of the factors to be taken into account is the economic significance of the reproduced portion.⁸⁵

⁸¹ Sackville J stated in *Nationwide News Pty Ltd & Ors v Copyright Agency Ltd*, *supra* n 69 at 72, ‘The quantity of the material reproduced, assessed by reference to the whole of the published edition, is relevant in determining whether what has been taken is a substantial part of the edition. But since it is the quality of the material taken that is the key issue, the quantity is not the only, nor necessarily the principal, criterion.’

⁸² *Supra* n 47.

⁸³ *Ibid.*

⁸⁴ [2005] FCAFC 54.

⁸⁵ In *Nationwide News Pty Ltd & Ors v Copyright Agency Ltd*, *supra* n 69, Sackville J also quoted *Copinger and Skone James on Copyright*, 13th ed, 1991 at 175: ‘In deciding [the quality or importance of the part taken], regard must be had to the nature and objects of the selection made, the quantity and value of the materials used, and the degree to which the use may prejudice the sale, or diminish the profits, direct or indirect, or supersede the objects of the original work ... In short, the question of substantiality is a matter of degree in each case and will be considered having regard to all the circumstances.’

The second factor proposed by Ricketson which looks at the objective of a defendant in making use of a plaintiff's work appears to be in favour of digital samplers since the purpose of taking the relevant portion is to mix it with portions derived from other sound recordings with the ultimate aim to create a new recording. The samples created are of a genre different from that of the original recordings or the underlying literary or musical works.

The third factor considers the impact of the defendant's use on the sale or market of the original work. It is submitted that the third factor also favours digital samplers because the recordings which result from the act of sampling are distinguishable aurally from the original recordings and thus very unlikely to substitute the original recordings. It is hard to see how they may substitute the original works and have adverse effect on the sale of the original works.

Apart from the three factors proposed by Ricketson, other factors may also be relevant. In the case of altered copying, as contrary to unaltered copying, it may be pertinent to ask 'whether a substantial part of the plaintiff's work survives in the defendant's so as to appear to be a copy of it.'⁸⁶ A burlesque, in the form of film, made of a novel was held to be non-infringing in *Glyn v Weston Feature*⁸⁷ as very little was reproduced from the novel. In *Joy Music v Sunday Pictorial*,⁸⁸ a parody made of a song lyric in which only a repeated phrase was used was found to be non-infringing too. Referring to both cases, Cornish and Llewelyn pointed out that the common question asked was 'whether the defendant had bestowed such mental labour on what he had taken and subjected it to such revision and alteration as to produce an original work.'⁸⁹ It is submitted that similar to parody and burlesque instances, digital samplers generally expend sufficient effort

⁸⁶ Cornish, W. & Llewelyn, D., *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (6th ed) London: Sweet & Maxwell, 2007 at para 12-09.

⁸⁷ [1916] 1 Ch 261.

⁸⁸ [1960] 2 QB 60.

⁸⁹ Cornish, W. & Llewelyn, D., *op. cit.*, para 12-10.

and labour in working on the sampled portions and transform them so as to create an original work in itself. Due regard should be given to the creativity and transformation in the derivative works ultimately produced by the defendant. All in all, it is argued that digital sampling may not constitute copyright infringement for it is unlikely that the short segments taken may tantamount to a ‘substantial’ part of the original works. To hold otherwise would be to tip the scales against freedom of creativity, particularly in the practice of digital sampling.

2.3.2 Google Books

The applicability of the substantiality requirement is also relevant in relation to Google Books. As discussed earlier, Google Books search engine produces search results in response to a user’s enquiry. In addition to bibliographic information of the relevant books⁹⁰ and links to online stores from which the books may be purchased, the search results display snippets, namely, a few lines in the books, containing the search terms entered by the user. It may be disputable as to whether the display of the snippets constitutes reproduction of a substantial part of the books.

A reference may be made to *Newspaper Licensing Agency Ltd & Other Companies v Meltwater Holding BV & Other Companies*⁹¹ in which one of the questions raised was whether an extract

⁹⁰ A title in itself is not considered a copyright work: see for instance: *Francis, Day & Hunter Ltd v Twentieth Century Fox Corp Ltd & Ors* [1939] 4 All ER 192; *Dicks v Yates* (1881) 18 ChD 76; and *Rose v Information Services Ltd* [1987] FRS 255. In *Noah v Shuba* [1991] FSR 14, the English court held that two sentences on their own did not provide ‘sufficient information, instruction or literary enjoyment to qualify as a work.’ However a list of titles may be protected by copyright as a compilation if there is sufficient effort in making the list so as to make it ‘original’: section 7(3)(a) of the CA 1987; see also *British Broadcasting Co v Wireless League Gazette Publishing Co* [1926] Ch 433; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465, [1964] 1 WLR 273. In *Algemeen Dagblad B.V. & Ors v Eureka Internetdiensten* [2002] ECDR 1 for instance, the Dutch court found that the setting of links from the defendant’s website to the claimants’ websites was not a reproduction of the news reports and articles, but the entire incorporation of the list of titles from the claimants’ homepage on the defendant’s website was a reproduction of the titles and of the list of titles. The court then found that the defendant was entitled to the exception in sections 15 and 15a of the Copyright Act 1912 of the Netherlands which dealt with reproduction by a press medium with proper indication of the source and freedom of quotation respectively. The Belgian court in *Copiepresse SCRL v Google, Inc.* [2007] ECDR 5 also thought that titles of articles may be regarded as works and thus possibly eligible to copyright protection.

⁹¹ [2010] All ER (D) 306 (Nov); [2010] EWHC 3099 (Ch). One of the defendants, Public Relations Consultants Association Ltd, appealed to the UK Supreme Court on the applicability of the temporary copy exception in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd* [2013] UKSC 18, which is discussed in Chapter 4.

taken from the article reproduced in Meltwater News, together with the headline, constituted a substantial part of the article to which they relate. The defendants in the case argued that a 256 character extract was too short and factual with the objective of giving readers a general idea of what the article was about and thus devoid of the author's intellectual creation. The court referred to and followed the decision in *Infopaq International A/S v Danske Dagblades Forening*⁹² where the Court of Justice of the European Communities (ECJ) held that the use of 'certain isolated sentences, or even certain parts of sentences in the text in question' could constitute a reproduction within the purview of Article 2 of the Information Society Directive 2001/29⁹³ (hereinafter referred to as 'the Information Society Directive') if they consist of originality or express the author's intellectual creation.⁹⁴ Accordingly, the court in *Newspaper Licensing Agency Ltd*⁹⁵ expressed that some of the extracts could amount to a substantial part of the protected works and thus prima facie constitutes copyright infringement.

The question of substantiality in relation to Google Books may be examined under the existing Malaysian copyright law with reference to the three factors adopted in *Longman Malaysia Sdn Bhd*⁹⁶ as discussed earlier. The first factor looks at the originality of the portion taken. It is noted the courts in *Infopaq International A/S* and *Newspaper Licensing Agency Ltd* determined the substantiality of the portion used by considering the author's intellectual creation, which is a standard higher than 'originality'.⁹⁷ In Malaysia, 'substantiality' should be considered with regard

⁹² [2009] All ER (D) 212 (Aug). The issue in the case was whether a search result showing a passage from the article comprising of the search term and the five words immediately before and after it, eleven words in total, amounted to a substantial part of the article for copyright infringement purposes.

⁹³ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society. Article 2 of the Information Society Directive provides for the reproduction right. It requires member states to provide for 'the exclusive right to authorize or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part' of protected works.

⁹⁴ *Supra* n 92 at paras 44-48. As commented by Hoppner, the case of *Infopaq* was concerned with only the scanning and indexing of newspapers for online services, however, the decision was phrased as such to be applicable to all types of works within the scope of the Information Society Directive. See Hoppner, T., 'Reproductions in Part of Online Articles in the Aftermath of *Infopaq* (C-5/08): Newspaper Licensing Agency Ltd v Meltwater Holding BV [2010] EWHC 3099 (Ch)', [2011] 33 EIPR Vol. 5, p. 331.

⁹⁵ *Supra* n 91.

⁹⁶ *Supra* n 6. The three factors were listed by Ricketson: see Ricketson, *loc. cit.*

⁹⁷ Section 7(3)(a) of the CA 1987.

to originality of the portion used, which refers to sufficiency of effort being expended in the creation. It may weigh against Google if the extracts it displays in the search results show the necessary originality. This is a question of fact which is to be decided on a case-by-case basis.

The second factor considers the purpose of the defendant in taking the portion. In the case of Google Books, the snippets shown in the search results offer users the information and nature of the relevant books so as to assist them in determining whether the books are of relevance to them. Besides, Google search results display the links to bookstores where the books may be purchased should the users find the books pertinent and may thus wish to get a copy, as well as links to libraries where the books may be available. Obviously the use of snippets by Google is intended to provide bibliographic information of the relevant books, instead of offering substitutes for the books, and thus its object differs from that of the book authors. The second factor should therefore weigh in favour of Google.

The third factor takes into account the impact of the defendant's use on the sale of the original work. As stated earlier, Google Books' search results come together with the links to bookstores from which the relevant books may be bought. This will promote the sale of the books instead of interfering with it. It is submitted that the third factor should find favour with Google too despite the fact that Google does derive significant and real revenue from advertising on the web pages. Copyright owners may claim, and in fact they have done so, that it is a commercial exploitation of their works and thus they should be compensated. This points to an aspect of the existing copyright laws that calls for a thorough contemplation: should copyright owners be given the exclusive right to control every possible exploitation of their works in future regardless of the fact that they may not venture into the new business model or the new exploitation is impossible without involving many other works as in Google Books. It is clear that such a project as Google Books requires

substantial financial investment, effort, skill and manpower. As such, it is very unlikely to be undertaken by any individual copyright owner.

The extent of the monopoly enjoyed by copyright owners depends on the scope of the exclusive right conferred by copyright law to control certain acts in relation to copyright works. As discussed earlier, it may be crucial to re-consider the scope of ‘reproduction’ in the digital environment since nothing may take place without the making of a copy. The court in *Infopaq International A/S*⁹⁸ held that the use of even certain parts of sentences could constitute a reproduction and this was followed in *Newspaper Licensing Agency Ltd.*⁹⁹ Such approach illustrates a rather broad interpretation on the scope of ‘reproduction’ and a stricter approach in respect of the *de minimis* rule, which has the effect of expanding significantly the rights enjoyed by copyright owners. The application of the same in relation to Google Books may result in the loss of a valuable and useful tool for the public to search and access information and knowledge.

2.4 The Fair Dealing Exception in Section 13(2)(a) of the CA 1987

2.4.1 The Copyright (Amendment) Act 2012

Digital appropriation may infringe copyright if it is found that either the whole or a substantial part of an original copyright work has been used or reproduced unless it comes under the shelter of any of the statutory exceptions under the CA 1987. However, in some instances of digital appropriation which do not tantamount to mere copyright piracy, difficulties may arise in determining whether the exceptions apply.

⁹⁸ *Supra* n 92.

⁹⁹ *Supra* n 91.

Prior to the Copyright (Amendment) Act 2012,¹⁰⁰ section 13(2) of the CA 1987 implemented a closed system of exceptions under which an act is not an infringement of copyright if it falls within any of the situations specifically listed and provided therein. Any act which does not come within the ambit of any of the exceptions will be deemed copyright infringement provided all elements of copyright infringement are satisfied. Prior to the amendment, each exception as provided in section 13(2) is tied to a particular purpose and certain requirements; for instance, an act done for the purpose of private study must also be conducted in a fair manner and accompanied by a proper acknowledgement.¹⁰¹ This means a ‘fair’ conduct may nonetheless be expelled from the closed system of statutory exceptions if it does not meet any of the requirements imposed for the relevant exception.

The Copyright (Amendment) Act 2012 introduced several amendments of pertinence to the fair dealing exception as provided in section 13(2)(a) of the CA 1987. One of them is the insertion of the word ‘including’ before the phrase ‘for purposes of research,¹⁰² private study, criticism, review or the reporting of news¹⁰³ or current events’ in the sub-section.¹⁰⁴ Besides, a new subsection (2A),¹⁰⁵ which is basically modelled on section 107 of the 17 USC, has also been incorporated into

¹⁰⁰ Act A1420 which was gazetted on February 9, 2012 and came into force on March 1, 2012 via the notification PU(B) 58 of 22/2/2012.

¹⁰¹ See section 13(2)(a) of the CA 1987.

¹⁰² Prior to the Copyright (Amendment) Act 2012, section 13(2)(a) provided for the fair dealing for purposes of ‘non-profit research’. A person who was engaged in a research for commercial profits may thus be unable to qualify for the exception under the then law. With the removal of the phrase ‘non-profit’ section 13(2)(a) is now available to anyone who conducts a research, whether for profit or not, provided all other requirements are satisfied. This will place the position in Malaysia similar to that in Canada in which section 29 of the Canadian Copyright Act provides, ‘Fair dealing for the purpose of research or private study does not infringe copyright.’ The Canadian Supreme Court in *CCH Canadian Ltd v Law Society of Upper Canada* 2004 SCC 13; [2004] 1 SCR 339 held that ‘research’ must be interpreted liberally in order to ensure that users’ rights are not unduly constrained and research is not limited to non-commercial or private contexts (at para 51).

¹⁰³ The Copyright (Amendment) Act 2012 included ‘news’ as the subject matter of reporting, in addition to ‘current events’.

¹⁰⁴ The Copyright (Amendment) Act 2012 has also amended section 13(2)(a) by making an acknowledgement of the title of the work and its authorship compulsory regardless of whether or not the use is public. The law before the amendment required an acknowledgement only if the use is public. The previous exception to the requirement of a proper acknowledgement has also been restricted by the Copyright (Amendment) Act 2012 by making the exception available only in cases where the reporting of news or current events by means of sound recording, film or broadcast is involved. Previously, the exception was applicable to the doing of any act ‘for the purposes of non-profit research, private study and the reporting current events by means of a sound recording, film or broadcast.’

¹⁰⁵ The Copyright (Amendment) Act 2012 inserted into section 13 this new sub-section which reads, ‘For the purposes of paragraph (2)(a), in determining whether a dealing constitutes a fair dealing, the factors to be considered shall include – (a) the purpose and character of the dealing, including whether such dealing is of a commercial nature or is for non-profit educational purposes; (b) the nature of the copyright work; (c) the amount and substantiality of the portion used in relation to the copyright work as a whole; and (d) the effect of the dealing upon the potential market for or value of the copyright work.’

section 13 of the CA 1987. The new subsection (2A) lists four factors among the matters to be taken into account in determining whether a use or dealing is fair.¹⁰⁶

The scope of section 13(2)(a) of the CA 1987, as it was before the Copyright (Amendment) Act 2012, was considered by the High Court in *MediaCorp News Pte Ltd & Ors v MediaBanc (JB) Sdn Bhd & Ors*.¹⁰⁷ Nalini Pahmanathan J observed that,

‘The section is drafted so as to specify with particularity the only circumstances or occasions of use which would qualify for exemption, namely non-profit research, private study, criticism, review or the reporting of current events. The section does not provide for a broad and unspecified category of acts of “fair dealing” or use, of which the circumstances of non-profit research, private study, criticism, review or the reporting of current events provide some specific examples. This is evident from the fact that the words “fair dealing” are immediately qualified by the words “for the purposes of” and followed by the specific events or circumstances in which copyright control is precluded.’¹⁰⁸

The High Court in *MediaCorp News Pte Ltd & Ors* compared the fair dealing exception before the 2012 amendment to the 17 USC and noted that the various purposes set out under the latter ‘are referred to as examples of fair use but do not serve to provide the defining limits for “fair dealing”, unlike the Act in Malaysia. To that extent the definition of “fair dealing” in that jurisdiction is

¹⁰⁶ The four factors are not exhaustive in view of the word ‘include’ as found in the new subsection (2A) of the CA 1987, which is similar to that under section 107 of the 17 USC. As the US Supreme Court observed in *Sony v Universal City Studios, Inc.* 464 US 417 at p. 476, “No particular weight, however, was assigned to any of these [the factors listed in s 107 of the 17 USC], and the list was not intended to be exclusive.”

¹⁰⁷ [2010] 5 MLJ 562.

¹⁰⁸ In *Pro Sieben Media AG v Carlton UK Television Ltd* [1998] FSR 43 Laddie J stated that the fair dealing provisions of the UK Copyright, Designs and Patents Act 1988 “...are not to be regarded as mere examples of a general wide discretion vested in the courts to refuse to enforce copyright where they believe such refusal to be fair and reasonable”. See also *Beloff v Pressdram Ltd & Anor* [1973] 1 AER 241 in which Ungood Thomas J observed that the defence of fair dealing in section 6 of the previous UK Copyright Act 1956 was ‘directed to and consequently limited to and be judged in relation to the approved purposes. It is dealing which is fair for the approved purposes and not dealing which might be fair for some other purpose or fair in general.’ Relying on the two authorities, the High Court of Malaysia in *MediaCorp News Pte Ltd* stated that, ‘It is therefore clear that under the Act [before the Copyright (Amendment) Act 2012] fair dealing is qualified by the purpose for which such dealing is done, namely non-profit research, private study, criticism, review or the reporting of current events.’ (at para 206).

considerably wider than in Malaysia under the Act.’¹⁰⁹ The court then concluded that the CA 1987 did not allow for fair dealing to be assessed by considering a broad category of circumstances and ascertaining whether those circumstances conform to a set of statutory guidelines. On the contrary, fair dealing under the CA 1987 was confined to ‘fair dealing’ for the prescribed purposes set out in section 13(2)(a) and no more.¹¹⁰

The Copyright (Amendment) Act 2012 has converted section 13(2)(a) into a provision akin to that of the 17 USC. This is strengthened by the introduction of the new subsection (2A), which is worded in very similar terms as section 107 of the 17 USC, providing four factors that will guide a court in determining whether an act is fair. Section 107 of the 17 USC, before listing the four factors, provides that ‘Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.’¹¹¹ In view of the closely resembling provisions of the 17 USC and the CA 1987, it may be argued that the insertion of the word ‘including’ before the prescribed purposes has opened up the initially closed system of fair dealings in Malaysia since the word ‘including’ should mean that the purposes of research, private study, criticism, review or the reporting of news or current events are merely some examples of the purposes which are deemed ‘fair’.

Nonetheless, it remains to be seen as to how broad the ambit of section 13(2)(a) is and, clearly, this would depend on the approach which the courts will employ in construing the section. The insertion of the word ‘including’ into section 13(2)(a) may also be interpreted in an alternative

¹⁰⁹ *Supra* n 107 at para 211.

¹¹⁰ *Id* at para 213. Nalini Pahmanathan J described the fair dealing in the then section 13(2)(a) as ‘a fairly narrow exception to the prohibition against the infringement of copyright’ (at para 211).

¹¹¹ Section 106 of the 17 USC provides for copyright owners’ exclusive rights while section 106A provides for authors’ moral rights.

way. Applying the *ejusdem generis* rule,¹¹² any purpose of a fair dealing in section 13(2)(a) should be of the same general nature or kind of the specified purposes. In other words, a fair dealing should have a purpose similar in nature to ‘research, private study, criticism, review or the reporting of news or current events’ if a restrictive approach is adopted in construing section 13(2)(a). Even if a court elects to apply a restrictive approach to interpret section 13(2)(a), the scope of the section has undoubtedly been widened by the Copyright (Amendment) Act 2012 as the purpose of a defendant in the doing of a claimed fair dealing is no longer confined to research, private study, criticism, review or the reporting of news or current events.

2.4.2 Digital Sampling

As argued earlier, digital sampling should be excused under the *de minimis* rule in view of the relatively small portion being used as compared to the original sound recording or the underlying musical work. However, if the portion taken by a sampler is found by the court to be ‘substantial’, that sampling will constitute copyright infringement unless it falls within any of the statutory exceptions under section 13(2) of the CA 1987. A possible exception to be considered is the fair dealing exception in section 13(2)(a) of the CA 1987.¹¹³

If a restrictive approach is adopted in interpreting section 13(2)(a), the application of the subsection to digital sampling may be fraught with difficulties. Applying the *ejusdem generis* rule, digital sampling may appear to be of a different nature or class as compared to the specified

¹¹² The *ejusdem generis* rule means that ‘where general words follow an enumeration of persons or things, by words of a particular and specific meaning, such general words are not to be construed in their widest extent, but are to be held as applying only to persons or things of the same general kind of class as those specifically mentioned.’ See ‘Ejusdem generis’, *Black’s Law Dictionary Free Online Legal Dictionary 2nd Ed.*, 19 November 2015 <http://thelawdictionary.org/ejusdem-generis/>.

¹¹³ Depending on the facts and circumstances of each case, other exceptions may also be applicable such as if the act is by way of parody under section 13(2)(b) or the inclusion of a work where the inclusion is by way of illustration for teaching purposes under section 13(2)(f). However, it should be noted that digital sampling may not constitute parody or be performed for teaching purposes in every case.

purposes, namely, research, private study, criticism, review or the reporting of news or current events which apparently tilt in favour of the interests of learning and public access to information. In contrast, the main interest served by digital sampling is freedom of expression and creativity. Arguably, digital sampling does not belong to the same general kind or class as that of the specified purposes in section 13(2)(a). It follows therefore digital sampling may not qualify as a fair dealing in the context of section 13(2)(a) at all if a restrictive interpretation of the sub-section is adopted .

On the other hand, if a liberal approach is adopted in construing section 13(2)(a), it may be argued that the insertion of ‘including’ has the effect of rendering the fair dealing exception in section 13(2)(a) no longer limited to the specified purposes. Accordingly, it may be argued that since digital sampling encourages freedom of creativity and promotes the production of more works it is in the public interest to regard it as a fair dealing. A reference may be made to the Canadian Supreme Court’s liberal approach in construing the listed purposes of fair dealing in *CCH Canadian Ltd v Law Society of Upper Canada*¹¹⁴ in which it was stated that the purposes ‘should not be given restrictive interpretation’ as to avoid undue restriction on users’ rights.¹¹⁵ The Canadian Supreme Court was more concerned with the ‘real purpose or motive in using the copyrighted work’.¹¹⁶

Assuming digital sampling is accepted as a permitted purpose for the exception in section 13(2)(a) there are still a number of factors to be considered in determining the ‘fairness’ of this practice, including the purpose and character of the dealing as provided in section 13(2A)(a). As was held by the US Supreme Court in *Campbell v Acuff-Rose Music, Inc.*,¹¹⁷ in considering the purpose and

¹¹⁴ 2004 SCC 13; [2004] 1 SCR 339.

¹¹⁵ *Ibid* at para 54.

¹¹⁶ *Ibid*.

¹¹⁷ 510 U.S. 569 (1994).

character of the use, the examination should concentrate on ‘whether the new work merely supersedes the objects of the original creation, or whether and to what extent it is “transformative”, altering the original with new expression, meaning, or message.’¹¹⁸ Digital sampling, by its nature, does not merely supersede the objects of the original sound recordings or musical works. It is a practice whereby brief segments are sampled from different sound recordings and altered or manipulated so as to produce a remix which is always significantly distinguishable from the original sound recordings or musical works. It does result in the creation of a new sound recording which may sufficiently illustrate the requisite level of transformative-ness.

The factor in section 13(2A)(a) also includes the consideration of ‘whether such dealing is of a commercial nature or is for non-profit educational purposes’, which may operate against a digital sampler as most of the samplings are used in commercial settings.¹¹⁹ Nonetheless, the US Supreme Court in *Campbell v Acuff-Rose Music, Inc.*¹²⁰ found the Court of Appeals for the Sixth Circuit had erred in holding that every commercial use of copyright work is presumptively unfair.¹²¹ As expressed by the US Supreme Court, ‘The more transformative the new work, the less will be the significance of other factors, like commercialism, that may weight against a fair use.’¹²² This clearly shows that a commercial use of pre-existing copyright works should not in itself preclude such act from the shelter of fair use. In fact, the consideration of commerciality does not help much since, as rightly found by the court in *Infinity Broad. Corp. v Kirkwood*, ‘most secondary uses of copyrighted material... are commercial.’¹²³ As applied to digital sampling which demonstrates a high degree of transformative, it is submitted that commerciality of use should be of little bearing.

¹¹⁸ *Ibid* at 579.

¹¹⁹ In the circumstances where a person samples for non-commercial purposes such as for private or domestic use, this factor should not operate against the digital sampler.

¹²⁰ *Supra* n 117.

¹²¹ It was held that the appellant’s song ‘Pretty Woman’ was a parody that made fair use of the respondent’s ‘Oh Pretty Woman’.

¹²² *Supra* n 117 at 579.

¹²³ 150 F.3d 104 (2d Cir. 1998) at 109.

The other factor to be considered is the nature of the copyright works in question as provided in section 13(2A)(b) of the CA 1987. It is the general rule that copyright law tolerates a use made of factual works more than that of creative works. This is likely to weigh against digital samplers in view of the fact that the underlying musical works and sound recordings are creative works. However, this is not conclusive as demonstrated in *Campbell v Acuff-Rose Music, Inc.*¹²⁴ where a parody was held to qualify as a fair use despite the fact that the original copyright work involved was a musical work, which was a creative work.

Section 13(2A)(c) of the CA 1987 also requires the amount and substantiality of the portion used to be considered in relation to the copyright work as a whole. This factor should favour digital samplers since the portion used is usually minimal. As Somoano observed, ‘it would be difficult to ever conclude that such a minimal taking also constituted the “heart of the original work”’.¹²⁵

Lastly, section 13(2A)(d) requires ‘the effect of the dealing upon the potential market for or value of the copyright work’ to be taken into account. The factor will favour the digital sampler if the work he produces does not compete or interfere with the sale of the original copyright work. Somoano was of the view that ‘Where the two works are from different genres, this factor should weigh in favour of the defendant, as the new work will probably not impact the market for the original if the audiences for each genre do not overlap.’¹²⁶ However, as was held in *Campbell v Acuff-Rose Music, Inc.*,¹²⁷ markets to be considered could be those in existence as well as the prospective ones either for the original or derivative works that the copyright owners might

¹²⁴ *Supra* n 117 at 586-587.

¹²⁵ *Supra* n 59 at 307.

¹²⁶ *Ibid.*

¹²⁷ *Supra* n 117 at 591.

develop or authorize others to develop. Original copyright owners may thus claim that they should enjoy the rights to withhold or grant licences to sample their works.

It should be borne in mind that the resulting digital samples typically do not and are not intended to replace the original copyright works. An analogy may be drawn with the case of *Kelly v Arriba Soft Corp.*¹²⁸ in which the US Court of Appeals for the Ninth Circuit found that the lower resolution thumbnail images did not infringe the copyright owner's potential to license its images since the original images in high quality format could only be obtained from the copyright owner. The same may be said in respect of digital sampling which will not replace the original copyright works and the latter, in full, may be obtained only from the copyright owners.

Considered as a whole, digital sampling is likely to be regarded as 'fair' under section 13(2)(a) of the CA 1987. The real problem may, however, lie in the scope of the permitted purposes as discussed earlier.

2.4.3 Google Books

In contrast to the digital sampling scenario discussed above, it is arguably less problematic for Google Books to fall within the permitted purposes under the current section 13(2)(a) of the CA 1987. Even if the *ejusdem generis* rule is adopted in interpreting the scope of the permitted purposes, Google Books may still fall within the same general kind or class as 'research, private study, criticism, review or the reporting of news or current events.' The availability of a helpful search engine on books in particular promotes greater access to information and knowledge. Such

¹²⁸ 336 F. 3d 811 (9th Cir. 2003).

purpose is of a similar, if not the same, nature or kind as the specified purposes in section 13(2)(a) since all the prescribed purposes encourage learning and access to information.

However, it remains a question whether such act is likely to be regarded as a ‘fair dealing’, which depends largely on the four factors in section 13(2A). As discussed earlier, the first factor which is ‘the purpose and character of the dealing, including whether such dealing is of a commercial nature or is for non-profit educational purposes’¹²⁹ emphasizes much on the degree of transformative in a defendant’s new work.¹³⁰ The presence of a high degree of transformative will negate the effect of commercialism of the defendant’s use.¹³¹ Obviously, the copyright works used in Google Books are not altered or otherwise transformed and hence this factor may operate against Google.

Questions may be raised as to whether the copyright work at issue itself must be transformed; or whether a new and novel way of utilizing the work, despite the fact that the work is presented entirely in its original manner, could nonetheless meet the transformative requirement.¹³² The US case of *Sony v Universal City Studios, Inc.*,¹³³ where the issue of whether home time-shifting enabled by the Betamax video recorders was a fair use arose, offered an example of a use in which copyright works were wholly presented in the original manner but such an act was held by the Supreme Court as a fair use. The potential benefits to the copyright owners themselves whereby more people will watch their broadcasts and the fact that time shifting enhances public access to

¹²⁹ Section 13(2A)(a) of the CA1987.

¹³⁰ *Supra* n 117.

¹³¹ *Ibid.*

¹³² Leval observed that, ‘The use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test; ... it would merely ‘supersede[] the objects’ of the original. If, on the other hand, the secondary use adds value to the original – if the quoted matter is used as a raw material, transformed in the creation of new information, new aesthetics, new insights and understandings – this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.’ Leval, P. N., ‘Toward A Fair Use Standard’, 103 Harv. L. Rev. 1105 (1990).

¹³³ *Supra* n 106.

freely broadcast television programs which in turn produces societal benefits were acknowledged by the court. These facts contributed to the finding of fair use in *Sony*.¹³⁴

Likewise, in *Kelly v Arriba Soft Corp.*¹³⁵ a search engine on images was held to be engaged in a fair use despite the fact that there was no transformative ‘touch’ effected on the original images.¹³⁶ In *Perfect 10, Inc. v Amazon.com, Inc.*¹³⁷ where Google was also sued for the copying of images performed by its search engine, the Court of Appeals for the Ninth Circuit found the defendant’s use of thumbnails was highly transformative. The court opined that ‘a search engine provides societal benefit by incorporating an original work into a new work, namely, an electronic reference tool.’¹³⁸ The fact that the whole of the plaintiff’s images were included into the plaintiff’s search results did not reduce the degree of transformative of the defendant’s use.¹³⁹

In *The Authors Guild, Inc. v Google, Inc.*,¹⁴⁰ Judge Chin in considering the application of the fair use defence to Google Books held that Google Books is transformative because ‘it has transformed book text into data for purposes of substantive research’, such as data mining and text mining.¹⁴¹ Google Books has enabled new use of the works. It was found that the project ‘adds value to the original’ and permits ‘the creation of new information, new aesthetics, new insights and understandings’.¹⁴²

¹³⁴ *Ibid.*

¹³⁵ *Supra* n 128.

¹³⁶ Gervais is of the view that in considering the degree of transformative the focus should be on the changes effected to the original work including creative re-contextualization and not simply a change in the method of disseminating the new work. See Gervais, D., ‘The Tangled Web of UGC: Making Copyright Sense of User-Generated Content’, 11 Vand. J. Ent. & Tech. L. 841.

¹³⁷ 508 F3d 1146 (9th Cir. 2007). See also the District Court’s decision in the case as reported in 416 F. Supp 2d 828 (C. D. Cal. 2006).

¹³⁸ *Id* at 1165.

¹³⁹ The district court had earlier ruled that the defendant’s use of thumbnails was less transformative because it replaced the plaintiff’s right to sell reduced-size images for mobile use. However, the Court of Appeals for the Ninth Circuit found no evidence that the defendant’s thumbnails superseded the cell phone downloads since there was no finding of any actual downloads for mobile uses. *Id* at 1166.

¹⁴⁰ *Supra* n 26.

¹⁴¹ *Id* at 20.

¹⁴² *Id* at 21 quoted Leval, *loc. cit.*

It is submitted that the capability of scanned books to be searchable through the use of Google Books may enhance public access to bibliographic information of books and thus yields societal benefits.¹⁴³ As such, it should qualify as a fair dealing despite the fact that there is no transformation of the copyright works themselves. Instead the transformation is evident in the ‘novel use’ of the copyright works. Moreover, it does not replace the original works, similar to that which was found in the case of *Kelly v Arriba Soft Corp.*¹⁴⁴ This function helps to promote the goal of copyright law to encourage the science and useful arts by offering greater access to a huge volume of works to researchers and, hence, Google Books does ‘benefit the public by enhancing information gathering techniques on the internet.’¹⁴⁵

In addition, the fact that Google Books is of a commercial nature since Google may derive advertising revenues from it, should not undermine its reliance on the fair dealing exception. As in *Kelly v Arriba Soft Corp.*, though the defendant operated the search engine for commercial purposes, the court found its use of the plaintiff’s images ‘was more incidental and less exploitative in nature than more traditional types of commercial use. ... the commercial nature of the use weighs only slightly against the finding of fair use.’¹⁴⁶ In *Perfect 10, Inc. v Amazon.com, Inc.*,¹⁴⁷ the court found no evidence that the AdSense revenue¹⁴⁸ obtained from the infringing sites was commercially significant.¹⁴⁹ As such, the court concluded that ‘the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweighs Google’s

¹⁴³ In *Sony*, *supra* n 106, the dissenting judge, Blackmun J, expressed that a reproduction of copyrighted works could be productive if it resulted in ‘some added benefit to the public beyond that produced by the first author’s work. The fair use doctrine, in other words, permits works to be used for “socially laudable purposes.”’ (at 478-479).

¹⁴⁴ *Supra* n 128 at 820.

¹⁴⁵ *Supra* n 128 at 820.

¹⁴⁶ *Id* at 818.

¹⁴⁷ *Supra* n 137.

¹⁴⁸ Google, the defendant in *Perfect 10, Inc. v Amazon.com, Inc.*, provided its AdSense service whereby if a website was an AdSense partner the defendant will serve advertisements to the partner’s website. The AdSense partner shares the advertising revenue from the advertisements with Google.

¹⁴⁹ ‘The district court stated that Google’s AdSense programs as a whole contributed ‘\$630 million, or 46% of total revenues’ to Google’s bottom line, but noted that this figure did not ‘break down the much smaller amount attributable to websites that contain infringing content.’ *Supra* n 137 at 1166.

superseding and commercial uses of the thumbnails’ and thus ‘the purpose and character of the use’ factor weighed heavily in favour of Google.¹⁵⁰ In *The Authors Guild, Inc. v Google, Inc.*,¹⁵¹ Judge Chin observed that Google did not sell scanned copies it made of the books. Neither did Google sell the snippets displayed in the search results. As such, Google did not make direct commercialization of the books. The significant educational advantages the project offers outweighed the fact that Google made profit from advertising revenue.

The second factor takes into account the nature of the copyright works in question.¹⁵² Judge Chin noted in *The Authors Guild, Inc. v Google, Inc.* that the majority of the books in Google Books are non-fiction, instead of fiction which are entitled to greater copyright protection.¹⁵³ As the court held in *Perfect 10, Inc.*,¹⁵⁴ the factor weighed only slightly in favour of the plaintiff, as the plaintiff’s images were creative yet already published before the defendant’s use of thumbnail versions of them.¹⁵⁵ The fact that Google Books involves published books likewise operates in favour of Google as held in *The Authors Guild, Inc. v Google, Inc.*¹⁵⁶

The third factor which is the amount and substantiality of the portion used¹⁵⁷ may weigh against Google since it scans the books wholly as was held in *The Authors Guild, Inc. v Google, Inc.*¹⁵⁸ This is so even though only a tiny portion of the work is actually displayed in the search results.¹⁵⁹ However, the extent of permissible copying varies with the purpose and character of the use. If the secondary users only copy as much as is necessary for their intended use, this factor will not weigh

¹⁵⁰ *Ibid.* The court took note of ‘the importance of analyzing fair use flexibly in light of new circumstances.’

¹⁵¹ *Supra* n 26.

¹⁵² Section 13(2A)(b) of the CA 1987

¹⁵³ *Supra* n 26 at 22.

¹⁵⁴ *Supra* n 137.

¹⁵⁵ The court in *Kelly v Arriba Soft. Corp.*, *supra* n 128, decided in a similar way.

¹⁵⁶ *Supra* n 26 at 22.

¹⁵⁷ Section 13(2A)(c) of the CA1987.

¹⁵⁸ *Supra* n 26 at 23.

¹⁵⁹ See the earlier discussion on the substantiality requirement for copyright infringement in section 2.3.2.

against them.¹⁶⁰ Likewise, the court in *Kelly* considered the copying of each of the images in entirety by the defendant was necessary for the operation of its search engine. If the defendant copied only a part of the image, it would be difficult for the users to identify the image, thus undermining the usefulness of the defendant's visual search engine.¹⁶¹ Similarly, the court in *Perfect 10, Inc.*¹⁶² found that reproduction of the whole images was necessary so as to be identifiable and helpful to the users in deciding on its relevancy.

The court in *The Authors Guild, Inc. v Google, Inc.*¹⁶³ shared the same thought and held that the entire reproduction of the books was fundamental to the functioning of Google Books. The fact that Google only showed a limited amount of text in the search results was noted. It was held that this factor of the amount and substantiality of the portion used weighed slightly against a finding of fair use.¹⁶⁴

The last factor, which is the effect of such use on the potential market for or value of the copyrighted work¹⁶⁵ may turn out to be the determining factor.¹⁶⁶ It was held in *Harper & Row v Nation Enterprises*¹⁶⁷ that the question should be whether the use at dispute enables users to 'profit from exploitation of the copyrighted material without paying the customary price for it.'¹⁶⁸ The question to be considered is whether or not the use of copyright books by Google is 'exploitative' with

¹⁶⁰ The factor is concerned with 'whether the amount and substantiality of the portion used in relation to the copyrighted work as a whole...are reasonable in relation to the purpose of the copying': see *Perfect 10, Inc. v Amazon.com, Inc.*, *supra* n 137 at 1167, quoting *Campbell v Acuff-Rose Music*, *supra* n 117 at 586.

¹⁶¹ *Supra* n 128 at 821.

¹⁶² *Supra* n 137.

¹⁶³ *Supra* n 26.

¹⁶⁴ *Id* at 24.

¹⁶⁵ Section 13(2A)(d) of the CA 1987.

¹⁶⁶ In *Harper & Row v Nation Enterprises* 471 U.S. 539, this was found to be the single most significant factor.

¹⁶⁷ *Ibid*.

¹⁶⁸ *Id* at 562. In *Harper & Row*, the copying of a small quantity of words that were the essence of an unpublished book to 'scoop' its publication in a headline magazine story was found to be exploitative, commercial and weighed strongly against a finding of fair use (at 562-563).

regard to the fact that the project may help increasing the value of its service and enhancing the sale of its advertising space.¹⁶⁹

The case of *Kelly v Arriba Soft Corp.*¹⁷⁰ may lend support to an argument of fair use in favour of Google. In *Kelly v Arriba Soft Corp.*, the making of low quality thumbnail images displayed by website search engine was held to be not highly exploitative and thus only weighed slightly against fair use despite the fact that they were deemed commercial.¹⁷¹ As discussed earlier, the court in *Kelly v Arriba Soft Corp.* thought so since the images of high quality could be obtained only from the copyright owners. The court then concluded that the defendant's search engine would lead users to the plaintiff's website rather than away from it.¹⁷²

The display of snippets and bibliographic information of the relevant books by Google is not extremely exploitative since it aims to provide helpful information to users in deciding whether a book is of real relevance to them and if it is so where it may be purchased or borrowed, rather than offering any substitute for original copies of the books. As the court noted in *The Authors Guild, Inc. v Google, Inc.*,¹⁷³ Google does not sell the scanned copies. Furthermore, the scans do not replace the original because the partner libraries owned the books already.

The markets of the original copyright works could be the actual as well as the prospective ones.¹⁷⁴ Google Books may have positive impact on the markets of the original since its service does not supplant the original works but merely directs users to libraries or bookstores from which the originals could be borrowed or purchased. A user is supposed to, based on the information made available by Google, borrow a copy from libraries or purchase from the relevant bookstores selling

¹⁶⁹ See Hanratty, E., 'Google Library: Beyond Fair Use?' 2005 Duke L. & Tech. Rev. 0010.

¹⁷⁰ *Supra* n 128.

¹⁷¹ *Supra* n 128 at 821-822.

¹⁷² *Ibid.*

¹⁷³ *Supra* n 26.

¹⁷⁴ *Campbell v Acuff-Rose Music, Inc.*, *supra* n 117 at 591.

them, both acts are at all times beyond the exclusive rights of copyright owners to control. Obviously, the court in *The Authors Guild, Inc. v Google, Inc.* had the same view and had no doubt that Google Books improved book sales.¹⁷⁵

After examining each of the four factors discussed above, the court should then weigh them together ‘in light of the purpose of copyright’¹⁷⁶ The court in *Perfect 10, Inc. v Amazon.com, Inc.*¹⁷⁷ did the same and concluded that the way in which the defendant used the plaintiff’s thumbnail images was fundamentally different from the use intended by the plaintiff and provided the public a significant benefit.¹⁷⁸ Likewise, the court in *The Authors Guild, Inc. v Google, Inc.*¹⁷⁹ considered all of the said factors with any other considerations in light of the purpose of copyright. The court identified the public benefits brought by Google Books, including that it has become a crucial research tool to efficiently find books; it enables full-text searches; it preserves books particularly out-of-print and old books; it allows access to books for disabled individuals and remote populations; it creates new audiences and new income sources for both authors and publishers.¹⁸⁰

The legitimacy of Google Books under the Malaysian copyright law should also be examined in light of the purpose of copyright. Google Books makes use of copyright works in a manner which is essentially different from the use of the copyright owners, in a revolutionary manner indeed, and it does offer the public considerable benefits. In light of the significant advantages that Google Books offers, private interests of copyright owners should give way to the higher interests of the

¹⁷⁵ *Supra* n 26 at 25.

¹⁷⁶ *Campbell v Acuff-Rose Music, Inc.*, *supra* n 117 at 578; and *Perfect 10, Inc.*, *supra* n 137 at 1168.

¹⁷⁷ *Supra* n 137.

¹⁷⁸ *Id* at 1168.

¹⁷⁹ *Supra* n 26.

¹⁸⁰ *Id* at 26.

public. Hence, it is submitted that Google Books should qualify for the fair dealing exception in section 13(2)(a) of the CA 1987.

2.5 Conclusion

It is a fact that no activity can occur in the digital realm without an act of reproduction, even merely a technical one. The reproduction right is pervasive in the digital environment and appears to give copyright owners control over practically every activity in the digital environment. The definition and scope of the reproduction right may call for reconsideration, or at least cautious depiction, so as to counter the far-stretching effect of the said right in the digital world. The Google Books, for instance, involves reproduction of copyright works *in toto* to enable efficient searches but it only displays limited snippets and the relevant information as to where the original works are available. The reproduction made by Google under the project may not be exploitative. However, a technical interpretation of the reproduction right would subject it to possible liability for copyright infringement.

With the far-flung reproduction right in the digital environment, other mechanisms under copyright law such as the substantiality requirement as well as the exceptions to copyright infringement become particularly important to reduce the extensive control by copyright owners. As the discussion in this chapter shows, the substantiality test remains an important mechanism under copyright law to maintain a balance of interests between copyright owners and the public. The substantiality requirement may turn out to be the determining factor on the lawfulness of the practice of digital sampling. The application of the substantiality requirement, however, is not without difficulties. Uncertainty remains with regard to the extent of permissible reproduction,

which is determined by the court on case-by-case basis. As mentioned earlier, Google engaged in reproduction *in toto*. Thus the *de minimis* rule is inapplicable to Google despite the fact that only limited snippets are displayed.

The scope of the fair dealing exception in section 13(2)(a), particularly the ambit of the permitted purposes, has been rendered more uncertain after the 2012 amendment. The approach adopted by the court in interpreting section 13(2)(a) would have great impact on the balance of interests between copyright owners and the public under Malaysian copyright law. The practice of digital sampling may be excluded from the permitted purposes under section 13(2)(a), depending on how the current section 13(2)(a) would be interpreted, even if it may satisfy the ‘fairness’ standard. Similarly, the legality of Google Books relies on whether or not it may be regarded as falling within the permitted purposes of section 13(2)(a). Since this project involves reproduction of copyright works *in toto* to enable efficient searches it may encounter another problem with regard to the fairness of a dealing, which is required to be considered in light of the minimum four factors listed in section 13(2A).

CHAPTER 3

PEER-TO-PEER FILE SHARING

3.1 Introduction

Sharing of copyright works is not a practice that emerged only with the advent of digital technologies. People have been exchanging and sharing books or cassette tapes among themselves even in the absence of digital technologies. However, such acts were conducted on small scale and in limited scope, usually confined to the circle of family members and friends. Digital technological developments have eased this old practice tremendously and enlarged its reach as well as the scale in which it is carried out.

There are numerous ways to share files over the network. File Transfer Protocol (FTP), for instance, is an older way of file sharing.¹ A central computer, the FTP server, hosts all files to be shared while remote computers with FTP client software running may log onto it to obtain copies of files.² Files may also be attached to and shared via e-mails. One may upload photos to a website and the same may also be downloaded from the website. An example of this kind of file sharing is Photobucket.³ The most popular among them in recent years, peer-to-peer (hereinafter referred to as 'P2P') file sharing, is merely another way in which files may be transmitted. Some instant messaging services such as Yahoo Messenger⁴ are also P2P systems where files may be shared.⁵

¹ Mitchell, B., 'File Sharing 101: Introduction to Network File Sharing', 21 November 2015 http://compnetworking.about.com/od/basicnetworkingconcepts/a/file_sharing.htm.

² *Ibid.*

³ Photobucket.com, Photobucket.com, Inc. 21 November 2015 <http://photobucket.com/>.

⁴ Yahoo! Messenger, Yahoo, Inc. 21 November 2015 <https://messenger.yahoo.com/>.

⁵ Instant messaging services are commonly used mainly for chatting although they are also used to transfer files at the same time. See *supra* n 1.

P2P file sharing first posed serious threats to the music industry in protecting musical works against infringement and subsequently the movie industry⁶ when network bandwidth increased exponentially. The threats posed by P2P file sharing were further exacerbated by the common availability of audio compression formats such as MP3 (MPEG-1 Audio Layer 3) which compress music files without affecting the quality of the sounds audible to human ears⁷ and MP4 (MPEG-4 Part 14) which could store compressed audio and video files. Audio and video compression formats allow faster transmission of the files so compressed. Together with the larger storage capacities of computer hard disks or external hard disks as well as that of portable players, these factors aggravated the problems faced by copyright owners attempting to assert and retain control over their works in the digital sphere.

In the context of illegal file sharing through P2P networks, it is clear that the individual users who make copyright materials available for sharing and who download copies of copyright materials are liable for copyright infringement.⁸ However, given the enormous number of individual users who engage in such activities, it is extremely difficult to identify and locate them. As a result, it is not practicable to sue individual users,⁹ though desperate copyright owners have in the past done and continue, to do so.¹⁰ For practical purposes it is therefore preferable to seek legal recourse from infringers who are in a better position to settle the court's award, namely, the P2P operators.¹¹

⁶ The case of *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd.* 545 US 913 serves as one example of how the problem of illegal file sharing has infected the movie industry as well.

⁷ MP3 is a standard file format for the storage of digital music files, set by the Moving Picture Experts Group in 1987. The software enables the process of 'ripping', whereby the audio information on an audio CD may be compressed into the MP3 format and then copied onto a computer's hard drive. See *A & M Records v Napster* 239 F. 3d 1004, at para 4.

⁸ Fair use arguments in relation to their acts had been rejected by the courts, see, for instance, *A & M Records v Napster, Id*; and *UMG Recordings, Inc. v MP3.com, Inc.* 92 F. Supp. 2d 349 (SDNY 2000).

⁹ Morea doubted the feasibility of 'John Doe' cases by highlighting its weaknesses: the public backlash against suing one's very own customers, the possibility of wrong accusation, time and costs constraints. See Morea, L. A., 'The Future of Music in a Digital Age: The Ongoing Conflict Between Copyright Law and Peer-to-Peer Technology', 28 Campbell L. Rev. 195. Picker shared a similar view and described 'John Doe' approach as 'a teaspoon solution to an ocean problem': Picker, R. C., 'Copyright as Entry Policy: The Case of Digital Distribution', 47 Antitrust Bull. 423, at 442 (2002).

¹⁰ See, for instance, *RIAA v Verizon Internet Services, Inc.* 240 F. Supp. 2d 24 (DDC 2003); *Sony v Does 1-40* 326 F. Supp. 2d 556 (SDNY 2004)

¹¹ As noted by Peters, the individual users are usually without the financial means to adequately compensate the copyright owners for their infringing acts. See Peters, M., 'The Challenge of Copyright in the Digital Age', 22 April 2008, IIP Digital, 21 November 2015 <http://iipdigital.usembassy.gov/st/english/publication/2008/04/20080429222342myleen7.736933e-02.html#axzz3s6wxxhid>.

However, this in itself is an uphill battle for the copyright owners because the P2P operators are not directly engaged in the transmission of files which takes place between the individual users.

While it is desirable to inhibit such large scale infringement committed via P2P file sharing, one cannot ignore the reality that there exists, at the same time, the public interest in ensuring that technological innovations continue to develop without being unreasonably fearful of copyright infringement. It should be noted that P2P file sharing could fall within an exception to copyright infringement;¹² or could be done to transmit files which are not protected by copyright, such as works in the public domain.

The present chapter studies the said conflict of interests as exemplified in the problem of illegal file sharing with P2P as its main illustration. The second section describes the technology of P2P file sharing, followed by the third section which examines the liability of end users who utilize the systems and facilities provided by P2P operators in uploading and downloading copyright files. The fourth section considers primary liability, if any, of P2P operators. The fifth section then scrutinizes the secondary liability of P2P operators under section 36(1) of the CA 1987, as compared to the approaches adopted in other jurisdictions, in particular the US, the UK and Australia. This is followed by the sixth section which refers to the application of the joint tortfeasance doctrine to illegal P2P file sharing scenarios. The chapter concludes with a discussion on how the liability issues of P2P operators should be addressed in Malaysia bearing in mind the need to hold the balance of interests between copyright owners and the public justly.

¹² One of the defences raised by Napster in *A & M Records v Napster*, *supra* n 7, was that its users were engaged in a fair use with respect to authorized distribution of recordings by both new and established artists. The argument of fair use on this ground was not challenged by the plaintiffs.

3.2 P2P file sharing

P2P file sharing means the sharing of files in a network of inter-connected peer nodes, which could be a personal computer, a personal digital assistant (PDA) or a mobile phone.¹³ The communication between the peer nodes is facilitated by appropriate software which may be freely downloaded from the relevant websites. The software serves as a means of indexing the relevant information accessible to users.¹⁴

The US Court of Appeals for the Ninth Circuit identified three ways of indexing in *MGM Studios, Inc. v Grokster, Ltd.*¹⁵ First, a centralized indexing system with a list of files available on centralized servers such as the Napster system, the subject matter at dispute in *A & M Records, Inc. v Napster, Inc.*¹⁶ Second, an entirely decentralized indexing system where all activities by users take place without involving a central server such as Gnutella used by the defendant StreamCast in *MGM Studios, Inc. v Grokster, Ltd.*¹⁷ Third, a ‘supernode’ system where a few computers operate as indexing servers such as FastTrack technology developed by KaZaa and used by the defendant Grokster and Morpheus used by the defendant StreamCast in *MGM Studios, Inc. v Grokster, Ltd.*¹⁸ Any computer could act as a supernode provided it fulfils the technical requirements including processing speed.¹⁹

¹³ Vincents, O. B., ‘When Rights Clash Online: The Tracking of P2P Copyright Infringements vs the EC Personal Data Directive’, *International Journal of Law and Information Technology*, 16 (3): 270-296. Vincents explained that a pure P2P network is without the notion of clients/servers. Instead it has equal peer nodes which work as both ‘clients’ and ‘servers’ to each other at the same time.

¹⁴ See *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd.* 380 F.3d 1154 (9th Cir. 2004) at 1158.

¹⁵ *Ibid.*

¹⁶ *Supra* n 7 at 1011-1012.

¹⁷ *Supra* n 14 at 1159.

¹⁸ *Ibid.*

¹⁹ The Kazaa system in the case of *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242 had some percentage of the nodes which work as ‘supernodes’. To be ‘supernode’, the computer must be ‘a powerful computer with a fast internet connection’. Each of these supernodes was connected to some particular node computers and always in communication of its nodes. Some versions of Gnutella network, on the other hand, did not have supernodes. As such peer computers communicated directly with each other: see *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd.*, *supra* n 6.

The new and recent systems of P2P file sharing are decentralized. The advantages of decentralization include the absence of any need for high-bandwidth communication capacity, as well as expensive storage space, of a server.²⁰ Besides, the speed of file sharing is also accelerated.²¹ This is aided by changes in the structure of the files shared via P2P networks. Kramer gave BitTorrent as one example that has developed a system where every digital file is broken into many small pieces which will in turn expedite the transmission of the files.²² These newer and decentralized P2P file sharing systems pose even more severe threats to copyright owners because they involve very minimal direct involvement of the P2P operators in the process of file sharing among users.²³

Individual users download and install the software available on P2P operators' websites on their computers at no costs. When a computer which is installed with the software is connected to the internet, it will be a part of the P2P network. Thus, the computer is connected to other nodes, that is, computers with the same software installed. Users may designate digital files which they wish to make available to other users in a designated folder²⁴ and may search for files in a similar folder on other users' computers.

A user searching for a particular file makes a search request on the software and the request will then be transmitted to other peer nodes which are connected to the network at that time. The other users' computers will be searched for the particular file requested. If found, the file will then be transferred directly from the computer where it is located to the requesting user's computer.²⁵ P2P

²⁰ See *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd.*, *supra* n 6.

²¹ *Ibid.*

²² Kramer, K. M., 'Intent: The Road Not Taken in the Ninth Circuit's Post-Napster Analysis of Contributory Copyright Infringement', 21 Santa Clara Computer and High Tech. L. J. 525 (2004).

²³ Alexander, P. J., 'Peer-to-peer file sharing: The case of the music recording industry', *Review of Industrial Organization* 20.2 (2002): 151-161, at 156.

²⁴ It could be a 'user library' directory as in the Napster system (see *A & M Records v Napster*, *supra* n 7) or a 'My Shared Folder' as in the Kazaa system (see *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd*, *supra* n 19).

²⁵ As explained by the expert in *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd & Ors* [2012] EWHC 268 (Ch) at 337, 'Once a user is a participant in a P2P network, he or she can download files hosted and being made available by other users of the P2P network. At

file sharing as such differs from the normal internet transactions in which the user's computer acts as the 'client' while the computer hosting a particular website is the 'server'. In typical internet use, clients get information or files from the server. In P2P file sharing as discussed, however, the information or files are not stored on a central server. Instead, every computer is both a server and a client.²⁶

3.3 Liability of P2P users engaged in illegal file sharing

3.3.1 Infringement of exclusive rights

When P2P users download a file containing music or movie from the peers' computers, a copy of the relevant copyright work is made. The act of copying falls under the copyright owner's exclusive right to control reproduction of the copyright work in any material form as provided in section 13(1)(a) of the CA 1987.²⁷ The act of copying is infringing if it is made 'without the licence of the owner of the copyright'.²⁸

It is evident that users infringe the exclusive right of reproduction by downloading files containing copyright works. The US Court of Appeals for the Ninth Circuit in *A & M Records, Inc. v Napster, Inc.*,²⁹ for instance, agreed with the trial judge's finding that Napster users who download files comprising copyright musical works violated the plaintiffs' rights of reproduction. Likewise, the

the same time the user's computer acts as an uploader, making the files that it has locally available to others. The files are not stored or hosted on a central server. Instead, each computer that is part of the network can act as a mini-server from which other P2P users on the network can download files.'

²⁶ See *MGM Studios, Inc. v Grokster, Ltd.*, *supra* n 14 at 1158.

²⁷ Section 13(1)(a) of the CA 1987 provides for the exclusive right to control in Malaysia 'the reproduction in any material form.' Section 3 of the CA 1987 defines 'reproduction' as 'the making of one or more copies of a work in any form or version, and in relation to an artistic work includes the making of a copy in three dimensions of a two-dimensional work and the making of a copy in two dimensions of a three-dimensional work' and 'material form' as including 'any form (whether visible or not) of storage from which the work or derivative work, or a substantial part of the work or derivative work can be reproduced.' 'Copy' means 'a reproduction of a work in written form, in the form of a recording or film, or in any other material form': section 3 of the CA 1987.

²⁸ Section 36(1) of the CA 1987 provides that 'Copyright is infringed by any person who does, or causes any other person to do, without the licence of the owner of the copyright, an act the doing of which is controlled by copyright under this Act.'

²⁹ *Supra* n 7 at 1014.

UK High Court in *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd & Ors*³⁰ held that the users of The Pirate Bay³¹ (hereinafter referred to as ‘TPB’) in the UK ‘infringed, and are continuing to infringe, the claimants’ copyright by copying the claimants’ sound recordings on a large scale.’³²

P2P users are also engaged in copyright infringement when they upload files containing copyright works to be accessible and downloadable by others. Such conduct, without the copyright owners’ licence, amounts to an infringement of the communication to the public right of copyright owners. Section 13(1)(aa) of the CA 1987 confers on copyright owners the exclusive right to control ‘the communication to the public’ of copyright works. Section 3 defines the right as ‘the transmission of a work or live performance through wire or wireless means to the public, including the making available of a work or live performance to the public in such a way that members of the public may access the work or live performance from a place and at a time individually chosen by them.’ The definition is modelled on Article 8 of the WIPO Copyright Treaty (hereinafter referred to as ‘the WCT’).³³ This right controls communication to the public of a copyright work via various means including radio and television broadcasts, transmission over the internet, and works on demand.³⁴

In the UK, the High Court in *Dramatico Entertainment Ltd & Ors*³⁵ considered the issue of whether the users of TPB had, by uploading copies of sound recordings, infringed the communication to

³⁰ *Supra* n 25.

³¹ A P2P file sharing website which offered users a directory of files to browse and select torrent files of interest. As explained in *Dramatico Entertainment Ltd & Ors*, *supra* n 25 at 338, a torrent file is created by users with the software provided. It is a type of text file containing necessary information so that others may download the shared file via P2P network. It does not contain any content or copyright material in itself.

³² *Id* at 346. Likewise, the Australian courts found infringement on the part of users in making copies of the copyright works: *Universal Music Australia Pty Ltd & Ors v Sharman License Holdings Ltd & Ors*, *supra* n 19.

³³ Similar provisions with respect to the making available of fixed performances and phonograms are found in Articles 10 and 14 respectively of the WIPO Performances and Phonograms Treaty.

³⁴ See Khaw, L.T., *Copyright Law in Malaysia* (3rd ed), Petaling Jaya: LexisNexis, 2008, at 230.

³⁵ *Supra* n 25. The difference between *Dramatico Entertainment Ltd & Ors* and *Twentieth Century Fox v Newzbin* [2010] ECDR 8 was that in the former case it was argued that the users were communicating the copyright works to the public, while in the latter the argument was directed against the P2P network operators.

the public right of the sound recordings right holders. The communication to the public right in section 16(1)(d) of the Copyright Designs and Patents Act 1988 (hereinafter referred to as ‘the CDPA’)³⁶ implements Article 3 of the Information Society Directive 2001/29 (hereinafter referred to as ‘the Information Society Directive’),³⁷ which is *in pari materia* with Article 8 of the WCT. Section 20(2) of the CDPA defines communication to the public as communication to the public by electronic transmission including the broadcasting of the work and ‘the making available to the public of the work by electronic transmission in such a way that members of the public may access it from a place and at a time individually chosen by them.’ It was held that the users made sound recordings available by electronic transmission within the meaning of section 20(2) of the CDPA. It was also found that the sound recordings were communicated to a new public, namely, a public that was not considered by the right holders when authorizing the distribution of the sound recordings. This was so since copies of the sound recordings were made available to users who have not purchased them from an authorized source.³⁸

In the US where its copyright statute does not explicitly provide for the communication to the public right, the conduct is regarded as an infringement of the distribution right when users upload and make available copies of sound recordings on P2P file sharing networks. The US Court of Appeals for the Ninth Circuit in *A & M Records, Inc. v Napster, Inc.*,³⁹ for instance, held that users of a P2P file sharing network named Napster infringed the copyright owners’ distribution rights by exchanging music files via the file sharing system.

³⁶ Section 16(1)(d) of the CDPA provides that a copyright owner of a work has the exclusive right to control the communication to the public of the copyright work in the UK.

³⁷ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society.

³⁸ The court referred to *Sociedad General de Autores v Editores de Espana (SGAE) v Rafael Hoteles SL* [2007] Bus. L. R. 521 at para 47, in which the Court of Justice of European Union opined that ‘communication to the public’ shall be construed broadly.

³⁹ *Supra* n 7.

As regards the position in Malaysia, it is questionable as to whether the distribution right in section 13(1)(e) of the CA 1987 may apply to the sharing of sound recordings or music in digital form via P2P file sharing. This is because under the CA 1987 there is no express provision to confine the distribution right to be applicable only to tangible copies. The distribution right in section 13(1)(e) of the CA 1987 refers to ‘copies’. Section 3 defines ‘copy’ as ‘a reproduction of a work in written form, in the form of a recording or film, or in any other *material form*’ and ‘material form’ as including ‘any form (whether visible or not) of storage from which the work or derivative work, or a substantial part of the work or derivative work can be reproduced’.⁴⁰ It follows from the definitions of ‘copy’ and ‘material form’ that the distribution right in section 13(1)(e) may also apply to digital copies of a work.

On this aspect, it is observed that Article 6(1) of the WCT and Articles 8(1) and 12(1) of the WIPO Performances and Phonograms Treaty (hereinafter referred to as ‘the WPPT’) provide for the distribution right in relation to copies of copyright works; and copies of phonograms and copies of performances fixed in phonograms respectively. The agreed statements on the said Articles explain that ‘copies’ and ‘original copies’ in the said Articles refer ‘exclusively to fixed copies that can be put into circulation as tangible objects’. Hence, it is clear under the WCT and WPPT that the distribution right governs the circulation of only tangible copies whereas it would appear that the communication to the public right would encompass the distribution of digital copies.

The position under the CA 1987, where both of the distribution right and the communication to the public right may arguably apply to govern the sharing of digital copies through P2P file sharing, serves as one of the examples of convergence of copyright owners’ exclusive rights in the digital environment. For the sake of ensuring certainty under the law as well as minimizing convergence

⁴⁰ See the definition of ‘material form’ in section 3 of the CA 1987.

of the exclusive rights in the digital world, it is submitted that the distribution right under the CA 1987 should be amended, or construed in the like manner as that of the WCT and the WPPT, by confining the scope of the distribution right to encompass only tangible copies. It is submitted that the communication to the public right is sufficient to regulate the activities of making available digital copies of copyright works on the internet.

3.3.2 Exceptions to copyright infringement

In the case of illegal file sharing it is indisputable that users are engaged in direct infringement of copyright owners' exclusive rights. The next issue to be considered is whether any defence may apply to such conduct. The most possible exception that may be argued with respect to users' infringement is the fair dealing exception in section 13(2)(a) of the CA 1987 which was amended under the Copyright (Amendment) Act 2012.⁴¹ The effect of the amendment to section 13(2)(a) was examined in Chapter 2.⁴² Briefly, with the amendment, section 13(2)(a) has been converted into an open fair dealing exception, at least with respect to the scope of the permitted purposes. In addition, the new section 13(2A) lists the same four factors found in section 107 of Title 17 of the US Code (hereinafter referred to as 'the 17 USC').⁴³ The US case law on fair use arguments in respect of P2P file sharing is therefore relevant to the position in Malaysia in view of the similarities of the legislations.

⁴¹ Act A1420 which was gazetted on February 9, 2012 and came into force on March 1, 2012 via the notification PU(B) 58 of 22/2/2012.

⁴² See section 2.4.1 in Chapter 2.

⁴³ Section 107 of the 17 USC provides that in determining fair use the factors to be considered *include*- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

In *A & M Records, Inc. v Napster, Inc.*,⁴⁴ the court rejected the defendant's fair use arguments for the users' conduct after considering the factors in section 107 of the 17 USC. It was found that downloading MP3 files was not transformative as it merely involved the transfer of a work in a different medium⁴⁵ and the use of Napster system was commercial in nature; the musical works and recordings were creative in nature; the copyright works were copied in entirety; and Napster had negative impact on the then and future markets for digital downloading. The defendant argued that their system of P2P file sharing enabled space shifting of music files and thus was a fair use. This was rejected on the ground that space shifting enabled by the defendant's system 'simultaneously involve distribution of the copyrighted material to the general public.'⁴⁶ Transmission of copyright works via P2P file sharing is unlike the case of *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc.*⁴⁷ in which the Court of Appeals for the Ninth Circuit held that a portable MP3 player permitted space shifting where the copying involved was a non-commercial personal use; or the case of *Sony Corp. v Universal City Studios*⁴⁸ where the US Supreme Court held that time shifting enabled by the Betamax video tape recorders was a fair use. In addition, the specific fair use argument on sampling made by the defendant was also rejected by the court on the ground that the defendant's users downloaded full, free and permanent copies of the copyright works. Apart from this, the defendant raised the argument that its users were engaged in fair use as regards the authorized distribution of recordings by new and established artists. This argument was not challenged by the plaintiffs. However, in view of the high propensity of P2P file sharing being used for illegal purposes, it is submitted that this argument would be unlikely to defeat the finding on infringement.

⁴⁴ *Supra* n 7.

⁴⁵ In *UMG Recordings, Inc. v. MP3.com, Inc.*, *supra* n 8, it was held that reproducing audio CDs into MP3 format was not transformative.

⁴⁶ *Supra* n 7 at para 80.

⁴⁷ 180 F 3d 1072 (9th Cir. 1999) at 1079.

⁴⁸ 464 US 417.

The decision of *A & M Records, Inc. v Napster, Inc.*⁴⁹ was referred to in *BMG Music v Cecilia Gonzalez*⁵⁰ in which the Court of Appeals for the Seventh Circuit considered the fair use argument made by the appellant for her act of downloading and keeping copies of music files from the internet via KaZaA, a file sharing program. The appellant contended that she was merely sampling music to decide whether she wanted to purchase the same at retail and argued that music sampling as such was a fair use. The Court of Appeals for the Seventh Circuit opined that ‘A copy downloaded, played, and retained on one’s hard drive for future use is a direct substitute for a purchased copy -- and without the benefit of the license fee paid to the broadcaster.’⁵¹ Such copies of copyright works in entirety would seriously damage the ability of copyright owners to derive profit. The court also noted that licensed internet music sellers such as the iTunes Music Store do offer samples to consumers before they determine whether to buy the particular musical works, by paying copyright owners a fee for the right to provide samples. The samples were only a portion of the original works. The court thus concluded that downloading full copies of copyright works without any compensation made to copyright owners could never be fair use.

3.3.3 Conclusion

From the discussion above, it follows that users of P2P file sharing who upload and download copies of copyright works without the copyright owners’ authorization would infringe one or more of the copyright owners’ exclusive rights. It is highly unlikely for the users to seek recourse under

⁴⁹ *Supra* n 7.

⁵⁰ 430 F 3d 888 (7th Cir. 2005).

⁵¹ *Id* at 890.

any exception to infringement under section 13(2) of the CA 1987, particularly where such acts of exploitation are rightly regarded as acts of piracy, which copyright law should combat.⁵²

However, as mentioned earlier, it is extremely impractical for copyright owners to sue each and every individual user of P2P file sharing for copyright infringement on a worldwide scale.⁵³ It is thus crucial to examine whether copyright law gives adequate protection to copyright owners in tackling the problem of illegal P2P file sharing by enabling them to take action against P2P operators instead.

3.4 Primary liability of P2P operators

In offering the facilities for file sharing, P2P operators are not, by themselves, involved in the reproduction of the copyright works. It is unclear whether P2P operators could be held accountable for infringement of the communication to the public right as provided in section 13(1)(aa) of the CA 1987, which was discussed earlier in relation to liability of P2P users.⁵⁴

The definition of ‘communication to the public’ in section 3 of the CA 1987 is modelled on Article 8 of the WCT. As explained in the Records of the Diplomatic Conference leading to the WCT,

‘The relevant act is the making available of the work by providing access to it. What counts is the initial act of making the work available, not the mere provision of server space, communication connections, or facilities for the carriage and routing signals.

⁵² Envisional Ltd, ‘Technical Report: An Estimate of Infringing Use of the Internet’, January 2011, NBC Universal. 22 November 2015 http://documents.envisional.com/docs/Envisional-Internet_Usage-Jan2011.pdf. The report showed that 63.7% of all BitTorrent traffic (which was 11.4% of all internet traffic) was copyright content shared unlawfully and 73.2% of cyberlocker traffic (which was 5.1% of all internet traffic) was copyright content being downloaded illegally.

⁵³ See section 3.1.

⁵⁴ See section 3.3.1.

It is irrelevant whether copies are made available for the user or whether the work is simply made perceptible to, and thus usable by, the user.’⁵⁵

Strictly speaking, the users who upload the infringing copies are the persons who carry out the initial act of making the work available while the P2P operators merely provide the services and facilities which make file sharing among the users possible. It is questionable as to whether P2P operators, by virtue of the services and facilities they offer, infringe the communication to the public right. The role played by the website operators, and P2P operators in particular, is in the nature of assisting or facilitating the uploading and downloading of copyright works. In the absence of any uploading and downloading on the part of users, the services and facilities of P2P file sharing are not tantamount to communication to the public of copyright works by the P2P operators themselves.

It is submitted that P2P operators should not be subject to liability as primary infringers in light of the vague causation, if it exists at all, between P2P operators’ service and the resulting damage; and thus the remoteness of the consequent damage.⁵⁶ The holding of P2P operators as primary infringers will blur the distinction between primary liability for one’s own infringing conduct and secondary liability for the infringing conduct of others. It may have the effect of stretching the scope of liability wider than it should be, in particular with respect to those who are not themselves engaged in the actual infringing activities. This will in turn upset the balance of interests between copyright owners and the public under copyright law. As such, it is argued that secondary liability, which is dependent on the primary liability for copyright infringement by the users, should be considered instead in relation to P2P operators.

⁵⁵ The Agreed statement concerning Article 8 of the WCT states that ‘the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication’ under the WCT.

⁵⁶ Wei, G., *The Law of Copyright in Singapore* (2nd ed.), Singapore: SNP Editions Pte Ltd, 2000, para 10.54.

3.5 Secondary liability of P2P operators

3.5.1 The meaning of ‘causes’

As stated in section 36(1) of the CA 1987, ‘Copyright is infringed by any person who does, or *causes* any other person to do, without the licence of the owner of the copyright, an act the doing of which is controlled by copyright under this Act.’ The acts controlled by copyright under the CA 1987 are reproduction, communication to the public, public performance, distribution and commercial rental as specified in section 13(1). A P2P operator may be held accountable if it is established that it ‘causes’ individual users to commit copyright infringement.⁵⁷ However, the word ‘causes’ is nowhere defined under the CA 1987. According to the Shorter Oxford Dictionary it means ‘to effect, bring about, produce, induce, make’.⁵⁸

In the case of *Dunia Muzik WEA Sdn Bhd & Anor v Koh Tay Eng*,⁵⁹ the defendant’s company was engaged in the business of selling sound recordings. The plaintiffs sued the defendant for infringing their copyright in certain musical works by reproducing and/or selling the said musical works without their licence or consent; as well as ‘causing, enabling or assisting others’ to do so.⁶⁰ Referring to the material evidence including the poor printing of the labels, the absence of watermarks in the security stickers and the absence of such stickers on some copies of the musical works sold by the defendant, the court held that the plaintiffs had proved that the defendant sold infringing copies and thus infringed the plaintiffs’ copyright in the said musical works. The court then went on to hold that the defendant had also ‘caused or assisted others to reproduce and/or

⁵⁷ Tay, P. S., ‘Developing a Secondary Copyright Liability Regime in Malaysia: Insights from Anglo-American Jurisprudence’, [2011] 1 IPQ 50.

⁵⁸ As quoted in Khaw, *supra* n 34 at 244.

⁵⁹ [1989] 2 MLJ 356; [1990] 2 CLJ (Rep) 27.

⁶⁰ The first plaintiff, the copyright owner of certain musical works, had authorized the second plaintiff to record the musical works and to sell them. The second plaintiff was also given the exclusive right and licence to make and publish the musical works.

dispose of’ the said musical works and thus granted an injunction to restrain the defendant from so doing.

In *Dunia Muzik WEA Sdn Bhd*, there was no evidence on the relationship between the defendant and the person who actually reproduced the said musical works. In fact, the person who made the copies of the said musical works was not even identified, nor was there evidence of any control or right to control which the defendant had over that person. As such, the basis of the liability imposed on the defendant for causing others to do the infringing acts is far from clear. Such a decision may in effect mean that when a person sells infringing copies of copyright works, he may be liable for having by himself infringed the distribution right; as well as for ‘causing’ others to infringe the reproduction right. Liability for causing infringement interpreted as such is evidently problematic and absurd as it unduly stretches the scope of liability for causing infringement.

The word ‘causes’ was also found in section 15(1) of the now repealed statute, the Films (Censorship) Act 1952.⁶¹ The case of *Television Broadcasts Ltd & Ors v Mandarin Video Holdings Sdn Bhd*⁶² involved 22 titles of Hong Kong television dramas which were caught by said statute. The third plaintiff, who was the exclusive licensee of the dramas, had committed offences in violation of section 15(1) of the statute which made it an offence when any person ‘exhibits, sells, hires or distributes or causes to be exhibited, sold, hired or distributed any film... without certificate.’ It was concluded that the third plaintiff had also caused the films to be hired out to the public through their dealers and outlets because they distributed the films ‘with full knowledge’ that those films would be hired out to the public.⁶³ It appears from the decision that for one to be liable for causing any other person to do an infringing act, ‘full knowledge’ of the infringing act

⁶¹ It was repealed by the Films (Censorship) Act 2002 (Act 620).

⁶² [1983] 2 MLJ 346.

⁶³ *Id* at 359.

is necessary. Nonetheless, the court in this case did not elaborate further on the requirement of ‘full knowledge’.

As discussed above, the meaning of ‘causes’ in *Dunia Muzik WEA Sdn Bhd* seemed to be ‘bringing about an effect or result’, which was viewed by Khaw as wide and may have a ‘far reaching’ effect.⁶⁴ Based on the case of *Dunia Muzik WEA Sdn Bhd*, there seems to be no problem to place liability on P2P operators for causing others to commit copyright infringements because the software and services they offer result in the direct infringement by individual users when they upload and download copyright files without copyright owners’ consent. However, such interpretation will render the operators liable regardless of their ability to control or knowledge of the use made of P2P file sharing by individual users, legitimate or otherwise.

The broad meaning of ‘causes’ in *Dunia Muzik WEA Sdn Bhd* may be contrasted with that given by the court in *Television Broadcasts Ltd & Ors* which required full knowledge of the direct infringement on the part of the defendant. The cumulative effect of *Dunia Muzik WEA Sdn Bhd* and *Television Broadcasts Ltd & Ors*, if applicable, is that to impose liability on a defendant for ‘causing’ direct infringement by another, it should be established that the direct infringement is brought about by the defendant and the defendant has full knowledge of the direct infringement. Nonetheless, the phrase ‘brought about’ appears vague as regards the required degree of proximity between the P2P operators’ involvement and the users’ infringing conduct. By the same token, it is not clear as to what exactly may amount to ‘full knowledge’ which will justify the imposition of such liability.

⁶⁴ Khaw, *supra* n 34 at 246-247.

The scope of the potential liability of P2P operators under section 36(1) of the CA 1987 is unclear having regard to the scant and unsatisfactory rules which could be digested from the existing case law. It is therefore necessary to refer to the legal position of this matter in other jurisdictions. The UK statutes on copyright before the Copyright Act 1911 employed the same word ‘causes’ as found in the Malaysian CA 1987. A reference to the case law decided under the said statutes may help shed light on the meaning of ‘causes’.

In *Russell v Briant*,⁶⁵ the defendant, a tavern owner, let it to one Smith who performed a piece of dramatic entertainment in violation of the plaintiff’s copyright. Apart from the platform, the defendant also provided benches and lights as well as allowed placard informing of the performance to be put up in the tavern. It was held that no one could be held liable unless he, by himself, or his agent, actually participated in a representation which violated copyright. Thus, the defendant had not caused the piece to be represented within the meaning of the Dramatic Copyright Act 1833 by the mere provision of the platform for the representation.

The decision in *Russell v Briant* is similar to that of *Lyon v Knowles*.⁶⁶ In this case, the defendant, a theatre proprietor, arranged with one Dillon for dramatic entertainment at the defendant’s theatre. Dillon selected the pieces to be presented and had exclusive control over the persons hired at the theatre while the defendant paid for printing and advertising, provided the light, door keepers, scene shifters and supernumeraries, and hired the band playing music as a part of the performance. Two dramatic pieces of the plaintiff were represented without the plaintiff’s consent and the plaintiff sued the defendant for having represented or ‘caused’ to be represented the dramatic pieces. The court noted that the theatre with the accessories, light and band were exclusively under

⁶⁵ (1849) 8 C.B. 836.

⁶⁶ 3 B. & S. 556.

the control of Dillon and the defendant did not interfere with the selection of the pieces to be performed. The defendant therefore was not liable unless it could be established that Dillon and the defendant were partners and thus the performance was a joint action by both. However, the court found nothing common between them except that the money collected was divided equally between them but this was insufficient to make a partnership between them because the half of the gross receipts was paid to the defendant in lieu of rental for the premises. Both decisions of *Russell v Briant* and *Lyon v Knowles* place emphasis on the control a defendant has over the infringing act committed by a third party who is not an agent of the defendant and that the mere provision of a physical platform where the infringing act is carried out is insufficient to establish liability for causing infringement.

A similar holding was made in *Karno v Path Freres*⁶⁷ in which the defendants made films that represented a music hall sketch of the plaintiffs. The defendants sold the films to the proprietors of music halls knowing that the latter bought them for public exhibition. It was held that they had neither infringed the plaintiffs' copyright nor had 'caused them to be represented' within the meaning of section 2 of the Dramatic Copyright Act 1833, unless the person so representing it was a servant or agent of the defendants. This may be contrasted with the approach adopted by the court in *Television Broadcasts Ltd & Ors*⁶⁸ in holding the plaintiff liable for *causing* the films to be hired out to the public by virtue of the plaintiff's 'full knowledge' that the films would be hired out when it distributed the films. The court in *Television Broadcasts Ltd* appears to have given a broader meaning to 'causes' as compared with the English case law.

⁶⁷ (1909) 100 L.T. 260.

⁶⁸ *Supra* n 62.

The issue relating to liability for causing infringement was also raised in *Kelly's Directories, Ltd v Gavin & Lloyds*⁶⁹ in which the first defendant was to publish a work under the supervision of the second defendant and the work was to be printed by the latter. Time was short and when it became impossible for the second defendant to complete the printing all by itself, the first defendant, with the second defendant's consent, caused a certain part of the work to be printed by another printer, who was paid by the first defendant. After the work was published, the plaintiff sued over the pirated portion which infringed its copyright. The issue in the case was whether the second defendant was liable under section 15 of the Copyright Act 1842 for causing the pirated part to be printed. The court held that the infringing act complained by the copyright owner must be 'caused' by the defendant himself or his agent. If the first and second defendants were in partnership, then the first defendant's agent would also be the second defendant's agent. However, the court found no partnership between the second defendant and the first defendant. As such, the second defendant had not caused the printing by the third party who was an agent of only the first defendant and not of the second defendant. Vaughan Williams LJ stated, 'If a man who has a right to print a book stands back and allows someone else to do the printing, I do not think it can be said that he "causes" the book to be printed.'⁷⁰

It may be concluded from the English cases discussed above that the scope of liability for causing infringement is very narrow. For such liability to be imposed on a defendant, the direct infringer must be either his servant or agent; or where the defendant has active participation in or control over the infringing act. Hence, the nature of the relationship between the defendant and the direct infringer is crucial to the determination of the question as to whether the defendant has control over the infringing conduct. It is also evident from the above cases that the mere provision of the

⁶⁹ [1902] 1 Ch 631.

⁷⁰ *Id* at 635.

platform where infringing acts take place is insufficient to attract liability for causing infringement due to the lack of control the defendant has over the acts to be carried out at the platform.

3.5.2 The meaning of ‘causes’ as contrasted with ‘authorizes’

3.5.2.1 The position in the UK

The ambit of ‘causes’ may be drawn more clearly when it is contrasted with the judicial interpretation of ‘authorizes’ which was introduced into the UK Copyright Act 1911 to replace the word ‘causes’. In *Performing Right Society, Ltd v Caryl Theatrical Syndicate, Ltd*,⁷¹ the defendants, a company which was the lessee of a theatre and its managing director, were sued for the performance of certain musical works in violation of the plaintiffs’ copyright. The defendant syndicate agreed with the defendant managing director to produce a play at the theatre and to share the weekly takings for the play performance. It was the syndicate’s duty to provide the theatre while the managing director was responsible for the production of the play. The managing director, on behalf of the syndicate, hired a band to perform at the theatre. During the absence and without the knowledge of the managing director, the band had on two occasions performed certain musical works in violation of the plaintiffs’ copyright. The trial judge decided against the defendants and the managing director appealed.

In the appeal, Bankes LJ noted that the appellant, the managing director,⁷² was an agent of the syndicate while the band was hired by the syndicate and thus the syndicate’s servants. The respondents did not argue that the band was the appellant’s servants or agents and thus to succeed

⁷¹ [1924] 1 KB 1.

⁷² Only the managing director appealed against the trial judge’s decision.

in the action the respondents had to show evidence ‘either of authority given by the appellant for the performance, or of permission to use the theatre for the performance’⁷³ of the respondents’ musical works. Bankes LJ opined that such authorization or permission may be inferred from acts which were not direct and positive. Indeed, Bankes LJ observed that ‘indifference, exhibited by acts of commission or omission, may reach a degree from which authorization or permission may be inferred’, which is a question of fact in each case.⁷⁴ However, such authorization or permission may not be inferred in the present case as the band was hired and paid by the syndicate and the appellant was abroad when the infringing performances were delivered. There was no evidence that the appellant knew or had reason to suspect about the infringing performances by the band.

Atkin LJ in the case expressed that prima facie the appellant was not liable for wrongs done by the syndicate’s servants ‘unless he himself is privy to the acts, that is to say unless he ordered or procured the acts to be done.’⁷⁵ It was held that the appellant was not privy to the infringing performance by the band since he was away at the time of the performance and did not know what works were being performed and gave no directions to the band to play the respondents’ musical works. The decision in *Ciryl Theatrical Syndicate, Ltd* demonstrated that it was necessary to establish that the parties were in such a relationship in which the defendant had control over the direct infringer’s conduct. ‘Privy’ to the direct infringement either through ordering or procuring the doing of the infringing act is a necessity.

The scope of liability for authorizing infringement is evidently broader than that of liability for causing infringement and this was made crystal clear in *Falcon v Famous Players Film Company*,⁷⁶ which involved disputes concerning a play of which the American author had assigned

⁷³ *Supra* n 71 at 9.

⁷⁴ *Ibid.*

⁷⁵ *Id* at 14.

⁷⁶ [1926] 2 KB 474.

the sole performing right in the UK to the plaintiff. The author subsequently sold to the defendants the motion picture rights of the play worldwide. After the defendants had made a film of the play in America, they imported it into the UK and purported to grant the right to exhibit it to the proprietor of a theatre. The plaintiff thus took an action against the defendants seeking to restrain them from infringing his performing right.

In this case, Bankes LJ observed that the purpose of introducing ‘authorizes’ into the Copyright Act 1911 was to remove the effect of cases such as *Karno v Path Freres*⁷⁷ and the word ‘authorizes’ is to be understood in its ordinary dictionary meaning, viz; ‘sanction, approve, and countenance’.⁷⁸ Scrutton LJ explained further that ‘causes’ had had a very restricted meaning and hence had the effect of greatly limiting the types of acts which constituted a copyright infringement while ‘authorizes’ carries a much wider meaning. Atkin LJ, on the other hand, expressed the view that to authorize means ‘to grant or purport to grant to a third person the right to do the act complained of’.⁷⁹ Having regard to the contract between the defendants and the theatre proprietor which provided that the rent should be payable only upon film exhibition, the court found that the theatre proprietor was contractually obliged to exhibit the film. The hiring out of the film on such terms amounted to authorization by the defendants to the theatre proprietor to perform the film of the play which infringed the plaintiff’s right.

The meaning of ‘authorization’ as elaborated by Atkin LJ in *Falcon* was later adopted in *CBS Inc v Ames Records & Tapes Ltd.*⁸⁰ The case was decided under the UK Copyright Act 1956 in which ‘authorizes’ was employed. The question in this case was whether the defendant, a shop owner which rented sound recordings and sold blank tapes, could be made liable for copyright

⁷⁷ *Supra* n 67.

⁷⁸ *Supra* n 76 at 491.

⁷⁹ *Id* at 499.

⁸⁰ [1981] 2 All ER 812.

infringement committed by its customers. Despite the fact that the defendant knew that its customers were possibly using the sound recordings and blank tapes to infringe copyright, the court held that there was no authorization from the defendant since the defendant was in no position to control its customers' conduct. It follows that an act is not authorized by a defendant who 'merely enables or possibly assists or even encourages another to do that act'.⁸¹ It is also important to note that a defendant's knowledge of possible infringement committed by using the products sold by the defendant is insufficient to give rise to liability for authorizing infringement. The ability of the defendant to prevent such infringement is crucial to determining the said liability.

Atkin LJ's interpretation of authorization was endorsed by the House of Lords in *CBS Songs Ltd v Amstrad Consumer Electronics Plc*⁸² when considering section 16(2) of the current CDPA. Section 16(2) of the CDPA provides that 'copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorizes another to do, any of the acts restricted by the copyright.' In this case, the issue was whether by marketing twin-deck tape recorders the defendant had authorized copyright infringement committed by the tape recorders users. The tape recorders in dispute could be used for both non-infringing and infringing purposes. The House of Lords found that although the tape recorders equipped the users with the ability to copy, the defendant 'did not grant or purport to grant the right to copy and it had no control over the use of its models once they were sold'⁸³ and thus the defendant did not 'sanction, approve or countenance' infringing uses made of their tape recorders.

It may be summed up from the case law discussed thus far that a defendant is not liable for authorizing infringement merely by the act of making available tools or equipment which enable

⁸¹ *Id* at 820, per Whitford J.

⁸² [1988] RPC 567.

⁸³ *Id* at 574-575.

users to copy if the defendant has no control over the actual use to which such tools or equipment may be put by the users. This is so despite the defendant's knowledge of the likelihood, or even probability, of the users to use the tools or equipment to infringe copyright. Mere knowledge of the potential infringement is insufficient to establish liability for authorizing infringement, particularly where the concerned tools or equipment are capable of both infringing and non-infringing uses. It follows that the defendant's ability to control or prevent infringing use, instead of the defendant's knowledge of the possible infringing use, is more pertinent to the establishment of liability for authorizing infringement.

The House of Lords' decision in *Amstrad Consumer Electronics Plc* was later followed by the High Court in *Twentieth Century Fox Film Corp v Newzbin Ltd*⁸⁴ which involved an action for copyright infringement commenced by a number of copyright owners of films against the defendant. The defendant operated its website on Usenet on which the defendant located and categorized infringing copies of films, displayed titles of the infringing copies and provided a facility for the users to search and identify the infringing copies.⁸⁵ Kitchen J expressed that 'mere enablement, assistance or even encouragement' will not tantamount to authorizing infringement by others.⁸⁶ The court identified several factors to be examined in determining the liability for authorizing infringement by supply, which include the nature of the relationship between the alleged authorizer and the primary infringer, whether the equipment or other material supplied constitutes the means used to infringe, whether it is inevitable the equipment or other material will be used to infringe, the degree of control which the supplier retains and whether he has taken any

⁸⁴ *Supra* n 35.

⁸⁵ This case is also discussed in Chapter 4. The defendant contended that it was merely a search engine which offered hyperlinks. The court found the defendant supplied the users the means to commit infringement which was within the defendant's ability to control but the defendant failed to do so. The defendant was held liable for authorizing infringements by its users.

⁸⁶ *Supra* n 35 at para 90.

steps to prevent infringement.⁸⁷ Applying the factors to the circumstances of the case, the court found that the defendant had purported to possess the authority to grant permission to copy any film that a member may select from the folder it had categorized; and had sanctioned, approved, or countenanced the copying of the plaintiff's films.⁸⁸

The said factors were later applied by Arnold J in deciding the question relating to liability for authorizing infringement on the part of P2P operators in *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd & Ors*.⁸⁹ One of the matters considered by the English High Court in the case was the liability of The Pirate Bay (TPB) for authorizing copyright infringement committed by its users. On the nature of relationship between TPB and its users, the court found the facilities offered by TPB were clearly intended to give its users 'the easiest and most comprehensive service possible' and TPB was thus by no means a passive repository of the infringing files.⁹⁰ On the factor of the means used to infringe, the court found the indexing, arrangement, and presentation of the torrent files by TPB were the means necessary for the users to infringe copyright.⁹¹

Turning to the factor with regard to whether it is inevitable the equipment or other material supplied will be used to infringe, the court held that infringement was an unavoidable consequence of the torrent files. According to the court, infringement was indeed the objective and intention of TPB and this was evident from several matters including the name and logo which clearly

⁸⁷ *Ibid.*

⁸⁸ *Id* at paras 98-102.

⁸⁹ *Supra* n 25.

⁹⁰ *Id* at paras 75-76. The court found that TPB had offered its users a 'sophisticated and user-friendly environment' to search for and locate content, in view of how TPB was structured and its available functions. Such functions include its index and arrangement of torrent files enabling users to select among various search facilities in searching for and locate content to download; the requirement that users shall supply detailed information of a torrent file in the process of its uploading so that TPB may index it and make it available for searching which in turn aids users to decide whether or not to download it; the processing of the torrent files by TPB; assistance and advice given to users about how to download the files as well as the means of circumventing blocking measures adopted consequent to court orders; the provision of links to users in order to 'cyberlocker' storage facilities for the downloaded files; its forum for sharing among users information about content; and a choice of 35 languages TPB had offered so as to enable the widest possible participation in the use of its services.

⁹¹ *Id* at para 77.

suggested online piracy; a statement on its website claiming itself as a ‘Swedish anti-copyright organization’⁹² and the existence of proceedings in other European jurisdictions against TPB.⁹³ With respect to the degree of control, the court noted that TPB was able to prevent infringement since it could remove the torrent files.⁹⁴ However, despite its ability to prevent infringement, TPB did not take any steps to do so. On the contrary, it actively promoted infringement, which was evidenced by its adoption of ‘magnet links’⁹⁵ as the default option with the objective of avoiding being blocked easily as in the case of torrent files.⁹⁶ In sum, the court held TPB liable for authorizing infringement as it had gone beyond mere enabling or assisting.

The non-exhaustive list of factors, specified by Kitchin J in *Twentieth Century Fox Film Corp*⁹⁷ serves as clear, specific and practical guidelines which proved helpful in deciding liability of P2P operators in *Dramatico Entertainment Ltd & Ors*.⁹⁸ By examining the nature of the relationship between the alleged authorizer and the primary infringer, the court may identify whether what a defendant has done is more than ‘mere enablement, assistance or even encouragement’.⁹⁹ By considering whether the equipment provided are the means used to infringe and whether the said means would inevitably be used to infringe, the court draws the scope of liability for authorizing infringement which would not be imposed in circumstances where there is lack of proximity

⁹² In *EMI Records Ltd v British Sky Broadcasting Ltd* [2013] EWHC 379 (Ch), the court held that sincerity of a statement by one of the P2P operators, ‘Our team is completely against piracy!’, has to be scrutinized in view of the large volume of infringing content available on the website, the operators’ response to demands to remove the infringing content and the steps undertaken to avoid effective enforcement measures (at para 61). The case involved an action brought by the claimant recording companies against the six main retail internet service providers (ISP) in the UK seeking an injunction under section 97A of the CDPA against the latter to take measures to block or impede access by their customers to three P2P file sharing websites, namely, KAT, H33T and Fenopy. Section 97A(1) of the CDPA provides for the English High Court’s power to grant an injunction against an ISP if the ISP ‘has actual knowledge of another person using their service to infringe copyright’. Arnold J applied the same analysis in determining the liability for authorizing copyright infringement of the said P2P operators which functioned in very similar manner to that of the TPB.

⁹³ *Supra* n 25 at para 78. In *EMI Records Ltd v British Sky Broadcasting Ltd*, *Id* at para 63, it was observed that the concerned website operators had changed their domain registrant details repeatedly in the past. The court found that the measures undertaken by the P2P operators to avoid international investigation, to hide the operators’ identity and to bypass copyright enforcement actions indicated that they were well aware of inevitability of the relevant infringing activities.

⁹⁴ *Supra* n 25 at para 79.

⁹⁵ A magnet link provided a different means by which TPB users could get the torrent file from a Bittorrent tracker or the ‘swarm’, instead of getting it directly from TPB. ‘Swarm’ refers to the community of Bittorrent computers sharing a file at any time.

⁹⁶ *Supra* n 25 at para 80.

⁹⁷ *Supra* n 35.

⁹⁸ *Supra* n 25.

⁹⁹ *Supra* n 35 at para 90.

between the alleged authorizer and the primary infringer. Lastly, the factors relating to the degree of control which a defendant maintains and whether the defendant has undertaken any steps to prevent or restrict infringement ensure that liability for authorizing infringement arises only in situations where the defendant is in the position to control or restrain the direct infringer's conduct and thus it is reasonable to expect the defendant to take necessary actions to reduce infringement.

3.5.2.2 The position in Australia

Unlike the UK where the scope of liability for authorizing infringement derives substantially from case law as discussed above, the factors to be considered in deciding liability for authorizing infringement are statutorily incorporated in Australia. Sections 36(1A) and 101(1A) were introduced into the Australian Copyright Act 1968 (hereinafter referred to as 'the CA 1968') by the Copyright Amendment (Digital Agenda) Act 2000.¹⁰⁰ The new subsection (1A) lists three factors to be considered in determining whether one has authorized a copyright infringement under sub-section (1), but the list is not exhaustive.¹⁰¹

The listed factors are the extent of the authorizing person's power to prevent the doing of the infringing act;¹⁰² the nature of any relationship between the authorizing person and the direct infringer;¹⁰³ and any reasonable steps undertaken by the authorizing person to prevent or avoid the doing of the infringing act, including whether the authorizing person complied with any relevant industry codes of practice.¹⁰⁴ It is observed that the factors in subsection (1A) are similar to those

¹⁰⁰ Section 101(1) of the CA 1968 is similar to section 36(1) of the same Act except the former deals with copyright in subject matter other than works while the latter deals with copyright in works.

¹⁰¹ The word 'include' is used in sections 36(1A) and 101(1A) of the CA 1968.

¹⁰² Sections 36(1A)(a) and 101(1A)(a) of the CA 1968.

¹⁰³ Sections 36(1A)(b) 101(1A)(b) of the CA 1968.

¹⁰⁴ Sections 36(1A)(c) 101(1A)(c) of the CA 1968.

laid down by Kitchin J in *Twentieth Century Fox Film Corp*¹⁰⁵ as discussed earlier. As noted by the Australian Federal Court in *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd*,¹⁰⁶ the objective of subsection (1A) was to clarify and not to alter the pre-existing law on authorization.¹⁰⁷ Indeed, the insertion of subsection (1A) was a mere statutory incorporation of the Moorhouse test which remains relevant after the 2000 amendments on the CA 1968.

The Moorhouse test was derived from *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd*¹⁰⁸ in which the meaning of ‘authorizes’ as interpreted in the English cases¹⁰⁹ was adopted by the Australian High Court in determining liability under section 36(1) of the CA 1968.¹¹⁰ Thus ‘authorizes’ in Australia also means ‘sanction, approve, countenance’; and it can also mean ‘permit’.¹¹¹ One must have the power to prevent a copyright infringement for him to be made liable for authorizing the said copyright infringement.¹¹² Gibbs J explained that such liability does not require either express or formal permission or sanction, or active conduct signalling approval. ‘Inactivity or indifference, exhibited by acts of commission or omission’¹¹³ may amount to the requisite authorization.

The appellant in *Moorhouse*,¹¹⁴ namely, the university whose library kept a copy of the respondent’s book and in whose library a coin-operated photocopy machine was placed, was liable for authorizing copyright infringement of the respondent’s copyright on the basis that the

¹⁰⁵ *Supra* n 35.

¹⁰⁶ [2005] FCA 1242.

¹⁰⁷ *Id* at para 402.

¹⁰⁸ 6 ALR 193.

¹⁰⁹ See *Falcon v Famous Players Film Company*, *supra* n 76 and *Performing Right Society, Ltd v Ciry! Theatrical Syndicate, Ltd*, *supra* n 71.

¹¹⁰ Section 36(1) of the CA 1968 provides: ‘Subject to this Act, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright.’

¹¹¹ *Supra* n 108 at 200 per Gibbs J quoting *Adelaide Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481 at 489, 497; in which ‘authorize’ and ‘permit’ were treated as synonymous.

¹¹² *Ibid*.

¹¹³ *Adelaide Corporation v Australasian Performing Right Association Ltd*, *supra* n 111 at 504. See also *Performing Right Society, Ltd v Ciry! Theatrical Syndicate, Ltd*, *supra* n 71 at 9 per Bankes LJ as discussed above.

¹¹⁴ *Supra* n 108.

university was in the position ‘to control both the use of the books and the use of the machines.’¹¹⁵ Gibb J had prescribed a few essential criteria of the liability for authorizing infringement in this case. First, the appellant had under its control the means by which copyright infringement may be committed, namely, the photocopy machine in the case.¹¹⁶ Second, the appellant made the machine available to its users, knowing or having reason to suspect that it is likely to be used for committing copyright infringement.¹¹⁷ Third, the appellant had omitted to take reasonable steps to confine the use of the machine to only lawful purposes.¹¹⁸ These factors were later incorporated in sections 36(1A) and 101(1A) of the CA 1968.

The liability of P2P operators was considered by the Federal Court of Australia in *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd*.¹¹⁹ The issue for determination was whether the respondents, by implementing the Kazaa system and supplying the Kazaa software enabling P2P file sharing among individual users, had authorized the users to commit infringement of the applicant’s copyright. It was found that the respondents in this case knew at all times that their users were likely to infringe copyright. The court also found that the respondents had the power to reduce, if not prevent, copyright infringement by the users such as implementing filtering mechanism into the software, but the respondents did nothing as such. Instead, there was clear evidence of the respondents positively encouraging such infringement, which was something more

¹¹⁵ *Id* at 202 per Gibb J. The case of *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480; 112 ALR 53, in which the mere sale of articles such as blank tapes or video recorders that may be used for infringing purposes was distinguished from the circumstances of *Moorhouse* where the university had made available to others both the copyright works and the means by which the copyright works could be copied.

¹¹⁶ *Ibid*. This fact distinguished the case of *Moorhouse* from *CBS Songs Ltd v Amstrad Consumer Electronics Plc*, *supra* n 82 in which the manufacturer had no control over their products after the sale.

¹¹⁷ *Id* at 201. Gibb J noted that it could not be assumed that those making copies of copyright works would only do so for fair dealings, ‘at least in the absence of any effective measures to ensure that any other copying of copyright works was forbidden’ (at 201). On the other hand, Jacob J (at 208) considered that the placing of the photocopy machine at the appellant’s library was an unlimited invitation to its library users to make use of the machine, including the doing of acts controlled by copyright. The invitation was an unlimited one due to the insufficiency of the notice placed at the library. Therefore, the invitation was an authorization of acts performed in response to the invitation. In such a case knowledge of the defendant that a particular act controlled by copyright will be done is unnecessary. However, in the instance of a qualified invitation which makes it clear that the invitation does not cover the doing of acts comprised in copyright, knowledge of the defendant will be a material factor to be taken into account.

¹¹⁸ *Id* at 204-205.

¹¹⁹ *Supra* n 106.

than mere offer of the means by which infringement may be committed, for example, the promotion of the respondents' website with emphasis on sharing of music. As such, the court held the respondents liable for having authorized the copyright infringement committed by the users.

By way of comparison with the factors under English case law discussed earlier, it is observed that subsection (1A) of the CA 1968 does not stipulate the factors as to whether the tools or service supplied constitute the means to infringe or the inevitability of the tools or service being used to infringe copyright. However, as mentioned earlier, subsection (1A) is by no means exhaustive. In addressing the question on liability of internet service providers (hereinafter referred to as 'ISP'),¹²⁰ instead of P2P operators, for authorizing infringement, the Australian High Court in *Roadshow Films Pty Ltd v iiNet Limited (No. 3)*¹²¹ took these factors into account.

The respondent ISP in *Roadshow Films Pty Ltd v iiNet Limited (No. 3)* offered internet services through which its users infringed the appellant's copyright in films by making the films available online via BitTorrent P2P file sharing system. The appellants served notices on the respondent who did not take action in response thereto. The court, after considering the factors in section 101(1A) of the CA 1968, found that the respondent had neither involvement with, nor power to control, any part of the BitTorrent system which its users were alleged to have used to make films available online. The respondent had no power to prevent its users from using the BitTorrent system even if it may be proved that the respondent's inactivity upon receipt of notices sent by the appellants 'supported' or 'encouraged' its users to continue in their infringing acts.¹²² The court also stressed that the provision of the internet connections by the respondent was 'a necessary but

¹²⁰ ISP refers to an entity that provides the service of internet connection and other related services.

¹²¹ [2012] HCA 16.

¹²² The court noted that some of the meanings of 'countenance' are not similar to that of 'authorize' and 'remote from the reality of authorization which the statute contemplates' (*Id* at para 68). The court continued that there is no need to refer to the dictionary meanings in view of the new subsection (1A).

insufficient step for the acts of primary infringement'.¹²³ In other words, internet connection may be the necessary means to commit infringement but it does not inevitably result in infringement. The court in this case had thus considered the factors beyond those listed in section 101(1A) of the CA 1968.

3.5.3 Should 'causes' under the CA 1987 be interpreted literally or liberally?

A comparison between the scope of liability for causing infringement and that for authorizing infringement reveals the very narrow ambit of the former as compared to the broader scope as well as flexibility of the latter. The former hinges solely on the relationship between a defendant and the primary infringers. Unless the infringement is committed by a person who is either the servant or agent of the defendant, no liability for causing infringements may be imposed on the defendant. As regards the position under the Malaysian CA 1987, the question to be considered is whether 'causes' under section 36(1) should be construed literally, on the one hand, or liberally and purposively, on the other hand.

A literal interpretation of 'causes' is supported by the word of choice in section 36(1) of the CA 1987 which holds a person liable if he 'causes', instead of 'authorizes', another person to infringe copyright. Having regard to the above discussion on the different meanings of 'causes' and 'authorizes' as expounded by the English courts,¹²⁴ it will require one to turn a blind eye to the distinction made between the meaning of the two words. However, if interpreted literally, liability for causing infringement under the CA 1987 appears to be the normal tortious rules of vicarious liability which holds one liable for the conduct of his servant or agent. Copyright infringement, or

¹²³ *Id* at para 142.

¹²⁴ See section 3.5.2, particularly section 3.5.2.1.

indeed infringement of intellectual property right in general, is after all a tort¹²⁵ and hence the rules of vicarious liability are applicable. Khaw questioned whether the word ‘causes’ in section 36(1) of the CA 1987 should be so confined to its literal meaning since a person is in any event liable for torts committed by his servant or agent.¹²⁶ In other words, section 36(1) of the CA 1987, if literally interpreted, simply endorses the rules of vicarious liability and adds nothing more than that.

When considered in light of the new Part VIB which provides for the limitation of liabilities of service providers,¹²⁷ a purposive construction on ‘causes’ seems sensible. If the scope of liability for causing infringement is the same as that of vicarious liability, it is very unlikely that the service providers particularized in Part VIB will be liable for infringement committed by their users or subscribers and thus there will be no need for liability limitation as prescribed in Part VIB.

Besides, if a literal interpretation on ‘causes’ is adopted, it is very unlikely, if not impossible, for P2P operators to be liable under the CA 1987, even including those whose conduct is manifestly culpable in promoting copyright infringement by the users. This is so because the users are not P2P operators’ servants or agents, which is required to establish liability for *causing* infringement. The cases discussed earlier demonstrate certain noteworthy changes in the circumstances where the question of secondary liability for copyright infringement arose: from the instances of infringement taking place at the defendant’s physical premises to that of infringement made possible by the tangible products manufactured or offered for sale by the defendant; and later to that of infringement enabled and promoted by the service and facilities offered or made available by the defendant. It is evident that the subject matter in dispute has developed into something less

¹²⁵ Davies, P. S., ‘Accessory liability: protecting intellectual property rights’, 2011 IPQ 390 at 390.

¹²⁶ Referring to the UK Copyright Act 1911 which replaced ‘causes’ with ‘authorizes’, Khaw argued that a person’s liability under copyright law for infringement done by another person was not meant to be limited to vicarious liability: see Khaw, *supra* n 34 at 246.

¹²⁷ The new sections 43B-43I were introduced by the Copyright (Amendment) Act 2012 (Act A1420).

tangible and more fluid while the relationship between the defendant and primary infringers has become more distant and remote from each other.

Liability for causing infringement was not established in *Russell v Briant*,¹²⁸ *Lyon v Knowles*¹²⁹ and *Karno v Path Freres*¹³⁰ in respect of infringing performances at the defendant's premises. In circumstances where the defendant did not have any physical control over the platform where copyright infringement takes place, the case is even clearer that no liability for causing infringement can arise, as in *Falcon v Famous Players Film Company*¹³¹ discussed above. It is also indisputable that liability for causing infringement will not be extended to the mere supply of products that could be employed for both infringing and non-infringing uses, over which the supplier has no control after the sale such as that in *CBS Inc v Ames Records & Tapes Ltd*¹³² or *CBS Songs Ltd v Amstrad Consumer Electronics Plc.*¹³³ It is thus apparent that liability for causing infringement will not be imposed on P2P operators such as those in *Dramatico Entertainment Ltd*¹³⁴ and *Sharman License Holdings Ltd*,¹³⁵ in the absence of a relationship where the primary infringers are the defendant's servants or agents.

P2P file sharing has evolved from a centralized to decentralized system and in the latter situation the defendant's right and ability to control the primary infringer or users will be extremely difficult to be shown. This is because in a decentralized system, which essentially is truly P2P file sharing, the transmission of files take places entirely among the users. The objective of substituting 'causes' with 'authorizes' under the UK Copyright Act 1911 was explained by Scrutton J in *Falcon v*

¹²⁸ *Supra* n 65.

¹²⁹ *Supra* n 66.

¹³⁰ *Supra* n 67.

¹³¹ *Supra* n 76.

¹³² *Supra* n 80.

¹³³ *Supra* n 82.

¹³⁴ *Supra* n 25.

¹³⁵ *Supra* n 106.

*Famous Players Film Company*¹³⁶ that it was meant to increase copyright protection and ‘to sweep away those decisions by which their rights had been limited, as against the makers of mechanical instruments by which their works could be reproduced.’¹³⁷ The narrow scope of liability for causing infringement under the CA 1987, if construed literally, is unable to keep in pace with technological developments.

It may be concluded that a literal interpretation on ‘causes’ will result in impotency of Malaysian copyright law to protect copyright owners adequately in respect of rampant infringement accomplished via P2P services. This will defeat any attempt aiming at achieving a fair balance of interests in addressing the challenges brought about by technological developments. On the other hand, a liberal interpretation of ‘causes’ is in accordance with the universally and commonly shared trend for P2P operators to be held liable for widespread infringement committed by users via P2P file sharing in appropriate circumstances.

3.5.4 The US secondary liability theories

In the event that Malaysian courts choose not to literally interpret the word ‘causes’ in section 36(1) of the CA 1987, they are not bound to adopt the approach on liability for authorizing infringement as applied in the UK or Australia. In giving ‘causes’ a broad and purposive reading, helpful guidance may also be sought from examining the US approach on this matter. In the US, secondary liability theories are relied on to determine the potential liability of P2P operators.¹³⁸

¹³⁶ *Supra* n 76.

¹³⁷ *Id* at 496.

¹³⁸ As pointed out by Bartholomew and Tehranian, there are two main grounds on which secondary liability is based. One is the efficiency grounds as to transfer the costs to those in a better position to preclude future damage; and the other is the moral grounds since those who intend to cause damage should be made liable even though it is the other party being the direct cause of the damage sustained by a plaintiff. See Bartholomew, M. & Tehranian, J., ‘The Secret Life of Legal Doctrine: The Divergent Evolution of Secondary Liability in Trademark and Copyright Law’, 21 Berkeley Tech. L. J. 1363 (2006) at 1366.

Despite the absence of express provisions in the 17 USC, the US laws have developed the theories of contributory liability, vicarious liability, and inducement liability;¹³⁹ each of which is examined below.

3.5.4.1 Vicarious liability

The doctrine of vicarious liability under the US law requires the fulfilment of two requirements: the defendant has a direct financial interest in the primary infringer's infringement; and the defendant has the ability to exercise control over the primary infringer.

In *A & M Records, Inc. v Napster, Inc.*¹⁴⁰ the defendant, Napster, was sued for allowing its users to exchange MP3 files from one computer to another computer via the internet. Specifically, it was claimed that the defendant had enabled its users to make MP3 music files kept on their computer hard drives available for copying by other users, to search for MP3 music files found on other users' computers and to transmit exact copies of other users' MP3 files from a computer to another computer via the internet. Searching may be done through Napster's search function or its hotlist function.¹⁴¹ Exchange of MP3 files between users was facilitated by the Napster server by getting the internet address of the requesting user and that of the host user whose file was available. The internet address of the host user is then communicated to the requesting user, who connects with

¹³⁹ As the US Supreme Court observed, 'The Copyright Act does not expressly render anyone liable for infringement committed by another. ... The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity.' See *Sony Corp. v Universal City Studios* 464 US 417 at 434-435.

¹⁴⁰ *Supra* n 7.

¹⁴¹ There was a search index of Napster's collective directory, which was maintained on its servers. A user had to download the MusicShare software, which was available free of charge on the defendant's website, to his computer. The user could access a form in the MusicShare software and enter his search request. The form was then sent to a Napster server and was compared to the file names in the server's search index. On the other hand, the search through Napster's hotlist function was done in a different manner. A user had to create a list of other users from whom he had obtained MP3 files previously. When he was connected to the Napster system, the system will alert him of any other users who were similarly connected to the system at that time. The user could then search the MP3 files in other users' library and request for a particular file of interest.

the host user and downloads the requested file from the host user's computer over the internet. Technical support was also provided by the defendant for the indexing and searching of MP3 files. Among the claims made by the plaintiffs in *A & M Records, Inc. v Napster, Inc.*¹⁴² was that the defendant was a vicarious infringer. It was found that Napster had a direct financial interest in its users' infringement, considering that the availability of infringing materials attracted more users, and the increase of which enhanced the future revenue of Napster.¹⁴³ The second requirement, namely, the supervision requirement, was demonstrated in the fact that Napster maintained the right to control access to its system, which was expressly reserved under its rights policy.¹⁴⁴ The US Court of Appeals for the Ninth Circuit took note of the district court's failure to acknowledge the constrained controls and patrols retained by Napster. Nonetheless, it was concluded that Napster was able to find infringing files listed on its search index and had the right to terminate users' access to its system. Such failure by Napster to restrain the illegal sharing of copyright files in spite of its right and ability to do so, together with the demonstration of financial benefit as discussed earlier, subjected Napster to liability for vicarious infringement.¹⁴⁵

The US doctrine of vicarious liability seems similar to the scope of liability for causing infringement under section 36(1) of the CA 1987, if literally interpreted. However, it is noted that while the US doctrine of vicarious liability considers the factors of whether the defendant has right and ability to control the primary infringer and whether the defendant derives direct financial

¹⁴² *Supra* n 7.

¹⁴³ *Id* at para 61.

¹⁴⁴ Napster expressly retained the 'right to refuse service and terminate accounts in [its] discretion, including, but not limited to, if Napster believes that user conduct violates applicable law . . . or for any reason in Napster's sole discretion, with or without cause.' *Id* at para 63.

¹⁴⁵ Napster shut down its service in July 2001 and declared bankrupt in 2002. See Douglas, G., 'Copyright and Peer-to-Peer Music File Sharing: The Napster Case and the Argument Against Legislative Reform', [2004] MurUEJL 7. *In Re: Aimster Copyright Litigation* 334 F.3d 643 (2003) also involved a claim of vicarious infringement made by music copyright owners against the defendant for its Aimster internet service. The district judge had granted a broad preliminary injunction with the effect of closing down the Aimster service and thus Aimster appealed. The Aimster system functioned similar to the Napster system. The US Court of Appeals for the Seventh Circuit was not as confident as the district judge that the plaintiffs would be likely to succeed on the ground of vicarious infringement. However, it was not necessary for the court to address that in deciding the appeal in relation to injunction.

interest from the primary infringer's infringement, the defendant's knowledge of the infringement is immaterial. In contrast, 'full knowledge' on the part of the defendant about the primary infringer may arguably be required to establish liability for causing infringement under section 36(1) of the CA 1987, according to the decision in *Television Broadcasts Ltd & Ors v Mandarin Video Holdings Sdn Bhd*.¹⁴⁶

3.5.4.2 Contributory liability

To impose contributory liability on a defendant, it is necessary to show that the defendant knows, or have reason to know, of the direct infringement committed by a third party and has materially contributed to the said infringement.¹⁴⁷

In *A & M Records, Inc. v Napster, Inc.*,¹⁴⁸ the defendant was also sued for contributory liability. On the knowledge element required for imposing contributory liability, the court considered the fact that the defendant did have actual knowledge of its users' infringing activities. The defendant's knowledge was evidenced by the Recording Industry Association of America's notice about the infringing files available on the Napster server and the document in which the co-founder of Napster stated that the company needed to stay ignorant of its users' real names and addresses in view of the infringing activities. The promotion of Napster with screen shots of infringing files also pointed to the defendant's knowledge of its users' infringement. In addition, the defendant had the ability to deny suppliers of infringing materials access to its system. However, the

¹⁴⁶ *Supra* n 62.

¹⁴⁷ See *A & M Records, Inc. v Napster, Inc.*, *supra* n 7, *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159 (2d Cir. 1971) and *Fonovisa, Inc. v. Cherry Auction, Inc.* 76 F.3d 259 (9th Cir. 1996).

¹⁴⁸ *Supra* n 7.

defendant had failed to do so. All of these facts constituted sufficient level of knowledge required to impose contributory liability on the defendant.

Turning next to the material contribution element, it was held that the defendant had materially contributed to the direct infringement by its users by offering the sites and facilities. Without its support services, the users could not have easily located and downloaded the music files they were searching for. It follows that the defendant had knowingly encouraged and aided the direct infringement by its users and hence liable for contributory infringement.

Another example that may be referred to is the case of *In Re: Aimster Copyright Litigation*¹⁴⁹ which involved a suit commenced by the copyright owners of music against the defendant for its Aimster internet service, which was similar to the Napster system.¹⁵⁰ One of the claims made was with regard to the defendant's contributory liability for direct infringement committed by its users through the Aimster service. The defendant argued that mere constructive knowledge of infringing uses was insufficient to impose contributory liability.¹⁵¹ In addition, the defendant contended that the encryption feature of its service had precluded it from knowing what files were copied by its users and hence it lacked the knowledge of infringing uses which was necessary for contributory liability. The court held that wilful blindness is knowledge.¹⁵² The encryption feature of the Aimster service showed a deliberate effort to avoid guilty knowledge and thus it was enough to establish a guilty state of mind on the part of the defendant.¹⁵³ The court noted that where there

¹⁴⁹ *Supra* n 145.

¹⁵⁰ The software was available for download at no costs on the Aimster's website. The website collected and organized users' information. Aimster users downloaded and installed the software on their computers. First-time users were required to register on the system. Thereafter, they could designate other registrants as 'buddy'. Direct communication between buddies was enabled when they were both connected to the internet. Aimster users listed on their computers the files they intended for sharing. A requesting user could go online and enter his request in 'Search for' field. The Aimster server would then search the computers of users who were connected to the system for the particular files. When the file was found, the server would direct the computer on which the file was located, to send the file to the requesting user's computer via the internet.

¹⁵¹ The Betamax defence as developed in *Sony Corp. of America v Universal City Studios, Inc.*, *supra* n 48, bars the imposition of constructive knowledge on the part of a distributor if the product distributed is capable of substantial non-infringing uses.

¹⁵² *Supra* n 145 at 650.

¹⁵³ *Ibid.*

are non-infringing uses of P2P file sharing, especially if the infringing uses are substantial, the P2P operator must show that ‘it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses’ in order to avoid liability as a contributory infringer.¹⁵⁴ The court found that the material contribution element was satisfied in view of Aimster’s tutorials on how to use its software. The tutorials gave examples of file sharing of copyrighted music. Aimster allowed its members, for a monthly fee, to download the music most frequently shared by its users, which were copyright music owned by the plaintiffs.¹⁵⁵

The court may, however, refuse to impute the requisite level of knowledge for contributory liability if the defence developed in *Sony Corp. of America v Universal City Studios, Inc.*¹⁵⁶ applies. In *Sony*, copyright owners sued the manufacturer of Betamax, a videocassette recorder or VCR, for contributory infringement when users recorded copyrighted programmes. It was claimed that the manufacturer supplied the means to infringe, coupled with constructive knowledge that infringement would take place. The US Supreme Court refused to hold the manufacturer of the VCR liable for contributory infringement solely on the basis of distribution. In reaching the decision, the court imported a modified ‘staple article of commerce doctrine’ from patent law to balance the rights of copyright owners against the rights of others to innovate and engage in commerce.¹⁵⁷ It was ruled that ‘the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial non-infringing uses.’¹⁵⁸

¹⁵⁴ *Supra* n 145 at 653.

¹⁵⁵ *Supra* n 145 at 651-652.

¹⁵⁶ *Supra* n 48. The US Supreme Court’s decision may be seen as the equivalent of the House of Lords’ decision in *CBS Songs Ltd v Amstrad Consumer Electronics Plc*, *supra* n 82.

¹⁵⁷ *Supra* n 48 at 442.

¹⁵⁸ *Ibid.*

In other words, no knowledge may be imputed on the part of a distributor of a product which is capable of substantial non-infringing uses. Though a survey showed that only about 9% of all VCR recordings made by users were authorized, the court was satisfied that it was significant.¹⁵⁹ As for unauthorized recordings which were mainly made for time-shifting,¹⁶⁰ the court found that it constituted a fair use. In addition, the court also took note of ‘the significant potential for future authorized copying.’¹⁶¹ As such, the VCR manufacturer was not liable since the product was ‘capable of commercially significant non-infringing uses’.¹⁶² It is clear that the Betamax defence looks at the capability or potential of a product or technology, which includes its future potentials and not limited to only its current actual non-infringing uses.

The defendant in *A & M Records, Inc. v Napster, Inc.*¹⁶³ tried to seek shelter under the rule of *Sony*, also known as the Betamax defence, claiming that it should not be held liable simply because its P2P technology could be employed to infringe the plaintiffs’ copyright. The district court held that the defendant failed to show that its system was capable of commercially significant non-infringing uses. However, the Court of Appeals for the Ninth Circuit disagreed as the district court’s analysis was only limited to current uses, overlooking the potentials of the system, viz. current and future non-infringing use.¹⁶⁴ Despite the potential of the Napster system for non-infringing uses, it was nonetheless clear that the defendant had actual knowledge of its users’ direct infringement. As such, the Betamax defence did not exempt the defendant from liability.¹⁶⁵

¹⁵⁹ *Id* at 444. The US Supreme Court referred to the survey commissioned by the District Court, see *Universal City Studios, Inc. v Sony Corp. of America* 480 F. Supp. 429.

¹⁶⁰ *Id* at 443-456. VCR enables time-shifting as it allows the recording of a programme for viewing at a later time at the users’ convenience.

¹⁶¹ *Id* at 444.

¹⁶² *Id* at 442.

¹⁶³ *Supra* n 7.

¹⁶⁴ *Id* at para 53.

¹⁶⁵ The US Court of Appeals for the Seventh Circuit also held that the Betamax defence has no application at all to vicarious liability. As explained earlier, the Betamax defence precludes the imputation of knowledge if the product at issue is capable of substantial non-infringing uses while vicarious liability does not require the establishment of knowledge on the part of a defendant: see section 3.5.4.1.

The Betamax defence in *Sony* was once again the centre of arguments on contributory liability in *Aimster* case.¹⁶⁶ The defendant's argument that its system could be utilized for non-infringing uses would afford itself a defence was rejected by the court. In *Sony*, there was no material contribution by Sony to the infringing uses by its consumers;¹⁶⁷ while in *Aimster*, the defendant's active assistance and participation in its users' infringements point to the knowledge of infringing uses as required for contributory infringement.¹⁶⁸ The court also found that the defendant had showed no evidence that its server had ever been used for lawful and legitimate purposes.¹⁶⁹ Even assuming there were non-infringing uses, the court required the service provider to show that it would have been disproportionately onerous for him to eliminate, or at least, reduce substantially the infringing uses, which the defendant had failed to show.¹⁷⁰ The burden placed on the defendant to show actual non-infringing use seems to depart from the Betamax defence which exempts liability if a technology is capable of substantial non-infringing uses. In other words, the Betamax defence considers a technology's potential legitimate uses which may not necessarily be actual lawful uses.

In the case of *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd*¹⁷¹ the respondents, namely, Grokster Ltd and StreamCast Networks, Inc., distributed software products which enabled P2P file sharing.¹⁷² The Court of Appeals found that the respondents' software were capable of substantial lawful uses and thus on the basis of *Sony* would not be subject to contributory liability, except where the distributor possessed actual knowledge of specific infringing acts and failed to act on

¹⁶⁶ *Supra* n 145.

¹⁶⁷ Sony did not in its advertising encourage the infringing uses of its Betamax recorders. In addition, the Betamax recorders were used mainly for time shifting which was held as a fair use. By contrast, Aimster had failed to show evidence of any actual non-infringing use made of its service, much less evidence on the frequency of such non-infringing uses: see *Aimster*, *Id* at 651.

¹⁶⁸ *Id* at 650-651.

¹⁶⁹ *Id* at 651.

¹⁷⁰ *Id* at 653.

¹⁷¹ 545 US 913.

¹⁷² Grokster software adopted FastTrack technology while Streamcast's Morpheus software used Gnutella technology. Both FastTrack and Gnutella worked in mostly similar ways.

that knowledge.¹⁷³ Since the respondents' software were decentralized and capable of substantial non-infringing uses, the respondents were not liable.¹⁷⁴ The Court of Appeals also found no material contribution by the respondents to users' infringing conduct in view of the fact that the users committed the acts with no participation by the respondents beyond supplying the software.¹⁷⁵

On appeal, the Supreme Court found that the Court of Appeals' broad reading of *Sony* was flawed.¹⁷⁶ According to the rule of *Sony*, intent to cause infringement should not be presumed only and simply from the design or distribution of a product which is capable of substantial lawful use. This is so even where the distributor knows it is actually used for infringement.¹⁷⁷ However, it does not mean that it is impossible to impose contributory liability on the distributor whenever a product is capable of substantial non-infringing uses unless it may be proved that the distributor has knowledge of specific infringing uses.¹⁷⁸ *Sony* does not bar liability in circumstances where there is evidence of actual intent to promote infringement, which is separate from the design and distribution of the product or the knowledge that the product may be used for infringing uses.¹⁷⁹

Ginsburg J, with whom Kennedy J concurred, distinguished *Grokster* from *Sony* referring to the fact that there was no finding of fair use and sufficient proof of lawful uses of the respondents' software in *Grokster*,¹⁸⁰ unlike the case of *Sony*. The evidence in *Grokster* did not justify the Court

¹⁷³ The district court had earlier held that users of the respondents' software infringed the claimants' copyright when they downloaded copyrighted media files. However, the district court granted judgement in favour of the respondents on the basis that the use of the software did not clothe the distributors with actual knowledge of specific infringing acts: 259 F. Supp. 2d 1029 (CD Cal. 2003) at 1033. The Court of Appeals affirmed the District Court's decision: *supra* n 14 at 1162.

¹⁷⁴ *Supra* n 14 at 1162.

¹⁷⁵ *Id* at 1163-1164. On the vicarious liability, the Court of Appeals did not find that the respondents had monitored or controlled the use of the software. Neither did the respondents have right or ability to supervise the use of the software: *Id* at 1164-1167.

¹⁷⁶ *Supra* n 171 at 933.

¹⁷⁷ *Ibid*.

¹⁷⁸ *Id* at 934.

¹⁷⁹ *Id* at 934-935.

¹⁸⁰ *Id* at 945. The evidence of non-infringing uses referred to the declarations submitted by the respondents which included assertions about authorization from some copyright owners for the distribution of their works and that some public domain materials were transmitted through P2P file sharing via the respondents' software.

of Appeals’ holding in light of the ‘overwhelming use of Grokster’s and StreamCast’s software for infringement.’¹⁸¹ The copyright owners in *Sony* held below 10% of copyrighted television programmes¹⁸² while the copyright owners in *Grokster* owned 70% - 75% of the copyrighted material being exchanged.¹⁸³ It was also pointed out that both the district court and the Court of Appeals did not sufficiently differentiate between uses of the respondents’ software and uses of P2P technology in general. Ginsburg J stressed on the evidence that the respondents’ products were in fact substantially used for infringing purposes which earned them revenue and felt that the evidence did not adequately demonstrate beyond doubt ‘a reasonable prospect that substantial or commercially significant non-infringing uses were likely to develop over time.’¹⁸⁴

3.5.4.3 Inducement liability

In *Grokster*,¹⁸⁵ the US Supreme Court resolved the case based on a rule separate from the traditional rules of contributory or vicarious liability, that is, the inducement rule adopted from patent law.¹⁸⁶ The inducement rule holds one liable for third parties’ infringing conduct by virtue of the conduct of distributing a device with the intent of promoting its use for copyright infringement which is proved by ‘purposeful, culpable expression and conduct’¹⁸⁷ to encourage infringement. Similar to the rule of *Sony*, mere knowledge of the potential or actual infringing uses does not by itself hold a distributor of the device liable. Likewise, the usual incidental acts to the distribution of a product such as customers’ technical support or product updates is insufficient.

¹⁸¹ *Id* at 947.

¹⁸² *Supra* n 48 at 443.

¹⁸³ *Supra* n 171 at 947.

¹⁸⁴ *Id* at 948.

¹⁸⁵ *Supra* n 171.

¹⁸⁶ Souter J delivered the view of a unanimous court on the inducement rule. After the Supreme Court delivered its decision, settlement was reached with the respondents except StreamCast. Wilson J granted summary judgment against StreamCast in *MGM Studios Inc. v Grokster Ltd.* 454 F. Supp. 2d 966 (C.D. Cal. 2006).

¹⁸⁷ *Supra* n 171 at 937.

‘Purposeful, culpable expression and conduct’ is required to be shown so that the inducement rule does not prejudice lawful commerce or hamper innovation.¹⁸⁸

Souter J highlighted three important aspects of the evidence of such intent in *Grokster*. First, the respondents intended to gratify an identified source of demand for copyright infringement, viz. the market consisting of former Napster users, evidenced by the advertisements targeting former Napster users and promoting its software as ‘the #1 alternative to Napster’.¹⁸⁹ Second, there were no attempts by the respondents to develop filtering tools or other means to eliminate infringing uses.¹⁹⁰ The Court of Appeals viewed this immaterial since they did not have an independent duty to monitor users’ acts. However, the Supreme Court treated this as the respondents’ ‘intentional facilitation’ of their users’ infringement.¹⁹¹ Third, the respondents made profit from advertising revenue which depended on the extent of usage of their software.¹⁹² It should be noted that these are not exhaustive factors pointing to intent to induce infringement; neither must they necessarily be present in each case to establish liability for inducing infringement.¹⁹³ Thus uncertain though it may be, the phrase ‘purposeful, culpable expression and conduct’ provides a flexible analytical framework to decide liability for inducing infringements.

¹⁸⁸ *Ibid.*

¹⁸⁹ *Id* at 924-925. Ginsburg and Ricketson criticized this criterion because ‘with or without advertising, the economy of the operation depends on infringement. If that is so, it is difficult to see how the entrepreneur could not have intended to foster infringement.’ See Ginsburg, J.C. & Ricketson, S., ‘Inducers and Authorizers: A Comparison of the US Supreme Court’s *Grokster* decision and the Australian Federal Court’s *Kazaa* ruling’, (2006) 11 Media & Arts Law Review 1.

¹⁹⁰ However, filtering of itself is infested with problems. The list of files to be filtered may easily be defeated by users in renaming the files. See Lee, J. C. J., ‘The Ongoing Design Duty in *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* – Casting the Scope of Copyright Infringement Even Wider’, IJL & IT 2007 15 (275).

¹⁹¹ Samuelson emphasized that the Supreme Court in *Grokster* did not impose a filtering obligation on P2P operators in general, see Samuelson, P., ‘Three Reactions to *MGM v Grokster*’, 13 Mich.Telecomm. & Tech. L. Rev. 177 (2006). On the other hand, Wu argued that failure to filter may not of itself show the bad intent which will give rise to liability. However, the presence of filtering could be a bar to inferences of such intent: Wu, Tim, ‘The Copyright Paradox - Understanding *Grokster*’, Supreme Court Review, 2006; Stanford Law and Economics Olin Working Paper No. 317, 24 November 2015 <http://ssrn.com/abstract=828784>.

¹⁹² *Supra* n 171 at 939-940. The fact that the respondents earned profit from advertising revenue alone would not give rise to a presumption of unlawful intent, as Souter J noted. However, when viewed in the context of the entire record of evidence, it indicated clearly the intent of the respondents to promote infringements by their users.

¹⁹³ See Samuelson, *supra* n 191.

A significant distinction between the theories of contributory liability and inducement liability is observed: the former emphasizes on knowledge while the latter stresses on intent. By virtue of the intent element, the inducement theory will be able to hold the providers of decentralized P2P file sharing service liable for infringement by their users if there is ‘purposeful, culpable expression and conduct’ on their part to induce the infringement. Since knowledge is not a requisite for the inducement liability, the rule of *Sony* which bars the imposition of knowledge on a distributor of a product capable of substantial non-infringing uses is inapplicable or irrelevant.

3.5.4.4 The US secondary liability theories as compared to the UK & Australian approach on authorization

A comparison between the English and Australian approach on authorization and the US secondary liability theories reveals very similar factors being considered in all the jurisdictions. While the law on authorization does not hold one liable for merely enabling or assisting or even encouraging others to commit infringement in the absence of ability to prevent infringement, the rule of *Sony*¹⁹⁴ in the US operates to exempt one from liability for mere distribution of a product capable of substantial lawful use which is used to commit copyright infringement. The rule of *Sony* may be seen as a refusal to impose liability on a distributor who has no ability to control the manner in which the product may be used by the public, which could be infringing or non-infringing use.

The consideration of the nature of relationship between the parties under the law on authorization focuses on the defendant’s knowledge of the primary infringer’s conduct and the extent of the defendant’s participation or involvement in the primary infringement. This resonates with the

¹⁹⁴ *Supra* n 48.

knowledge and material contribution requirements under the US contributory liability theory. The factors of whether the defendant's equipment or service constitutes the means to infringe and the inevitability of infringement are similar to the consideration of a defendant's material contribution under the US contributory liability theory.

The defendant's ability to control or prevent infringement is also a common element in the law on authorization and the US secondary liability theories, in particular, vicarious liability. Arguably, this is also pertinent to the knowledge requirement under the contributory liability theory, though perhaps not a major factor. Likewise, the consideration on whether the defendant has undertaken any step to prevent infringement is common in all the jurisdictions. Indeed, this factor appears to correspond closely with the inducement rule in *Grokster*¹⁹⁵ which concentrates on the defendant's purposeful and active acts of promoting infringement, instead of adopting measures to curb infringement.

One notable difference between the law on authorization and the US approach lies in the fact that the latter is comprised of different secondary liability theories of which each mandates the fulfilment of certain requirements. These requirements include knowledge and material contribution for the establishment of contributory liability; direct financial interest and right as well as ability to control for the establishment of vicarious liability; and 'purposeful, culpable expression and conduct' evidencing intent to induce infringement for inducement liability. Seen in this way, the law on authorization is less rigid than the US approach as the factors discussed earlier are not exhaustive. In contrast, the US secondary liability theory may not be successfully shown in the absence of one of the necessary elements.

¹⁹⁵ *Supra* n 171.

The law on authorization considers whether the technology or product distributed by the defendant is the means to infringe and the inevitability of these to infringe. In doing so, the law on authorization looks at the current state of the technology. Conversely, the US *Sony* rule examines the liability of technology providers with regard to the potential, apart from actual, lawful uses of Betamax video cassette recorders. In this way, the foresightful approach of the US should be commended for its consideration not only of the actual and current uses of a technology but the potential benefits as well.¹⁹⁶ As one may observe from the development of Betamax video cassette recorders, when copyright owners sued the manufacturer of Betamax video cassette recorders, none of them knew or thought that the recorders had the potential to result in the flourishing of video tape and rental markets, which benefit the copyright owners.

Having said so, it does not mean that the law on authorization cannot be developed to achieve the same result, if the judges choose to do so. Besides, it should also be noted that the inducement rule in *Grokster*, by finding fault with intent to cause infringement, has diminished the reach of the *Sony* rule and thus reduced the consideration of the potential and actual lawful use of a technology. Nonetheless, the inducement rule in *Grokster* is advantageous in another way. Since the rule requires the showing of positive or deliberate conduct in fostering infringement on the part of the distributor, it is clear that the US law finds fault with the conduct of the distributor in promoting infringing uses made of the technology, instead of what the technology can, and may, do.¹⁹⁷

Under the law on authorization, it would seem extremely difficult for decentralized P2P operators to avoid liability as constructive knowledge of infringement¹⁹⁸ and mere indifference or

¹⁹⁶ As Yen observed, 'History teaches us that society rarely appreciates the full benefits of new technologies immediately upon their invention.' See Yen, A. C., 'Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer', 55 Case W. Res. (2004) 815 at 832.

¹⁹⁷ See Douglas, *supra* n 145 and Ginsburg, J. C. & Ricketson, S., *supra* n 189.

¹⁹⁸ Under the US law, constructive knowledge is not good enough to hold one accountable for contributory infringement: see *In Re Aimster Copyright Litigation*, *supra* n 145. By the application of the *Sony* rule, no constructive knowledge may be imputed on the distributor if the product is capable of substantial non-infringing uses: *Sony*, *supra* n 48.

inactivity¹⁹⁹ about infringement will be sufficient. In contrast, decentralized P2P operators will not be imputed with constructive knowledge because P2P file sharing is likely to be deemed as capable of substantial non-infringing uses by virtue of the rule in *Sony* and may be able to escape responsibility in the US, provided there is no ‘purposeful, culpable expression and conduct’,²⁰⁰ such as expressive marketing strategies or advertisements highlighting the potential of infringing uses.

The absence of any attempt to implement filtering systems or other technological means to reduce infringing uses could be a hurdle for P2P operators to evade liability in both jurisdictions. Failure to do so may lead to the conclusion that P2P operators omit to prevent infringement despite their power to do so and thus constitutes ‘authorization’ as in *Sharman*;²⁰¹ and ‘intentional facilitation’ of infringements as in *Grokster*.²⁰² However, it is submitted that such failure per se may not attract liability in the US position as the evidence of intent to induce infringements in *Grokster* was not built on this factor alone.²⁰³ As such, it has been commented that P2P operators under the law on authorization will be under an ongoing design duty to ensure proper exercise of their power to restrain infringement by their users²⁰⁴ whereas their counterparts’ design duty in the US jurisdiction is limited to the initial design as to ensure their product or service is capable of substantially non-infringing uses. The duty placed on P2P operators in the US is to forbear from being engaged in ‘purposeful, culpable expression and conduct’²⁰⁵ to induce infringement by their users. This duty is separate from the duty with regard to the product’s or service’s design. Instead,

¹⁹⁹ The contributory theory under the US law requires material contribution, instead of mere inactivity or omission: see *In Re Aimster Copyright Litigation*, *supra* n 145 and *A & M Records, Inc. v Napster, Inc.*, *supra* n 7.

²⁰⁰ *Grokster*, *supra* n 171.

²⁰¹ *Supra* n 106.

²⁰² *Supra* n 171.

²⁰³ As discussed earlier, the evidence of intent to induce infringements in *Grokster* included the advertisements aiming to attract former Napster users and that the advertising revenue obtained by the service providers depended on the scope of the software usage.

²⁰⁴ See Lee, *supra* n 190. The Australian court in *Sharman*, *supra* n 106, instructed the service providers to include ‘non-optional keyword filter technology’ in their software supplied to new users and/or to place maximum pressure on the existing users to upgrade their software to the new version with the said filter technology; or to implement flood filtering on their system.

²⁰⁵ *Grokster*, *supra* n 171.

this duty is concerned with the way in which P2P operators conduct business or promote their products or services, instead of the design of their products or service. In this way, the US approach may cater for greater freedom in innovation as compared to the law on authorization.

3.6 Joint tortfeasance as an alternative

In the event a literal approach is employed to interpret ‘causes’ in section 36(1) of the CA 1987, which would lead to the result that it is difficult to hold P2P operators liable for their contribution to acts of primary infringement committed by their users, rules of tortious liability may arguably be relied on as an alternative. It is possible for P2P operators and their users to be held liable as joint tortfeasors since both parties may usually be considered as having committed a tort of copyright infringement of which they are both responsible.²⁰⁶

The essence of joint tortfeasance is concerted action.²⁰⁷ This liability may arise where one person instigates another to commit a tort or where they have respective shares in the tort commission which is done consequent to a common design.²⁰⁸ When applied in the context of copyright infringement, this means that one who has not himself committed the infringing acts, but has joined the other person in concerted action with a view to the doing of the infringing acts, or has instigated another person to commit the acts by inducement, incitement or persuasion,²⁰⁹ could be liable as a

²⁰⁶ Two persons or bodies may jointly liable ‘for a tort which they both commit or for the commission of which they are both responsible, but not where each is independently responsible for a separate tort and the two torts combine to produce the same damage.’ See Jones, M., Dugdale, A. & Simpson, M., eds., *Clerk & Lindsell on Torts* (20th ed), London: Sweet & Maxwell, 2010, at para 4-03. Some scholar have considered and proposed the liability of P2P operators as joint tortfeasors: see Garnett, K., Davies, G. & Harbottle, G. (eds), *Copinger & Skone James on Copyright Law* (15th ed), London: Sweet & Maxwell, 2009, at para 22-38; Douglas, *supra* n 145 and Ginsburg, J. C. & Ricketson, S., *supra* n 189. Yen proposed to consider the liability of P2P operators under traditional tort principles such as negligence and strict product liability: see Yen, *supra* n 195. However, as Reese commented, applying the said liability doctrines to P2P operators will inevitably hold them liable regardless of the current and potential benefits the technology they provided: Reese, R. A., ‘A Comment on Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer’, 55 Case W. Res. 877.

²⁰⁷ See *Clerk & Lindsell on Torts*, *Id* at para 4-04.

²⁰⁸ *Ibid*. Other expressions such as ‘concerted action’ or ‘agreed on common action’ carry the same meaning, per Mustill LJ in *Unilever plc v Gillette (UK) Ltd (Joinder)* [1989] RPC 583 at 608.

²⁰⁹ *CBS Songs Ltd v Amstrad Consumer Electronics Plc*, *supra* n 82, per Lord Templeman at 1058.

joint tortfeasor.²¹⁰ Liability of joint tortfeasors may thus arise by virtue of a defendant's participation in the furtherance of a common design to infringe or the procurement of infringement. 'It is well established that a person who procures an infringement of copyright is liable jointly and severally with the infringer. Similarly, two or more persons may participate in a common design to infringe rendering them jointly liable. There is a considerable overlap between the two in that many circumstances will qualify under both heads.'²¹¹

To hold a defendant liable as a joint tortfeasor, the defendant must have been involved in the commission of the tort.²¹² Mere assistance, even knowing assistance, would not render a defendant liable as a joint tortfeasor with the primary infringer. To show 'common design', tacit agreement between the defendant and the primary infringer is sufficient. It does not require a finding that the defendant has expressly planned with the primary infringer to commit the infringement.²¹³ In fact, there is no need for a common design to infringe if it is established that the parties combine to secure the doing of acts which in the event proved to be infringement.²¹⁴

In *CBS Songs Ltd v Amstrad Consumer Electronics Plc*,²¹⁵ the House of Lords considered tortious liability on the part of the defendant, the manufacturer of Amstrad machine, apart from the liability for authorizing infringement. It was held that there was no common design because the defendant sold the machine but it was the buyer who decided on the purpose of using the machine which was capable of both legal and illegal uses. As such, the defendant was not jointly liable if a buyer committed copyright infringement by using the machine.²¹⁶ On the ground of procurement, it was held that the defendant did not procure infringement by selling the Amstrad machine itself. The

²¹⁰ See *MCA Records Inc v Charly Records Ltd* [2001] EWCA Civ 1441; [2002] FSR 26 CA; *Clerk & Lindsell on Torts*, *Id* at para 25-33.

²¹¹ As per Kitchin J in *Twentieth Century Fox Film Corp v Newzbin Ltd*, *supra* n 35 at para 103.

²¹² *Sabaf SpA v MFI Furniture Centres Ltd* [2002] EWCA Civ 976 at para 59.

²¹³ *Unilever plc v Gillette (UK) Ltd (Joinder)*, *supra* n 208 at 608.

²¹⁴ *Ibid.*

²¹⁵ *Supra* n 82.

²¹⁶ *Id* at 1058.

defendant also did not procure infringement by advertising the attractions of the machine to consumers who would ultimately decide on the legitimacy of the use of the machine. In other words, the defendant's advertisements may persuade people to buy an Amstrad machine but they did not influence their decision on whether to infringe copyright.

As Lord Templeman explained in *Amstrad Consumer Electronics Plc*, '[g]enerally speaking, inducement, incitement or persuasion to infringe must be by a defendant to an individual infringer and must identifiably procure a particular infringement in order to make the defendant liable as a joint infringer.'²¹⁷ This may be a great obstacle to apply liability of joint tortfeasance in circumstances where a large number of anonymous users are involved such as that in which P2P file sharing is involved.

However, in *Twentieth Century Fox Film Corp v Newzbin Ltd*,²¹⁸ Kitchin J was of the view that this principle did not generally exclude a finding of liability wherever the claimants were unable to identify the specific infringing acts by certain infringers that the defendant was alleged to have procured.²¹⁹ It is definitely one of the factors to be considered but by no means conclusive on the question of procurement. In considering the tortious liability of the defendant with regard to making available infringing copies of films through its facilities, Kitchin J observed that all of the facts and matters taken into account in determining the question of authorization were 'highly relevant'.²²⁰ Additionally, Kitchin J considered that the defendant knew that it was making available to premium members infringing copies of films.²²¹ In this case, the claimants were unable

²¹⁷ *Ibid.*

²¹⁸ *Supra* n 35.

²¹⁹ *Id* at para 110.

²²⁰ *Id* at para 111.

²²¹ The factors which were considered in the case included the fact that the defendant's website was designed and intended to make available infringing copies of films to its premium members. In addition, the website was structured in such a way as to promote infringement by guiding its premium members to locate infringing copies and supplying them the means to download the copies. Furthermore, the activation of the defendant's facility in relation to one of the claimants' films would necessarily result in the making of an infringing copy. It was also found that the defendant had encouraged and induced its editors to make report of films protected by copyright. The defendant had also aided its premium members to infringe by offering the relevant advice and had had profited from the infringement. *Id* at para 111.

to identify specific infringements by specific members because the defendant did not keep records of the files downloaded by the members.²²² Nevertheless, in view of the said facts and matters, it was held that the defendant was liable as a joint tortfeasor.

Kitchin J's approach on joint tortfeasance in *Newzbin* was subsequently referred to in *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd & Ors*²²³ which dealt with the liability of the operators of TPB as discussed earlier.²²⁴ Arnold J stated that all matters relating to authorization indicated that the operators of TPB induced, incited or persuaded its users to infringe copyright, and that they and the users acted according to a common design to infringe. The fact that the operators made profit from the activities was also relevant.²²⁵ This means that the factors considered on authorization, viz; the nature of the relationship between the parties; whether the equipment or service supplied constituted the means to infringe; inevitability of infringement; the defendant's ability to control; and any steps undertaken by the defendant to prevent infringement were equally pertinent to deciding tortious liability of joint tortfeasance.

It is clear that enabling copyright infringement per se will not result in liability for joint tortfeasance. Unlike the manufacturer in *Amstrad Consumer Electronics Plc*²²⁶ who had no control over the tape recorder after the sale to its users, the service operators in *Newzbin Ltd*²²⁷ and *Dramatico Entertainment Ltd*²²⁸ did retain control over the facilities they provided. However, they did not only fail to take steps to prevent or reduce infringement by the users but had instead promoted and induced infringement. Unlike the manufacturer in *Amstrad Consumer Electronics Plc* who was not in a continuing and proximate relationship with the users, the service operators

²²² *Ibid.*

²²³ *Supra* n 25.

²²⁴ See sections 3.3.1 and 3.5.2.1.

²²⁵ Arnold J adopted the same approach in *EMI Records Ltd v British Sky Broadcasting Ltd*, *supra* n 92 at paras 71-74.

²²⁶ *Supra* n 82.

²²⁷ *Supra* n 35.

²²⁸ *Supra* n 25.

in *Newzbin Ltd* and *Dramatico Entertainment Ltd* were in such a relationship. Indeed, they had used such a continuous connection with users to aid and encourage the commission of infringement. The inevitability that infringement would result from the activation of the service operator's facilities was material. Likewise, the fact that the service operators profited from the infringement was another relevant factor.

It is submitted that the tortious liability of P2P operators as developed in the English case law discussed above should be considered as an alternative ground to place liability on culpable P2P operators, particularly if the word 'causes' in section 36(1) of the CA 1987 is literally interpreted. In cases where P2P operators have been involved in the commission of infringement by users with the aid of the facilities and guidance offered by P2P operators, it is just and right to hold them liable for having acted in common design with the users to infringe copyright or having procured such infringing acts. Clearly, the balance of interests under copyright law will be unfairly tilted in favour of P2P operators if they are able to evade liability at the expense of copyright owners, bearing in mind especially the great difficulties encountered by copyright owners in taking action against each and every of the numerous individual users around the world.

3.7 Conclusion

As the US Supreme Court noted in *Grokster*,²²⁹ the issues relating to liability of P2P file sharing service providers essentially involve a tension between two values, namely, supporting creative pursuits through copyright protection on one hand and promoting innovation in new communication technologies on the other hand. As such, the determination of the liability of P2P

²²⁹ *Supra* n 171 at 928.

operators would have significant impact on the balance of interests between copyright owners and the public.

The liability of P2P operators is in the nature of secondary liability, which is governed under section 36(1) of the CA 1987 in Malaysia. There is, however, a pressing problem with regard to the scope of secondary liability for copyright infringement in Malaysia. This is due to the word ‘causes’ in section 36(1) of the CA 1987 which, if interpreted literally, leaves the scope of secondary liability overly narrow, and thus almost impossible to hold P2P file sharing service providers liable for their users’ infringing acts in Malaysia. Apparently, this would be greatly unfair to copyright owners who would have an uphill struggle in taking action against each and every individual user who commits copyright infringement via P2P file sharing worldwide. While tortious liability may be relied on as an alternative to hold P2P operators liable, it should be noted that the rules on tortious liability do not take into account the advantages that the technology may bring, actual and potential.²³⁰ More importantly, in deciding tortious liability of P2P operators, the court may not be bound to give due consideration to the balance of interests under copyright law. It is thus submitted that section 36(1) of the CA 1987 should be amended by replacing the word ‘causes’ with ‘authorizes’.

On the other hand, if the word ‘causes’ is construed liberally or purposively, a reference may be made to the approaches adopted in other jurisdictions on this matter, which present pros and cons of their own respectively. It is suggested that the courts may take into account a blend of the factors which may be digested from the English, Australian and US case law as discussed above. This

²³⁰ See Reese, *supra* n 206 at 878.

method promises flexibility and possibility of benefiting from the advantages while avoiding the disadvantages of the said approaches.

CHAPTER 4

LINKING TO WEBSITES

4.1 Introduction

The World Wide Web would not be able to operate efficiently and effectively without links. Tim Berners-Lee, the inventor of the World Wide Web, explained his dream behind the Web as ‘... of a common information space in which we communicate by sharing information. Its universality is essential: the fact that a hypertext link can point to anything, be it personal, local or global, be it draft or highly polished.’¹ The fundamental role played by links in the World Wide Web is evident. However, the act of linking is not always welcome by copyright owners because some of them view it as an infringement of their rights. Numerous copyright issues have arisen due to the new potential offered by digital technologies in assembling, organizing, storing, accessing and displaying of online content including those observed in instances of linking.²

The second section of this chapter provides a brief overview on the various types of links. This is followed by the third section which considers the common copyright issues in relation to linking in general, regardless of the type of links involved. The legal position of linking may differ depending on whether or not the making available of the copyright works on the source websites has been authorized by the relevant copyright owners. Both instances of linking to websites with authorized copies of copyright works and linking to websites containing infringing copies of copyright works will be examined. The legality of search engines’ cache links is also analysed in

¹ Berners-Lee, T., ‘The World Wide Web: A Very Short Personal History’, 7 May 1998, 25 November 2015 <http://www.w3.org/People/Berners-Lee/ShortHistory.html>. See also *Universal City Studios v Reimerdes* 111 F Supp 2d 294 (SDNY) 2000, per US District Court for the Southern District of New York at 339: ‘Links bear a relationship to the information superhighway comparable to the relationship that roadway signs bear to roads but they are more functional. Like roadway signs, they point out the direction. Unlike roadway signs, they take one almost instantaneously to the desired destination with the mere click of an electronic mouse.’

² *Perfect 10, Inc. v Google, Inc.* 416 F. Supp. 2d 828, at 831.

the third section because of the peculiar features of search engines in linking. Special issues in relation to deep links are scrutinized in the fourth section while the issues in relation to inline links and frame links are discussed in the fifth section. The issues that are examined in this chapter are considered with reference to Malaysian copyright law with a comparative reference to the relevant cases and legislations of other jurisdictions, wherever necessary and appropriate.

4.2 Classification of links

4.2.1 Hypertext reference (HREF) links

Hypertext reference links, or hyperlinks, are references to Internet addresses or URL (Uniform Resource Locator) which allow a website browser to travel from a website to another.³ Berners-Lee named these links ‘normal links’.⁴ There are two types of hypertext reference links: surface links and deep links. Surface links are normal hypertext reference links which bring users to the homepage of another website; while deep links lead users to an underlying page of another website thereby by-passing the homepage of the linked website.⁵

³ Due to the feature of instructing the browser to go to a different destination, these links are also referred to as out links. See Roarty, A., ‘Link Liability: The Argument for Inline Links and Frames as Infringements of the Copyright Display Right’, 68 Fordham L. Rev. 1011 at 1017.

⁴ Berners-Lee, T., ‘Links and Law’, April 1997, 25 November 2015 <http://www.w3.org/DesignIssues/LinkLaw>. Berners-Lee explained that when a user clicks on a normal link a new window is produced and the linked material appears in the window.

⁵ There are another two types of hypertext links which either transport users to a different location on the same page or a different webpage within the same website. However, there will be no copyright issues in these two instances. See Bond, N.M., ‘Linking and Framing on the Internet: Liability under Trade Mark and Copyright Law’, 11 DePaul Bus. L. J. 185.

4.2.2 Inline links

Inline links are also known as embedded links⁶ whereby a material contained in a separate file stored elsewhere is integrated directly into the text and onto the webpage being viewed. As explained in *Kelly v Arriba Soft. Corp.*,⁷ an inline link ‘allows one to import a graphic from a source website and incorporate it in one’s own website, creating the appearance that the in-lined graphic is a seamless part of the second webpage.’⁸ Inline links enable the incorporation of the linked material into one’s own content by instructing the user’s browser ‘to retrieve the linked-to image from the source website and display it on the user’s screen’ without leaving the linking document.⁹ Therefore, the inlined material is downloaded automatically from the source website but the user may not usually notice that the inlined material actually originates from another website.¹⁰

4.2.3 Frame links

Framing technology¹¹ allows the linked-to webpage to be integrated into the linking page in its own frame. As defined in *Perfect 10 v Google, Inc.*,¹² framing is a way of ‘combining multiple pages in a single window so that different content can be viewed simultaneously, typically so that one frame can be used to annotate the other content or to maintain a link with an earlier webpage.’¹³

⁶ Some other names for these links include image links, IMG links or auto load links. Berners-Lee called them embedding links, see Tim Berners-Lee, *supra* n 4.

⁷ 336 F.3d 811 (9th Cir. 2003).

⁸ *Id* at 816 citing Sableman, M., ‘Link Law Revisited: Internet Linking Law at Five Years’, 16 Berkeley Tech. L. J. 1273 (2001) at 1297.

⁹ *Ibid* citing Dogan, S. L., ‘Infringement Once Removed: The Perils of Hyperlinking to Infringing Content’, 87 IOWA L. Rev. 829, 839 n.32 (2002).

¹⁰ Leistner, M., ‘Creating Cyberspace – Intellectual Property Law and Competition Law Protection of the Web Designer’, IIC International Review of Industrial Property and Copyright Law Vol. 34, 2/2003, 132-167.

¹¹ Netscape Communications Corp. in January 1996 introduced on its browser Navigator 2 a command in HTML which allows a user to see the screen split in a few smaller windows or frames. See Harnick, A. J., ‘Framing, The Internet equivalent of pirating?’ (1997) The New York Law Journal, April 4 & 11, 1997, as quoted in Garrote, I. J., ‘Linking and Framing: A Comparative Law Approach’, [2002] EIPR 184 at 185, n 21.

¹² *Supra* n 2.

¹³ *Id* at 833-834.

Some information may be kept visible on the screen while other views could be scrolled or replaced.¹⁴ An example of framing is given by the World Wide Web Consortium: ‘within the same window, one frame might display a static banner, a second a navigation menu, and a third the main document that can be scrolled through or replaced by navigating in the second frame.’¹⁵

The URL of the framed site is not shown; instead it is the URL of the framing site that is being displayed. This may be observed in Google Image Search, in respect of which the court in *Perfect 10 v Google, Inc.*¹⁶ noted that it is Google’s webpage that comprises the frames and thus the URL shown in the browser’s address bar displays ‘images.google.com’. The ability of framing to display more than two websites at the same time makes it most commonly adopted on commercial sites to create frames for advertising content.

4.3 Copyright concerns in relation to Linking

4.3.1 The act of setting hyperlinks

4.3.1.1 Does it infringe any exclusive right of the copyright owners?

As explained above, hyperlinks are references to URL, that is, the description of location of a particular material without its content. The German Federal Court of Justice explained in *Verlagsgruppe Handelsblatt GmbH v Paperboy*¹⁷ that ‘a link is only an electronic connection of the file containing the link to another file placed on the internet.’¹⁸ Internet addresses, like postal addresses, are commonplace information over which no one has copyright control. In many

¹⁴ World Wide Web Consortium, ‘HTML 4.01 Specification: W3C Recommendation 24 December 1999 – 16.1 Introduction to frames’, 25 November 2015 <http://www.w3.org/TR/1999/REC-html401-19991224/present/frames.html#h-16.1>.

¹⁵ *Ibid.*

¹⁶ *Supra* n 2 at 834.

¹⁷ [2005] ECDR 7.

¹⁸ *Id* at para 33.

aspects, hyperlinks are analogous to references found in endnotes or footnotes of an article or book.¹⁹ The mere prescription of URLs itself directing users to the relevant websites or webpages does not appear to raise any copyright issue since addresses per se are not copyrightable.²⁰ The German Federal Court of Justice in *Paperboy*²¹ aptly described the conduct of a link provider as follows,

‘He neither keeps the protected work on demand, nor does he transmit it himself following the demand by third parties. Not he, but the person who has put the work on the internet, decides whether the work remains available to the public. If the webpage containing the protected work is deleted after the setting of the hyperlink, the hyperlink misses. Only access to the work is made possible through the hyperlink and therefore the work literally is made available to a user, who does not already know the URL as the precise name of the source of the webpage on the internet. This is however no different to a reference to a print or to a website in the footnote of a publication.’²²

A copyright owner enjoys the exclusive right to control the communication to the public of his copyright work as provided in section 13(1)(aa) of the Copyright Act 1987 (hereinafter referred to as ‘the CA 1987’).²³ ‘Communication to the public’ means ‘the transmission of a work or performance through wire or wireless means to the public, including the making available of the

¹⁹ *Id* at para 42.

²⁰ Section 7(3)(a) of the Copyright Act 1987 requires a literary, musical or artistic work to be ‘original’ in order to be eligible for copyright protection. As stated in the said provision, ‘sufficient effort’ must have been expended to make the work ‘original’. A URL does not attain the necessary originality. See also section 7(2A) which provides that copyright protection shall not extend to any idea, procedure, method of operation or mathematical concept as such.

²¹ *Supra* n 17.

²² *Id* at para 42. A similar view was expressed by the Dutch District Court of Rotterdam in *Algemeen Dagblad B.V & Ors v Eureka Internetdiensten* [2002] ECDR 1. In the case, it was held that adding a link, even a list of deep links, from one’s website to the websites of newspapers was not a reproduction of the reports and articles on the websites (at para 13). *Cf Live Nation Motor Sports, Inc. v Robert Davis* 2007 US Dist. LEXIS 2196 in which the US District Court for the Northern District of Texas granted the plaintiff, the copyright owner of audio webcasts of motorcycle racing events, a summary judgment for copyright infringement against the defendant by reason of his act of providing a link to the plaintiff’s audio webcasts on his website. The District Court referred to *National Football League v PrimeTime 24 Joint Venture* 211 F.3d 10 (2d Cir. 2000), a case concerning live television broadcasts. It was held that the defendant’s unauthorized link to the plaintiff’s live webcasts was a copied display or performance of the plaintiff’s copyright works. However there was no reference to cases on linking.

²³ Section 13(1)(aa) of the CA 1987 provides that copyright in a copyright work shall include the exclusive right to control in Malaysia the communication to the public of the whole work or a substantial part thereof, either in its original or derivative form.

work or performance to the public in such a way that members of the public may access the work or performance from a place and at a time individually chosen by them'.²⁴ Communication to the public of a copyright work occurs when it is made available on the website and results from the act of uploading the work. If the work is made available on the website either by the copyright owner himself or with his consent, the communication to the public of the work is thus authorized by the copyright owner. It follows, therefore, that there should be no issue on the legitimacy of setting a link to the website since a hyperlink merely informs others where the copyright work, which is already made available, may be accessed. In other words, the setting of a link does not make available the work and thus it does not constitute communication to the public of the work.

However, the European Court of Justice (hereinafter referred to as 'the ECJ') seemed to have considered the question in a different manner. In the case of *Svensson v Retriever Sverige AB*,²⁵ the applicants, being the journalists who wrote articles that were published in a Swedish newspaper as well as on the newspaper website, sued the defendant which operated a website offering their clients clickable internet links to articles which were freely accessible on other websites. The applicants claimed that the defendant infringed their right to communicate the works to the public as stated in Article 3(1) of the Information Society Directive 2001/29 (hereinafter referred to as 'the Information Society Directive').²⁶ The communication to the public right under Article 3(1) of the Information Society Directive includes the making available to the public of copyright works 'in such a way that members of the public may access them from a place and at a time individually

²⁴ See the definition of 'communication to the public' in section 3 of the CA 1987.

²⁵ Ref. C-466/12, Court of Justice of the EU (Fourth Chamber), dated 13 February 2014.

²⁶ To fall under the communication to the public right in Article 3(1), the provision of clickable links to copyright works must be making available the works and it shall be made to the public. For there to be an act of communication, a work shall be made available to a public in such a way that the persons forming that public may access it, regardless of whether they avail themselves of that opportunity. 'Public' was explained as 'an indeterminate number of potential recipients and implies, moreover, a fairly large number of persons'. See *Svensson*, *Id* at paras 19 & 21.

chosen by them'.²⁷ It was held that the provision of clickable links to websites is an act of making available the relevant copyright works to the public, and thus an act of communication since it targets all possible users of the website.²⁸ However, the communication involves the same works as those covered by the initial communication, that is, when the works were made available on the websites. Therefore, in arguing that the subsequent communication falls within the copyright owners' communication of the public right, it has to be established that the subsequent communication is directed to a 'new public'.

The ECJ in *Svensson* explained that a new public refers to a public that was not taken into consideration by the copyright owners when they gave authorization to the initial communication to the public.²⁹ Since all users could access the works on the website where they were initially communicated, the users were a part of the public in the copyright owners' consideration when they gave permission to the initial communication. Thus, the users were not 'a new public'. It follows, therefore, no authorization of the copyright owners is required in setting a link to the original websites, unless such a link enables users to by-pass any access restriction on the copyright works on the websites. If a link allows users to access copyright works which they would otherwise be unable to access, the users must be considered as 'a new public'.

The reasoning in the ECJ's decision may apply equally in Malaysia in view of the close resemblance in the definition of 'communication to the public' under section 13(1)(aa) of the CA 1987 and Article 3(1) of the Information Society Directive. Be that as it may, it is submitted that clickable links to copyright works which are freely available on other websites do not constitute

²⁷ *Ibid.* A work shall be made available to a public in such a way that the persons forming that public may access it, regardless of whether they avail themselves of that opportunity. 'Public' was explained as 'an indeterminate number of potential recipients and implies, moreover, a fairly large number of persons'.

²⁸ *Id* at paras 19-23.

²⁹ *Id* at para 24.

copyright infringement in Malaysia for the following reason. When a work is communicated to the public by making it freely available through the initial act of uploading it to the original websites, any subsequent act by third parties which inform users via clickable links about its availability should not be regarded as communication of that work to the public. The work has already been communicated to the public through the initial act of uploading to the website. Hence, there is no need to consider whether or not the users are a new public because such act does not amount to an act of communication to the public in the first place.

The position would be different if a link allows the users to by-pass any access restriction on the copyright works. In such case, the setting of the link itself could be regarded as an act of communication to the public of the copyright works since the link makes available the works to the public who would not otherwise have access to the works.³⁰ If the creation of the link allows users to circumvent access limitations on the works, the setting of the link itself may also be an act of circumventing technological protection measures applied to the copyright works.³¹ Alternatively, the one who sets the link enabling users to access copyright works, which they would not have otherwise been able to do so, may be subject to secondary liability for copyright infringement.³²

In contrast, section 106 of Title 17 of the United States Code (hereinafter referred to as ‘the 17 USC’) prescribing the copyright owners’ exclusive rights does not provide for the communication to the public right. In *Perfect 10, Inc. v Amazon.com, Inc.*,³³ the setting of hypertext links to

³⁰ See the definition of ‘communication to the public’ in section 3 of the CA 1987.

³¹ See section 36A of the CA 1987 which provides for the prohibited acts of circumvention of technological protection measures as well as of trafficking activities of any technology, device or component used to circumvent technological protection measures. Section 36A of the CA 1987 is the focus of Chapter 6.

³² See Chapter 3.

³³ 508 F.3d 1146 (9th Cir. 2007). The claimant, Perfect 10, Inc. sued Google Inc. for copyright infringement in connection with the latter’s linking to websites containing the claimant’s photographs in 2004. Perfect 10, Inc. brought a similar action against Amazon.com in 2005. The district court consolidated the two actions in *Perfect 10, Inc. v Google, Inc.*, *supra* n 2. The district court granted in part the preliminary injunction against Google Inc. and denied the preliminary injunction against Amazon.com. In *Perfect 10, Inc. v Amazon.com, Inc.*, Perfect 10, Inc. and Google Inc. cross-appealed the partial grant and partial denial of the preliminary injunction against Google Inc. Perfect 10, Inc. also appealed against the denial of the preliminary injunction against Amazon.com.

websites containing copyright works was argued to be an infringement of the copyright owner's distribution right. In this case, one of the questions raised was whether the search engine, Google, which had indexed copyright works and provided links to those works, had infringed the plaintiff's distribution right. The district court ruled that it was unlikely for the plaintiff to succeed in its claim on the distribution right since the defendant did not distribute the relevant images.³⁴ The US Court of Appeals for the Ninth Circuit agreed with the district court on the ground that Google's search engine, by communicating HTML instructions to a user's browser as to where the full-size images were available, was not distributing copies of the images. According to the court, 'It is the website publisher's computer that distributes copies of the images by transmitting the photographic image electronically to the user's computer.'³⁵ Google had indexed the full-size images but did not store a collection of them and thus did not violate the plaintiff's distribution right of the full-size images. It is submitted that arguing on the ground of infringement of the distribution right is doubtful because no sale or other transfer of ownership over the copies of copyright works is involved where a search engine or any link provider merely refers or directs a user to the websites where the copyright works are available. Section 106(3) of the 17 USC,³⁶ which is similar to section 13(1)(e) of the CA 1987,³⁷ requires the distribution right to involve the distribution of copies of copyright works 'by sale or other transfer of ownership'. The distribution right does not extend to the control of any form of circulation of copies of copyright works in which no sale or transfer of ownership is involved.

³⁴ *Perfect 10, Inc. v Google, Inc.*, *Id* at 844-45.

³⁵ *Supra* n 33 at 1162.

³⁶ Section 106(3) of the 17 USC provides for the exclusive right 'to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending'.

³⁷ Section 13(1)(e) of the CA 1987 provides for the exclusive right to control 'the distribution of copies to the public by sale or other transfer of ownership'.

4.3.1.2 Defences in circumstances where copyright works were made available lawfully

A defence of consent may defeat claims of copyright infringement in cases where copyright works are published or made available on the website by the copyright owners themselves or with their authorization.³⁸ Section 36(1) of the CA 1987 provides that it is a copyright infringement if an act controlled by copyright is done by a person ‘without the licence of the owner of the copyright’. It is not an infringement if an act is done with the consent of the copyright owner, which may be inferred from the fact that the relevant copyright work is published or made available on the internet by the copyright owner or with his consent. Logically, if a work is freely accessible on the internet, the viewing of or access to it, and thus the setting of a hyperlink to the website, will also be authorized by the copyright owner, expressly or impliedly.

The decision by the US District Court for the District of Nevada in *Field v Google, Inc.*³⁹ may offer some hindsight on this matter. The plaintiff posted his fifty one stories on his website and these stories were automatically copied and cached by Google, the defendant. The plaintiff chose not to use a ‘No Archive’ meta-tag⁴⁰ despite knowing that doing so would have effectively prevented the defendant from providing users with cached links.⁴¹ The US District Court thus found that the plaintiff had made a ‘conscious decision’ to allow his copyright works to be used by the defendant and his conduct could reasonably be regarded as ‘the grant of a license to Google [the defendant] for that use’.⁴²

³⁸ Cf *Paperboy*, *supra* n 17 at para 38 in which the German Federal Court thought it remained an open question whether a copyright owner who has made a work available on the internet has implicitly consented to the necessary reproduction involved in the process of the online retrieval of the work.

³⁹ 412 F.Supp. 2d 1106.

⁴⁰ Meta-tags are the main way in which website owners can communicate with Google’s robot, i.e. the Googlebot. Through meta-tags, website owners give specific instructions and the Googlebot follows the given instructions. A ‘No Archive’ meta-tag is an instruction to the Googlebot that it can include a page in Google’s index, but not to provide a cached link to it in Google’s search results. *Id* at 1112-1113.

⁴¹ Cached pages are the copies of webpages taken by Google and kept as a back-up. Every search result generated by Google contains cached links which direct users to the version of webpages cached by Google, instead of the current version of the webpages. See Google Guide, ‘Cached pages’, 27 November 2015 http://www.googleguide.com/cached_pages.html.

⁴² *Supra* n 39 at 1116.

In addition, it should not be ignored that defendants could rely on defences generally available in tort such as acquiescence and estoppel. The Malaysian case of *Creative Purpose Sdn Bhd & Anor v Integrated Trans Corp Sdn Bhd & Ors*,⁴³ for instance, shows an attempt by the defendants to rely on defences of acquiescence, implied consent and estoppel although they failed in the case due to the lack of factual evidence to support the defences.

The defence of estoppel is likely to apply successfully in the case of linking to websites where copyright works are legally published. For the defence of estoppel to apply, a defendant is required to prove four elements, namely, the plaintiff's knowledge of the defendant's allegedly infringing conduct; the plaintiff intended the defendant to rely on his conduct or the plaintiff had acted so that the defendant had a right to believe it was so intended; the defendant was ignorant of the true facts; and the defendant relied on the plaintiff's conduct to his detriment.⁴⁴

The defence of estoppel was also argued in *Field v Google, Inc.*⁴⁵ In this case, the court found that the defendant had successfully proved all the necessary elements. The plaintiff knew that the defendant would automatically enable access to his works through cached links when he posted the works unless he instructed otherwise. The defendant could have used a 'No Archive' meta-tag but he failed to do so. The court held that it could be inferred from this that the plaintiff intended the defendant to rely on this silence as denoting the plaintiff's non-objection to the defendant's act. The defendant did not know that the plaintiff did not intend the defendant to provide cached links to his website. Lastly, the defendant had detrimentally acted on the plaintiff's silence as the defendant would honour copyright owner's requests not to provide cached links to their websites.

⁴³ [1997] 2 MLJ 429.

⁴⁴ *Supra* n 39 at 1116.

⁴⁵ *Supra* n 39.

The problem with applying the defence of estoppel to the provision of cached links concerns the use of the 'No Archive' meta-tag. The effect of applying the defence of estoppel as illustrated in *Field v Google, Inc.* is that it would impose a duty on website owners to give instructions to search engines' robots via meta-tag if they did not wish their websites to be cached. It is debatable whether it is right to expect website owners to opt out, failing which a presumption would arise that they are agreeable to cached links. It may be contended that search engine operators, who are engaged in the act of reproducing webpages, should assume the responsibility of seeking permission from the relevant copyright owners, as how it is traditionally done under copyright law. However, in view of the enormous number of websites, it is submitted that to do so will result in placing too onerous a duty on search engines. It is considered more practical for website owners to adopt the relevant meta-tags to prevent their websites from being cached. In this aspect, it is noted that the conventional norm practised under copyright law in expecting others to seek copyright owners' consent may not be suitable in the digital environment, in particular with regard to the issue of cached links.

4.3.2 Temporary copies made in browsing

The discussion earlier focuses on the potential liability in connection with the act of setting the link itself. There are 'copies' of copyright works made in the process of clicking on a link, or browsing in general. Issues may arise as to whether the copies made during the process of browsing constitute copyright infringement.

As explained by the English Supreme Court in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors*,⁴⁶ temporary copies are created at a few stages when a person uses the internet. They are made in the course of transmission in the internet routers and proxy servers.⁴⁷ The technical processes when the user browses the internet also require the making of temporary copies on the computer screen as well as in the internet cache on the hard disk of the user's computer.⁴⁸

The screen copy is automatically erased by the computer when the user leaves the particular webpage. When that takes place, the cached copy is also automatically erased. The copies made on the user's computing device are stored on the random access memory (RAM) of the user's computer.⁴⁹ RAM is a computer's working memory where a program exists very shortly during which the program is used to control the processing of data.⁵⁰ Information on RAM can be overwritten by new data or erased when the computer is powered off.⁵¹

⁴⁶ [2013] UKSC 18, an appeal from *The Newspaper Licensing Agency Ltd & Ors v Meltwater Holding BV & Ors* [2011] EWCA Civ 890, which in turn was an appeal from *Newspaper Licensing Agency Ltd & Other Companies v Meltwater Holding BV & Other Companies* [2010] EWHC 3099 (Ch).

⁴⁷ Service providers which provide the connections may be sheltered under section 43C of the CA 1987 for copyright infringement by virtue of the transmission, routing or provision of connections; or transient storage during such processes.

⁴⁸ The screen copy is apparently necessary for the user to be able to view any webpage. On the other hand, while it is possible to design browsing software without an internet cache, it will result in the inability of the internet to deal with the current volumes and traffic as well as to perform properly in light of the current state of technology. See *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors*, *supra* n 46 at para 2.

⁴⁹ As observed by Perzanowski, 'for digital works to be displayed, performed, or manipulated by a computing device, they must be rendered in memory. ... Every commonplace interaction with digital information depends on that information being loaded into RAM.' Perzanowski, A., 'Fixing RAM Copies', *Northwestern University Law Review*, Vol. 104, No. 3 (2010), at 1070.

⁵⁰ Band, J. & Marcinko, J., 'A New Perspective on Temporary Copies: The Fourth Circuit's Opinion in *CoStar v LoopNet*', 2005 *Stan. Tech. L. Rev.* 1 at 2-3. As explained by the Australian Federal Court in *Kabushiki Kaisha Sony Computer Entertainment & Ors v Stevens* (2003) 57 IPR 161 at 213, '... for a computer to operate it must take information from a program (which will take the form of permanent storage, such as a CD-ROM), translate that information and store it in the RAM from whence it will be transferred to the CPU which will perform the actions called for by the program and send the appropriate directions to other parts of the system.'

⁵¹ This is why RAM is also known as 'volatile memory': *Apple Computer, Inc. v. Franklin Computer Corp.* 545 F. Supp. 812 at 813. See also *Apple Computer, Inc. v. Formula Int'l, Inc.* 594 F. Supp. 617 (C.D.Cal. 1984) in which the district court explained at 622, 'RAM can be simply defined as a computer component in which data and computer programs can be temporarily recorded. Thus, the purchaser of [software] desiring to utilize all of the programs on the diskette could arrange to copy [the software] into RAM. This would only be a temporary fixation. It is a property of RAM that when the computer is turned off, the copy of the program recorded in RAM is lost.'

4.3.2.1 The reproduction right

Section 13(1)(a) of the CA 1987 provides that copyright owners enjoy the exclusive right to control in Malaysia the reproduction of copyright works ‘in any material form’. Section 3 defines ‘reproduction’ as ‘the making of one or more copies of work in any form or version...’ and ‘copy’ as ‘a reproduction of a work in written form, in the form of a recording or film, or in any other material form’. To be a ‘copy’ within the meaning of the CA 1987, it has to be in a ‘material form’. ‘Material form’ is interpreted as ‘including any form (whether visible or not) of storage from which the work or derivative work, or a substantial part of the work or derivative work can be reproduced.’⁵² The crucial element of ‘material form’ is that it can be any form of storage ‘from which the work ... can be reproduced’. To date, there has been no local case law addressing the definition and scope of ‘copy’ and ‘material form’. A reference to decisions in other jurisdictions may shed light on the matter.

The Australian High Court considered the meaning of ‘material form’ in *Stevens v Kabushiki Kaisha Sony Computer Entertainment & Ors.*⁵³ The case involved the modchips used to circumvent the access control device in Sony’s PlayStation consoles and games CDs which aimed to protect its copyright in computer programs as literary works; as well as copyright in the games as cinematograph film. Sony argued, *inter alia*, that the device was a technological protection measure since it inhibited PlayStation users from reproducing in the RAM of a PlayStation console a substantial part of a particular computer program contained in an unauthorized copy of a PlayStation CD-ROM. Thus, the court had to consider whether Sony’s device inhibited

⁵² Section 3 of the CA 1987.

⁵³ (2005) 65 IPR 513; (2005) HCA 58. This case is also discussed in Chapter 6.

reproduction of its computer programs in a ‘material form’ within the meaning of section 31(1)(a)(i) of the Australian Copyright Act 1968 (hereinafter referred to as ‘the CA 1968’).⁵⁴

The then section 10(1) of the CA 1968 defined ‘material form’ as including ‘any form (whether visible or not) of storage from which the work or adaptation, or a substantial part of the work or adaptation, can be reproduced’, which closely resembles the definition of ‘material form’ in the Malaysian CA 1987. The court found that a substantial part of the computer program was kept in the RAM of a PlayStation console while the game was being played, but it was only temporary as it would be erased when the console was switched off. The portion of the game stored in the RAM was not capable of being extracted and reproduced without additional hardware and thus it was not a reproduction in a ‘material form’, the definition of which requires that the concerned work ‘can be reproduced’ from the particular form of storage.⁵⁵ The Australian definition of ‘material form’ was later amended by the US Free Trade Agreement Implementation Act 2004 and it now reads ‘in relation to a work or an adaptation of a work, includes any form (whether visible or not) of storage of the work or adaptation, or a substantial part of the work or adaptation, (whether or not the work or adaptation, or a substantial part of the work or adaptation, can be reproduced).’ The new definition has apparently removed the need for the material form to be capable of being reproduced.

In the US, section 101 of the 17 USC defines ‘copies’ as ‘material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with

⁵⁴ Section 31(1)(a)(i) of the CA 1968 provides for the exclusive right to control the reproduction of a literary, dramatic or musical work in a ‘material form’ while section 21(1A) explains that ‘a work is taken to have been reproduced if it is converted into or from a digital or other electronic machine-readable form, and any article embodying the work in such a form is taken to be a reproduction of the work.’

⁵⁵ *Supra* n 53 at para 148.

the aid of a machine or device.’⁵⁶ Section 101 of the 17 USC also explains that ‘a work is “fixed” in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.’⁵⁷ It is noted that the US definition requires that a ‘copy’ must be one that enables the work to be ‘perceived, reproduced, or otherwise communicated’. This is in contrast to the definition of ‘material form’ in the CA 1987 which has the effect of limiting the scope of a ‘copy’ by requiring the copy to be in a material form from which the work can be reproduced.

The US Court of Appeals for the Ninth Circuit held in *MAI Systems Corp. v Peak Computers, Inc.*⁵⁸ that RAM copies are ‘copies’ within the meaning of the 17 USC because they can be ‘perceived, reproduced, or otherwise communicated’. This approach, however, has been heavily criticized. One of the main grounds of comments against the decision was its ignorance of the requirement that to be a fixation it should be capable of being perceived, reproduced, or otherwise communicated ‘for a period of more than transitory duration.’⁵⁹

The approach in *MAI Systems Corp. v Peak Computers, Inc.*⁶⁰ may be contrasted with a subsequent decision delivered by the US Court of Appeals for the Second Circuit in *Cartoon Network LP, LLLP v CSC Holdings, Inc.*⁶¹ in which the appellant wanted to market a new ‘Remote Storage’ Digital Video Recorder system (RS-DVR). The difference between the new RS-DVR and the older DVRs lies in the former’s feature of storing recorded programming on central hard drives housed

⁵⁶ The definition continues, ‘The term “copies” includes the material object, other than a phonorecord, in which the work is first fixed.’

⁵⁷ The 17 USC expressly requires a copy to be ‘sufficiently permanent’ while Malaysian CA 1987 is silent on this matter.

⁵⁸ 991 F. 2d 511 (9th Cir. 1993) at 518-519. The plaintiff manufactured computers and software including operating system software and diagnostic software for servicing its customer computers. Under its software licences, its customers were allowed to use the software for their own internal information processing, which inevitably included the loading of the software into the computer’s RAM. However the licences did not authorize the use or copying of the software by third parties such as the defendant, a computer maintenance company providing maintenance and emergency repair services.

⁵⁹ See the definition of ‘fixed’ in section 101 of the 17 USC.

⁶⁰ *Supra* n 58.

⁶¹ 536 F.3d 121 (2d Cir. 2008).

and maintained by the appellant, instead of internal hard drive in the case of older DVRs. The appellant under the new RS-DVR system gathers the content of various television channels into streams of data, one of which is processed and transmitted to its customers in real time. The other stream is sent into a device called the Broadband Media Router (BMR) that buffers the stream and after reformatting sends it to the Arroyo Server. The Arroyo Server is comprised of two data buffers and several hard disks. The stream of data is transmitted to the first buffer upon which the server automatically inquires whether there is any customer who intends to record any of the programming. If there is such request, the data for the chosen program will move from the primary buffer into a secondary buffer and later onto one of the hard disks assigned to the particular customer. New data flowing into the primary buffer will overwrite the previous data and thus each data is held by the primary buffer for less than 0.1 seconds. On the other hand, the data buffer in the BMR keeps a programming less than 1.2 seconds at any time.

One of the issues was whether the appellant, by buffering the data constituting the copyright works, had reproduced ‘copies’ of the works within the meaning of the 17 USC. The court referred to the definitions of ‘copies’ and ‘fixed’ and noted that the statute clearly imposed two separate requirements: first, the work must be embodied in a medium; and second, it must remain so embodied for a period of more than transitory duration. Both these embodiment and duration requirements must be fulfilled for a work to be regarded as ‘fixed’ and, thus, a ‘copy’ of it being made. The court distinguished *MAI Systems Corp.*⁶² from the case before it on the ground that the ‘duration requirement’ was not disputed in *MAI Systems Corp.* and, thus, the court in that case did not have the opportunity to address it.⁶³ The court in *Cartoon Network* opined that the effect of

⁶² *Supra* n 58.

⁶³ In *Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp. (Cablevision I)* 478 F. Supp. 2d 607 (SDNY 2007), the district court granted summary judgement to the plaintiffs, relying on *MAI Systems Corp.* The US Court of Appeals for the Second Circuit in *Cartoon Network LP, LLLP v CSC Holdings, Inc.*, *supra* n 61, found that such reliance was misplaced and observed that the district court had mistakenly confined its consideration mainly to the embodiment requirement.

MAI Systems Corp. was that ‘loading a program into a computer’s RAM *can* result in copying that program’ and not that ‘as a matter of law, loading a program into a form of RAM *always* results in copying.’⁶⁴

The court found that the ‘embodiment requirement’ was satisfied in *Cartoon Network*.⁶⁵ However, no data remained in any buffer for more than a fleeting 1.2 seconds. Each bit of such data was speedily and automatically replaced as soon as it was processed. Therefore, the works in question were embodied in the buffer for merely a transitory duration and did not meet the ‘duration requirement’.⁶⁶ While finding the data in the buffers of the RS-DVR was stored transitorily, the court seemed to regard the RAM copies made on users’ computers as being stored less transitorily, as the latter remain embodied in the computer’s RAM memory until the user turned the computer off.⁶⁷ However, the court did not decide on the question whether RAM copies are stored ‘for a period of more than transitory duration’.⁶⁸ For this reason, it would appear that the legal position of the RAM copies remains uncertain even after *Cartoon Network*.

As mentioned earlier, the definition of ‘copies’ in the 17 USC does not necessitate a further reproduction of a work from a particular form of storage. Instead, it is a copy within the meaning of the 17 USC if the work can be perceived or otherwise communicated, either directly or with the aid of a machine or device. As such, RAM copies, despite being incapable of further reproduction, may constitute ‘copies’ under the US copyright statute since they may be ‘perceived’ or ‘otherwise communicated’. However, as rightly explained by the court in *Cartoon Network*, there is also the

⁶⁴ *Supra* n 61 at 128.

⁶⁵ *Id* at 129.

⁶⁶ *Id* at 129-130.

⁶⁷ *Id* at 130.

⁶⁸ See the definition of ‘fixed’ in section 101 of the 17 USC.

‘duration requirement’ apart from the ‘embodiment requirement’ in the definition of ‘copies’ in the 17 USC.

For the UK, RAM copies are also regarded as reproduction under copyright law. As was held in *Kabushiki Kaisha Sony Computer Entertainment Inc & Ors v Ball & Ors*,⁶⁹ the copying of copyright works into RAM was an act of reproduction and, thus, the copy made was an ‘infringing copy’ despite the fact that such copy existed in the RAM only ephemerally. The decision was based on the definition of ‘infringing copy’ in sections 27 and 17 of the UK Copyright, Designs and Patents Act 1988 (hereinafter referred to as ‘the CDPA’). Section 27 of the CDPA provides that an article is an infringing copy if ‘its making constituted an infringement of the copyright in the work in question’.⁷⁰ Section 17 of the CDPA, on the other hand, provides for copyright infringement by copying. Section 17(2) of the CDPA defines copying as reproduction of the work in any material form, including storing the work in any medium by electronic means, while section 17(6) explains further that copying includes the making of transient or incidental copies. It follows that ephemeral copies are ‘copies’ and, thus, could be ‘infringing’ under the CDPA.

It may be concluded from the discussion above that the scope and meaning of ‘material form’ under Malaysian copyright law clearly differs from that of the US copyright statute which expressly provides for both the ‘embodiment’ and ‘duration’ requirements. The ‘duration’ requirement in the US definitions of ‘copies’ and ‘fixed’ makes it clear that ephemeral copies should not be considered as reproduction under copyright law, although it may be a debatable question as to whether or not a particular form of storage is too transitory to be treated as a ‘copy’.

⁶⁹ [2004] All ER (D) 334 (Jul); [2004] EWHC 1738 (Ch).

⁷⁰ The court in *Kabushiki Kaisha Sony Computer Entertainment Inc & Ors v Ball & Ors*, *Ibid*, noted that in determining whether an article is infringing, consideration has to be given to the instant when the copy is made, and not whether it remains infringing as retention.

It is at least possible for the courts to exclude RAM copies from the scope of ‘reproduction’ by virtue of the transitory nature.

In contrast, the UK CDPA explicitly includes transient or incidental copies within the meaning of copying. This easily captures temporary copies including RAM copies within the scope of ‘copies’ and ‘reproduction’ under the law. Under the Malaysian CA 1987, there is no similar provision to include transient copies within the ambit of ‘copies’ and ‘reproduction’. Instead, the definition of ‘material form’ in the Malaysian CA 1987 closely resembles the former definition of ‘material form’ in the Australian CA 1968, which was considered and applied in *Stevens v Kabushiki Kaisha Sony Computer Entertainment & Ors.*⁷¹ It is therefore submitted that the approach adopted by the Australian High Court in the case is highly relevant and persuasive in interpreting ‘material form’ under the CA 1987.

It seems very likely that a RAM copy is not a ‘copy’ or reproduction in any ‘material form’ in the context of the Malaysian copyright law since it is not in a form of storage from which the work may be reproduced.⁷² The same ground on which the Australian High Court ruled that RAM copies are not reproduction in ‘material form’ in *Stevens v Kabushiki Kaisha Sony Computer Entertainment & Ors.*⁷³ may apply in the context of the Malaysian copyright law in view of the similarities in the definitions of ‘material form’. Should this be the case, it will in effect mean that where a user merely clicks on the link and views the copyright works, although a copy of the works is made on his computer’s RAM during this process of browsing, the user is not engaged in an act of reproduction. Therefore, there is no direct infringement on the part of the user. The absence of

⁷¹ *Supra* n 53.

⁷² See the definition of ‘material form’ in section 3 of the CA 1987.

⁷³ *Supra* n 53.

direct infringement on individual users will thus defeat any claim of secondary liability on the link providers.

4.3.2.2 The temporary copy exception

In the event that a RAM copy is treated as a ‘copy’ under the CA 1987, it is crucial to consider the relevance of the new exception in section 13(2)(q) to the making of RAM copies during the process of browsing. Section 13(2)(q) provides that a copyright owner has no right to control ‘the making of a transient and incidental electronic copy of a work made available on a network if the making of such copy is required for the viewing, listening or utilization of the said work’. ‘Transient’ means ‘temporary’⁷⁴ while a copy is said to be ‘incidental’ if it is made because it is ‘essential to the basic functionality of numerous technological processes.’⁷⁵ The making of transient and incidental copies of a work is necessary for one to view, listen or utilize a work which is made available on a network.

On this matter, reference may be made to Article 5 of the Information Society Directive which excludes from the reproduction right temporary acts of reproduction which are transient or incidental. The ECJ in *Infopaq International A/S v Danske Dagblades Forening*⁷⁶ explained the meaning of ‘transient’ in Article 5 of the Information Society Directive as referring to the duration of an act which is restricted to ‘what is necessary for the proper completion of the technological process in question’.⁷⁷ Such transient or incidental reproduction must be an integral and essential part of a technological process. In addition, the sole purpose of the reproduction is to enable either

⁷⁴ *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors*, *supra* n 46 at para 30.

⁷⁵ See Litman, J., ‘Revising Copyright for the Information Age’, 75 OR. L. REV. 19 (1996) at 37.

⁷⁶ [2009] All ER (D) 212 (Aug).

⁷⁷ *Id* at para 64.

a transmission in a network by an intermediary, or a lawful use of a copyright work. Furthermore, such temporary acts of reproduction must have no independent economic significance.

Section 28A of the CDPA,⁷⁸ which is modelled on Article 5 of the Information Society Directive, was under dispute in *Newspaper Licensing Agency Ltd & Other Companies v Meltwater Holding BV & Other Companies*.⁷⁹ In this case, the main issue was whether the end users of a news monitoring service require a licence from the copyright owners of the news content in order to legitimately receive and use the news, distinct and apart from the licence granted by copyright owners to the news monitoring company for the service of providing Meltwater News. It was argued by the defendants that the end users' act in receiving the news content was exempted from infringement by virtue of section 28A of the CDPA. The judge at first instance, Proudman J, was of the view that the temporary copies exception in section 28A of the CDPA did not encompass any copy which amounted to 'consumption of the work', whether temporary or not.⁸⁰ Proudman J thought that the making of copies was not an essential and integral part of a technological process in which the defendants provided the service; instead it was the ultimate end or objective of the process. In addition, the making of the copy did have an independent economic significance since the end users paid the defendants for the copy of the work.

On appeal to the High Court, the defendants argued that Proudman J's decision on section 28A was wrong because recital 33 of the Information Society Directive, which explained the exception in Article 5, had clearly listed 'browsing' and 'caching' as examples of the acts that fall under the

⁷⁸ Section 28A of the CDPA reads, 'Copyright in a literary work, other than a computer program or database, or in a dramatic, musical or artistic work, the typographical arrangement of a published edition, a sound recording or a film, is not infringed by the making of a temporary copy which is transient or incidental, which is an integral and essential part of a technological process and the sole purpose of which is to enable - (a) a transmission of the work in a network between third parties by an intermediary; or (b) a lawful use of the work; and which has no independent economic significance.' Section 28A was inserted to give effect to Article 5 of the Information Society Directive. In contrast, section 117 of the 17 USC provides an exception to copyright infringement where a copy is made of computer programs and such copy is essential to utilize the computer programs or it is a back-up copy. It is clear that section 117 of the 17 USC is of very much limited application since it is applicable only to copies of a computer program.

⁷⁹ [2010] EWHC 3099 (Ch).

⁸⁰ *Id* at para 32.

exception.⁸¹ The argument was rejected by the High Court on the ground that considering recital 33 as a whole, the reference to ‘browsing’ was to the extent that the acts of reproduction must fulfil the conditions stipulated in section 28A of the CDPA, as explained by the ECJ in *Infopaq International*.⁸² Essentially, the conditions were not met in *Meltwater Holding* because the acts of reproduction were caused by ‘the voluntary human process of accessing that webpage’.⁸³

The English High Court’s decision was later affirmed by the Court of Appeal⁸⁴ but rejected by the Supreme Court in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors*⁸⁵ when Public Relations Consultants Association Ltd (PRCA), whose members were subscribers of Meltwater News, appealed. The English Supreme Court was of the view that although the ECJ had paraphrased the conditions of Article 5 of the Information Society Directive in five separate sub-paragraphs in *Infopaq International*,⁸⁶ they were not free-standing requirements. Instead, the conditions were ‘overlapping and repetitive, and each of them colours the meaning of the others. They have to be read together so as to achieve the combined purpose of all of them.’⁸⁷ The English Supreme Court noted that the purpose of Article 5 of the Information Society Directive was to authorize the making of copies made during the process of browsing the internet. Thus, the said conditions ‘must be construed so far as possible in a manner consistent with that purpose’.⁸⁸

⁸¹ Recital 33 of the Information Society Directive states that ‘The exclusive right of reproduction should be subject to an exception to allow certain acts of temporary reproduction, which are transient or incidental reproductions, forming an integral and essential part of a technological process and carried out for the sole purpose of enabling either efficient transmission in a network between third parties by an intermediary, or a lawful use of a work or other subject-matter to be made. The acts of reproduction concerned should have no separate economic value on their own. To the extent that they meet these conditions, *this exception should include acts which enable browsing as well as acts of caching to take place, including those which enable transmission systems to function efficiently*, provided that the intermediary does not modify the information and does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information. A use should be considered lawful where it is authorised by the rightholder or not restricted by law.’

⁸² *Supra* n 76.

⁸³ *Supra* n 79 at para 35.

⁸⁴ [2011] EWCA Civ 890.

⁸⁵ *Supra* n 46.

⁸⁶ *Supra* n 76.

⁸⁷ *Supra* n 46 at para 11.

⁸⁸ *Id* at para 28.

It was held that the temporary copies exception in Article 5 applied to the copies cached in the course of browsing since the making of them was an integral and essential part of the technical processes involved; the use of the copies was lawful and did not depend on the copyright owner's authorization;⁸⁹ and they had no independent economic significance because the only economic value the clients obtained was derived from the mere fact of reading it on the screen.⁹⁰ The Supreme Court observed that the objective of Article 5 of the Information Society Directive was to 'treat the viewing of copyright material on the internet in the same way as its viewing in physical form, notwithstanding that the technical processes involved incidentally included the making of temporary copies within the electronic equipment employed.'⁹¹

In Malaysia, section 13(2)(q) of the CA 1987 is phrased in relatively simple and plain language. The temporary copies made during the process of browsing satisfy all of the requirements prescribed in section 13(2)(q) because they are transient and incidental; they are made of copyright works made available on a network; and the making of such copies is required or needed for the viewing, listening or utilization of the works. Without these temporary copies, the works made available on the internet cannot be viewed, listened to or utilized and hence browsing is simply impossible.

Section 13(2)(q) is obviously intended to exclude the making of temporary and incidental copies in the process of browsing from the copyright owners' rights to control. This is rightly so, or else no internet users can browse the internet without incurring liability for copyright infringement.

⁸⁹ Article 5 of the Information Society Directive requires the temporary copies to be made solely for the purpose of enabling either a transmission by an intermediary or a lawful use of a copyright work. The Supreme Court identified the question of PRCA's appeal as whether Meltwater clients would require a licence to receive its service if the media monitoring report were made available only on Meltwater's website, instead of being delivered via e-mail, thus it did not concern the process of transmission by an intermediary. Hence, the relevant condition to be satisfied in the current case was whether the making of the copies was to enable a lawful use of the copyright works, which was to allow end users to view the webpages in the case.

⁹⁰ *Supra* n 46 at para 29.

⁹¹ *Id* at para 36.

The scope of section 13(2)(q) is broad enough to encompass the temporary copies made in the internet routers and proxy servers during the transmission process as well. It is submitted that the exception should apply even where the copyright work has been made available on the internet unlawfully. If this was not so, internet users would unwittingly infringe copyright, whereas it is the person who had uploaded the work without permission who should be made liable for copyright infringement.

As observed by the US court in *Religious Technology Center v Netcom On-Line Communication Services, Inc.*,⁹² the temporary copy involved in browsing is ‘the functional equivalent of reading, which does not implicate the copyright laws and may be done by anyone in a library without the permission of the copyright owner.’⁹³ Holding temporary copies infringing is equivalent to conferring the exclusive right to control reading on copyright owners, which has always been, and rightly so, beyond the copyright owners’ rights to control. Also, if temporary copies were regarded as infringing, millions of internet users who use browsers and search engines ‘are likely unintentionally to incur civil liability, at least in principle, by merely coming upon a webpage containing copyright material in the course of browsing’, which the English Supreme Court in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors* found unacceptable.⁹⁴

⁹² 907 F. Supp. 1361 (N.D. Cal. 1995).

⁹³ *Id* at 1378.

⁹⁴ *Supra* n 46 at para 36.

4.3.3 Cached links by search engines

Search engines keep cached copies of webpages in their database. In order for search engines to perform their function efficiently in searching for and referring items of relevance to users from the huge amount of webpages on the internet, they employ automated programs to crawl on the Internet, locating and analyzing webpages as well as cataloguing them into their searchable web index.⁹⁵ The Hyper Text Markup Language (HTML) code of each webpage will be stored in 'cache', a temporary repository. A webpage stored in the cache may be displayed in the search results in response to a user's inquiry.⁹⁶ Such a cached link directs a user to an archival copy of the webpage kept in the search engine's system cache.⁹⁷ Upon clicking on the cached link, the user sees the snapshots of the webpages as how they were the last time the search engines' crawlers visited.⁹⁸

Search engines obviously reproduce the webpages, including the copyright works made available thereon, which falls within the exclusive reproduction right under section 13(1)(a) of the CA 1987. It is debatable whether it is proper to treat copyright owners as consenting to the reproduction, raising the same issues as in the case of linking to the copyrighted materials in general. As this

⁹⁵ *Field v Google, Inc.*, *supra* n 39 at 1110. Search engine technology has experienced a few stages of development. The first generation search engines involved directories produced by human beings who surfed the World Wide Web and classified the websites depending on the content. The second generation search engines employed 'spiders' which crawled the websites and copied the metadata about the websites' content. Metadata is 'structured information that describes, explains, locates, or otherwise makes it easier to retrieve, use, or manage an information resource. Metadata is often called data about data or information about information': see NISO, 'Understanding Metadata', 2004, National Information Standards Organization, 28 November 2015 <http://www.niso.org/publications/press/UnderstandingMetadata.pdf>. A disadvantage of the second generation search engines was that the websites' metadata could be easily manipulated and, thus, the accuracy of the results lists generated by search engines in response to internet users' inquiry would be undermined. To overcome this deficiency, the spiders sent out by the third generation search engines copy much of the content of the websites, see Band, J., 'Google and Fair Use', 3 J. Bus. & Tech. L. 1 (2008) at 2-3.

⁹⁶ *Field v Google, Inc.*, *supra* n 39 at 1110-1111.

⁹⁷ As explained in *Perfect 10, Inc. v Amazon.com, Inc.*, *supra* n 33 at 1156, 'Google's cache version of the webpage is not automatically updated when the webpage is revised by its owner. So if the webpage owner updates its webpage to remove the HTML instructions for finding an infringing image, a browser communicating directly with the webpage would not be able to access that image. However, Google's cache copy of the webpage would still have the old HTML instructions for the infringing image. ... In other words, Google's cache copy could provide a user's browser with valid directions to an infringing image even though the updated webpage no longer includes that infringing image.'

⁹⁸ *Field v Google, Inc.*, *supra* n 39 at 1110-1111.

issue has been discussed above,⁹⁹ it will not be repeated here. Instead, this section examines the applicability of the fair dealing exception to cached links.¹⁰⁰

The position of cached links under the copyright law of Malaysia depends largely on the scope of section 13(2)(a) of the CA 1987, of which the ambiguity and the potential ways of interpreting it was examined in Chapter 2.¹⁰¹ Prior to the Copyright (Amendment) Act 2012, the exception under section 13(2)(a) was confined to the few specified purposes stated in the sub-section. By reason of the insertion of the word ‘including’ before the phrase ‘for purposes of research, private study, criticism, review or the reporting of news or current events’, the current scope of section 13(2)(a) is clearly wider than that before the amendment. Arguably and interpreted broadly, the fair dealing exception is no longer tied to any particular purpose and, thus, cached links provided by search engines may qualify for the exception in section 13(2)(a) as long as the fairness standard is met by considering the factors including those stated in section 13(2A), which were discussed in Chapter 2.¹⁰²

If the *ejusdem generis* rule is applied, the purpose of the fair dealing should be of the same general nature or kind as the purposes specified in section 13(2)(a). In other words, a fair dealing should have a purpose similar in nature to ‘research, private study, criticism, review or the reporting of news or current events’.¹⁰³ In view of the huge volume of webpages available, the important role played by search engines in improving and enhancing the search for and access to materials of relevance or interest to users is undeniable. Search engines offer great benefits to the public and help the progress of research, private study, criticism, review or the reporting of news or current

⁹⁹ See section 4.3.1.2.

¹⁰⁰ It is noted that search engines also copy and index webpages in their database. Such act apparently amounts to ‘reproduction’, to which the fair dealing exception in section 13(2)(a) of the CA 1987 is pertinent and may apply. It is thought that the issue as regards search engines’ database copies involve the same considerations as in the case of Google Books Project which was discussed in Chapter 2.

¹⁰¹ See section 2.4 in Chapter 2.

¹⁰² See sections 2.4.2 and 2.4.3 in Chapter 2.

¹⁰³ Section 13(2)(a) of the CA 1987.

events, and many others. It may be argued that cached links provided by search engines play an important role for internet archival purposes which may in turn encourage research and studies. It is thus submitted that cached links fall within the scope of the permitted purposes even if the *ejusdem generis* rule is adopted.

In the event that cached links of search engines do not fall within the scope of the permitted purposes under section 13(2)(a) of the CA 1987, search engines may thus be found liable for copyright infringement. The Belgian case of *Copiepresse SCRL v Google, Inc.*¹⁰⁴ illustrates the difficulty that would arise if cached links were not exempted from copyright infringement. In this case, the claimant, Copiepresse, representing some of the biggest Belgian daily newspapers commenced a suit against the defendant for copyright infringement allegedly committed by the defendant's free service, Google News. Google News was a specialized search engine providing internet users a summary of daily press articles which were categorized by their main issue category. The Belgian court held that the defendant's caching function constituted a copyright infringement since a copy of each webpage was copied and stored in the cache memory on its servers. According to the court, the exclusive right to communicate copyright works to the public was infringed when internet users clicked on the cached link and accessed the contents on the defendant's own website without being linked to the original site of the work. The court also held that the defendant was not entitled to either the exception of citation or the exception for reporting news since the defendant merely collected articles from the web servers of common news agencies without making comment or using the articles for analysis or critique. This case highlights the

¹⁰⁴ [2007] ECDR 5.

rigidity of the closed system of exceptions, which in the case of Malaysia has been reduced by the 2012 amendment to the CA 1987.¹⁰⁵

Even assuming that cached links fall within the permitted purposes under section 13(2)(a) of the CA 1987, the fairness of the dealing has to be considered by taking into account various factors including those stated in section 13(2A). A reference may be made to *Field v Google, Inc.*,¹⁰⁶ in which the legality of cached links feature was examined by the US court. As discussed above,¹⁰⁷ the plaintiff claimed that the defendant infringed his copyright in the stories when the defendant copied or distributed his works by enabling access to them via cached links. In deciding whether the defendant was entitled to the fair use doctrine, the court considered the four factors in section 107 of the 17 USC, on which section 13(2A) of the CA 1987 is modelled.

On ‘the purpose and character of the use’ factor,¹⁰⁸ the court found that the cached links did not simply replace the original copyright works, instead they added something new. First, the defendant’s cached links allowed users to access information which was otherwise inaccessible. Second, cached links enabled changes of a particular webpage over time to be studied which would be of importance to politics, education, law and so forth. Third, cached links helped to enhance users’ understanding as to why a particular webpage was included in the results list in response to the query terms entered by users despite changes in the language of the webpage. Fourth, the defendant’s design features showed clearly that it had no intention to replace original webpages with its cached links. The design features included a noticeable link to the original webpage with cached links being shown in smaller font and less prominent position. There was also a disclaimer shown at the top of the webpage informing users that the webpage was only a snapshot of the

¹⁰⁵ See section 2.4 in Chapter 2.

¹⁰⁶ *Supra* n 39.

¹⁰⁷ See section 4.3.1.2.

¹⁰⁸ Section 13(2A)(a) of the CA 1987.

webpage from the defendant's cache. All in all, a user would not be misled to think that he was visiting the original webpage. Fifth, the defendant allowed website owners to preclude their webpages from being cached. In view of the 'different and socially important purposes' served by the defendant's search engine in allowing access to copyright works via cached links and the fact that its search engine did not merely supersede the purposes of the original copyright works, such copying and distribution of the plaintiff's copyright works was found to be transformative.¹⁰⁹

The first factor also required a consideration as to whether the use of copyright work was of a commercial nature.¹¹⁰ In this case, the court found no evidence of the defendant profiting from the use of the plaintiff's works which were among billions of copyright works stored in the defendant's database. In addition, there was no advertising by the defendant in its cached copy of the plaintiff's works. The court noted that the defendant's commercial operation was of less relevance while the transformative purpose of its use was greatly more significant.¹¹¹

On 'the nature of the copyright works' factor,¹¹² it was found that the plaintiff published his works on the internet and, thus, made them available to the world for free. In fact, the plaintiff inserted a 'robots.txt' file on his website so that all search engines would include his website in their search results. Even assuming the plaintiff's works were creative, this factor would only slightly favour him since the facts showed that he intended to seek the widest possible audience for free of his works.¹¹³

¹⁰⁹ *Supra* n 39 at 1118-1119.

¹¹⁰ This is similarly provided in section 13(2A)(a) of the Copyright Act 1987 which requires consideration as to 'whether such dealing is of a commercial nature or is for non-profit educational purposes'.

¹¹¹ *Supra* n 39 at 1119-1120.

¹¹² Section 13(2A)(b) of the CA 1987.

¹¹³ *Supra* n 39 at 1120.

As regards ‘the amount and substantiality of the use’ factor,¹¹⁴ the court observed that the use of entire webpages in cached links was necessary to effectively serve the various transformative and socially valuable purposes. It follows, therefore, that this factor was neutral.¹¹⁵ In considering the effect of the use on the potential market for or value of the copyright work,¹¹⁶ the court took note of the fact that the plaintiff had made his works available for free on the website and, thus, there was no evidence of any market for his works. There was also no evidence of any market or potential market for licensing search engines the right to authorize access to webpages via cached links.¹¹⁷ Therefore the factor weighed strongly in favour of a fair use finding.

It is noted that in *Field v Google, Inc.* the court considered an additional factor,¹¹⁸ that is, the propriety of the defendant’s conduct. The court noted that the defendant honoured copyright owners’ requests to be left out from cached links and the defendant also observed industry standard protocols, that is, the use of meta-tags to give instructions to search engines not to offer cached links to certain websites. There was also evidence of the steps undertaken by the defendant in ensuring that users knew the cached webpages they viewed were not the original. The additional factor also favoured a fair use determination.¹¹⁹

Obviously, the transformative use made by search engines in the provision of cached links which offered great social benefits favoured a finding of fair use by the US court. In contrast, the Belgian court in *Copiepresse SCRL v Google, Inc.*¹²⁰ treated cached links as copyright infringement to which none of the exceptions was available. This is noteworthy as it highlights the result of the

¹¹⁴ Section 13(2A)(c) of the CA 1987.

¹¹⁵ *Supra* n 39 at 1120-1121.

¹¹⁶ Section 13(2A)(d) of the CA 1987.

¹¹⁷ *Supra* n 39 at 1122.

¹¹⁸ Section 107 of the 17 USC provides that the courts are required to consider factors ‘including’ the listed factors. Section 13(2A) of the CA 1987 is similarly phrased.

¹¹⁹ As discussed earlier in section 4.3.1.2, the court also found that the defendant was entitled to the defence of estoppel in this case.

¹²⁰ *Supra* n 104.

different systems of exceptions to copyright infringement as implemented in different jurisdictions, which in turn diminishes the uniformity on the legal position of cached links in particular, and search engines in general.

Cached links by search engines should be treated as a fair dealing under section 13(2)(a) of the CA 1987. Section 13(2A), almost identical to section 107 of the 17 USC, was inserted into the CA 1987 in the year 2012 and this may strengthen further the proposition that the fair dealing exception of Malaysia is now closer to the open fair use doctrine of the US jurisdiction. In view of the new section 13(2A), the approach of the US court in *Field v Google, Inc.*¹²¹ as discussed earlier is greatly relevant to the determination of the same issues if they should arise under the Malaysian copyright law.

4.3.4 Secondary liability of link providers in linking to infringing websites

As discussed in Chapter 3,¹²² the scope of liability for causing direct infringement by others depends on how the court would interpret the term ‘causes’ in section 36(1) of the CA 1987.¹²³ A person is liable for causing copyright infringement committed by others if he has, either by himself or his servant or agent, participated in the infringing act, if ‘causes’ in section 36(1) of the CA 1987 is construed literally. In such a situation, the act of linking to websites containing infringing works will not give rise to liability on the part of link providers because the link providers do not, by themselves or their agent or servant, participate in the process of either making available copies

¹²¹ *Supra* n 39.

¹²² See section 3.5.3 in Chapter 3.

¹²³ Section 36(1) of the CA 1987 provides that copyright is infringed by a person who does, or ‘causes’ any other person to do, without the copyright owner’s licence, an act over which the copyright owner has rights to control.

of copyright works by uploaders or downloading of the same by users, by virtue of the mere provision of clickable links.

Again, as noted in Chapter 3,¹²⁴ the scope of liability for causing infringement by others under section 36(1) of the CA 1987 is narrower than that of liability for authorizing infringement. If ‘causes’ in section 36(1) of the CA 1987 is broadly interpreted so as to carry the same meaning as that of ‘authorizes’,¹²⁵ it will mean to ‘sanction, countenance or approve’.¹²⁶ If ‘causes’ is construed broadly, the control that link providers have over the primary infringers’ conduct as well as their ability to prevent infringement would be the material issues. While the act of linking to websites containing infringing copies per se, which may have been done innocently, may not tantamount to authorizing infringements, a defendant may be liable if something more than mere linking has been done. Hence, in determining secondary liability of link providers in providing links to infringing websites, it is crucial to consider two matters: firstly, the third party’s conduct which constitutes a direct infringement of copyright and secondly, the link providers’ involvement in the direct infringement as well as their power and ability to reduce the direct infringement.

In circumstances where the copyright works made available on the source websites are infringing or published without the copyright owners’ consent, there is little doubt as regards the liability of the uploaders for direct infringement by virtue of the act of making available copies of the copyright works on the internet, which clearly and certainly involves a reproduction of the copyright works.¹²⁷ The act of making available copies of copyright works on the internet, without the copyright owners’ licence, also constitutes an infringement of the communication to the public

¹²⁴ See section 3.5.3 in Chapter 3..

¹²⁵ Khaw argued that the word ‘causes’ should be broadly defined so as to be meaningful since the narrow interpretation of it will limit the liability for ‘causing’ infringement to only vicarious liability while ‘the rules of vicarious liability will apply in any event’. See Khaw, L.T., *Copyright Law in Malaysia* (3rd ed), Petaling Jaya: LexisNexis, 2008, at 246.

¹²⁶ See *Falcon v Famous Players Film Co* [1926] 2 KB 474. This definition of ‘authorize’ was also approved by the Australian High Court in *University of New South Wales v Moorhouse* 6 ALR 193.

¹²⁷ Section 13(1)(a) of the CA 1987.

right.¹²⁸ However, secondary liability should not be imposed on link providers who have not contributed to the unlawful act of uploading the copies on the internet. This was illustrated in *Intellectual Reserve, Inc. v Utah Lighthouse Ministry, Inc.*¹²⁹ in which the defendants set links to webpages where infringing copies of Church Handbook of Instructions were made available. The court held that there was no nexus between the defendants and those who posted the Handbook. Accordingly, the defendant did not contribute to infringement with regard to the posting of the copyright work.¹³⁰

As regards the possible liability of link providers for the making of temporary copies in the process of browsing, the earlier discussion has suggested that such temporary copies will be precluded from the copyright owners' exclusive rights under section 13(2)(q) of the CA 1987.¹³¹ As such, link providers should not be subject to secondary liability where the users only browse the websites, which in itself does not infringe copyright.¹³²

However, link providers may be held liable if they have done something more than the mere provision of links, which is illustrated in the English case of *Twentieth Century Fox v Newzbin*.¹³³ This case involved an action for copyright infringement brought by copyright owners of films against Newzbin, the defendant. The copyright owners alleged that the defendant located and classified illegal copies of films, showed the titles of the copies of films and offered a facility for

¹²⁸ Section 13(1)(aa) of the CA 1987.

¹²⁹ 75 F. Supp. 2d 1290 (D. Utah, 1999).

¹³⁰ A similar reasoning was made by the Norwegian Court of Appeals in the case of *Frank Allan Bruvik v EMI Norsk AS & Ors* (Judgement dated March 3, 2004, Case no.: 03-000482ASI-ELAG, translated transcript at <http://www.linksandlaw.com/decisions-135-napster-norway.htm>). The Norwegian court found no necessary causal link between the appellant's actions in referring to websites on which infringing music files were made accessible and the action of those who uploaded the files and, thus, no contribution to such infringing acts by the appellant. However, the appellant was found to have contributed, by publishing the links, to the individual users' act of playing or copying the music files from the websites.

¹³¹ See section 4.3.2.2.

¹³² In the US jurisdiction, the temporary copies were regarded as a fair use. In *Perfect 10, Inc. v Amazon.com, Inc.*, *supra* n 33 the plaintiff argued, *inter alia*, that the defendant was secondarily liable for direct infringement committed in relation to the cache copies of copyright materials made automatically when individual users were directed by the defendant's links to the relevant websites. The US Court of Appeals for the Ninth Circuit, however, agreed with the district court's rejection of this argument on the ground that the cache copies were likely a fair use.

¹³³ [2010] ECDR 8.

its users to search and locate illegal copies on its website on Usenet.¹³⁴ The defendant argued that its website was merely a search engine which indexed the content of Usenet and provided hyperlinks. The making of any unlawful copies took place entirely between the hyperlink users and the concerned Usenet server operators in which the defendant had no participation.

The court in *Newzbin* considered the nature of the relationship between the defendant and its members and noted that its premium members who paid weekly payment could access its sophisticated searching and indexing facility with a focus on movies. The court also took into account the fact that use of the defendant's facility inevitably resulted in the works entered onto its index being copied. The court found that the defendant's facility offered its premium members the means for committing infringement and the means was wholly within the defendant's control in respect of which the defendant could install filtering system, but did not do so. As such, the court found the defendant liable for authorizing its premium members' infringements.¹³⁵

A similar approach is observed in the US jurisdiction on this issue. In *Perfect 10, Inc. v Amazon.com, Inc.*,¹³⁶ for instance, the Court of Appeals for the Ninth Circuit held that the defendant could be subject to contributory liability if it had knowledge that infringing copies of the copyright works in dispute were made available using its search engine, could take simple steps to prevent further damage to the said copyright works, but yet failed to do so.¹³⁷ However, the court was doubtful as to the existence of any 'reasonable and feasible means' for the defendant to stop providing access to infringing copies of copyright works. The case was thus remanded to the district court to determine the question.¹³⁸

¹³⁴ Usenet is a worldwide internet discussion system.

¹³⁵ *Supra* n 133 at paras 98-102.

¹³⁶ *Supra* n 33.

¹³⁷ *Id* at 1172.

¹³⁸ *Id* at 1172-1173.

In the district court, the plaintiff argued that the defendant could undertake simple steps such as to block all links to websites on which infringing images were available or to use image recognition software to identify images similar to the copyright works and block them. However, the district court found the measures suggested by the plaintiff were merely speculative and the court recognized the risks of being dramatically over-inclusive in adopting the measures because none of them could distinguish images which were either legally licensed or qualified for fair use from those which were infringing.¹³⁹

A similar question arose in *Flava Works, Inc. v Marques Rondale Gunter d/b/a myVidster.com*.¹⁴⁰ in which the claimant was a company producing adult entertainment products which could be accessed on certain websites for a fee. The defendant ran a website, 'myVidster', an online 'social bookmarking' service which enabled users with similar preference to refer to one another online materials by bookmarking them on myVidster. The defendant's website automatically requested the embed code of the video from the server hosting the video upon receiving a bookmark. With the embed code, myVidster produced a webpage with the video in thumbnail being shown. When a user clicked on the thumbnail, the computer code would be activated thereby establishing a connection between the user's computer to the server and then the user was able to watch the video. The video was framed on myVidster which could result in the user thinking that he was watching the video on myVidster.

In this case, the US Court of Appeals for the Seventh Circuit considered whether the claimant's public performance right was infringed and, thus, whether the defendant was liable for contributory infringement.¹⁴¹ The court opined that there were two possible interpretations on the public

¹³⁹ *Perfect 10, Inc. v Google, Inc.* 2010 US Dist. LEXIS 75071.

¹⁴⁰ 689 F.3d 754 (7th Cir. 2012).

¹⁴¹ The court found that the user did not infringe the reproduction right if he did not make a copy of the video despite the fact that he watched it without paying the claimant. Posner J equated this conduct as 'stealing a copyrighted book from a bookstore and reading it', which does not

performance right. The first was to treat uploading plus bookmarking a video as a public performance since a visitor was enabled to watch the video any time.¹⁴² The second was that a public performance took place only when the video was transmitted to the visitor's computer.¹⁴³ If the first interpretation was adopted, there was no evidence of the defendant contributing to the decision of someone to upload a video of the claimant onto the internet since the defendant only listed and gave the links.¹⁴⁴ If the second interpretation applied, it could be argued that the defendant was assisting the transmission by giving the link connecting the uploader and the visitor and thus facilitating public performance.¹⁴⁵ The court found that the defendant did not provide a market for sale of the claimant's videos or making profit dependent on its users' infringing conduct and, thus, did not encourage copyright infringement.¹⁴⁶ It follows, therefore, there was no contribution on the part of the defendant to the performance of the videos.

It may be concluded from the above discussion that the mere setting of links to infringing websites is insufficient to establish secondary liability on the part of link providers. It is otherwise if a link provider has done something more than just providing the links, which may be described as knowingly encouraging or contributing to users' direct infringement. It is also crucial to consider

infringe copyright. The person who uploaded the claimant's video was the one who infringed the reproduction right while the defendant was 'neither a direct nor a contributory infringer at least of [the claimant's] exclusive rights to copy and distribute copies of its copyrighted videos' (*Id* at 760). The court noted that if there is evidence of any invitation or promotion from the defendant to its users to post copyrighted videos on its website without copyright owners' permission, that could subject the defendant to liability for inducing infringement.

¹⁴² The court considered that this interpretation 'is better at giving meaning to "public" in public performance but worse at giving meaning to "performance"' as it regards public performance taking place upon the video being uploaded and the public become capable of watching it (*Id* at 761).

¹⁴³ The second interpretation will favour the claimant but the claimant did not press on it.

¹⁴⁴ By listing and giving the links, the defendant was not performing, transmitting or communicating the videos. The court observed, 'To call the provision of contact information transmission or communication and thus make myVidster a direct infringer would blur the distinction between direct and contributory infringement and by doing so make the provider of such information an infringer even if he didn't know that the work to which he was directing a visitor to his website was copyrighted' (*Id* at 761).

¹⁴⁵ The court expressed its view that legislative clarification on the public performance provision in the copyright statute is desired: *Ibid*.

¹⁴⁶ The court distinguished the current case from *Fonovisa, Inc. v Cherry Auction, Inc.* 76 F.3d 259 (9th Cir. 1996). The latter involved a 'swap meet' operated by the defendant in which, the defendant knew that infringing copies of music recordings copyrighted by the plaintiff were sold. The buyers bought the recordings and played them publicly. The defendant was held to have offered 'support services', facilitating the infringing activities.

whether there is any reasonable and practical measure that the link provider may adopt to prevent infringement.

In Malaysia, it is clear that link providers will not be liable for ‘causing’ infringement committed by others under section 36(1) of the CA 1987 if the provision is interpreted literally since it must be shown that link providers, by themselves or through their agent or servant, have participated in the infringing act. By the mere provision of links to infringing websites, link providers cannot reasonably be treated to have taken part in the infringing act. The position is the same even where link providers do something more than the mere provision of links, such as encouraging infringement by linking to infringing websites. In that case, Malaysian copyright law does not appear to adequately protect copyright owners.

In the event section 36(1) of the CA 1987 is interpreted narrowly, tortious liability may apply and hold link providers liable for providing assistance to direct infringement committed by others.¹⁴⁷

Link providers may be subject to tortious liability if they deliberately set links to infringing websites and induce users’ infringement with the objective of deriving profits. As discussed in Chapter 3,¹⁴⁸ liability of joint tortfeasance may arise in circumstances where two or more persons have been involved in a concerted action of committing a tort, which is copyright infringement in the current discussion. If a link provider is fully aware of the infringing nature of the materials available on the websites being linked to, and does more than merely prescribing the internet

¹⁴⁷ An example of the application of tortious liability to the act of setting deep links to infringing copies of copyright works may be seen in *Stichting Bescherming Rechten Entertainment Industrie Nederland (BREIN) v Techno Design ‘Internet Programming’ B. V.* [2006] ECDR 21. The District Court had earlier ruled that the defendant was not liable for primary communication to the public since it was not the defendant who made the music files available. Likewise, the court did not hold the defendant liable for secondary communication to the public since the music files were transferred directly from the file’s provider to the user. The court also considered the question whether the defendant’s actions were tortious against the BREIN members by merely providing the links; to which the court answered negatively in view of the fact that the defendant’s website also offered access to legitimate applications. On appeal, the Court of Appeals only addressed the tortious issues and held against the setting of deep links to music files. The court found that the defendant knew that a huge amount of the music files on the linked websites was unauthorized and that most of its visitors went to its website with the intention of finding unauthorized music files. The defendant did not merely enable the downloading of unauthorized music files by the users but also derived income from its search engine. As such, the court found the defendant in breach of the principles of due care which it was obliged to comply with and, thus, tortious vis-à-vis the copyright owners.

¹⁴⁸ See section 3.6 in Chapter 3.

addresses such as encouraging and aiding the users to download copies from the websites, it may be established that the link provider has participated in the direct infringement committed by the users in the furtherance of a common design to infringe. In other words, a link provider in such case may be said to have procured the direct infringement performed by the users and thus liable as a joint tortfeasor.

If ‘causes’ under section 36(1) of the CA 1987 is defined broadly, the question as to whether the link providers are in a position to control or prevent the infringing conduct would be crucial. If such measures exist, yet link providers have failed to undertake any of them to prevent or limit infringement, they could be liable. However, link providers who set links to infringing websites per se differ from libraries which offer both the primary means of infringing copyright and copyright works¹⁴⁹ or P2P operators who have the power to control the end users’ conduct through the service and facilities provided.¹⁵⁰ Rather, they are analogous to the manufacturers of blank tapes¹⁵¹ and twin-deck tape recorders,¹⁵² or internet service providers in relation to the users’ infringing conduct,¹⁵³ who have no control over the ultimate use of the content made available by individual users, let alone the conduct of those who upload the infringing works on the internet. It will tilt the balance of interests against the public if copyright law holds link providers liable in such circumstances. Nonetheless, the likelihood of link providers to be liable for authorizing infringement increases if they actively promote or encourage infringement by doing something more than merely prescribing the links.

¹⁴⁹ *University of New South Wales v Moorhouse* (1975) 133 CLR 1.

¹⁵⁰ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242.

¹⁵¹ *CBS Inc v Ames Records & Tapes Ltd* [1981] 2 All ER 812; *Australian Tape Manufacturers Association Ltd v The Commonwealth* (1993) 176 CLR 480; [1993] HCA 10.

¹⁵² *CBS Songs Ltd v Amstrad Consumer Electronics Plc* [1988] RPC 567.

¹⁵³ *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16.

4.4 Special issues in relation to deep links

Deep links allow users to be directed to a particular webpage, thereby skipping the homepage which includes bypassing any advertisements on the homepage as well. Deep links are no different from the usual hyperlinks except for this feature of skipping the homepage which may result in potential loss of advertising revenue to the website owner. As such, the legality of deep links seems to be questioned largely on the potential loss of advertising revenue. In *Shetland Times v Wills*,¹⁵⁴ the court, in granting an interim interdict, noted that Shetland News' deep links enabled readers to reach subsidiary pages. Lord Hamilton remarked, 'It was fundamental to the setting up by the pursuers of their website that access to their material should be gained only by accessing their web directly. While there has been no loss to date, there is a clear prospect of loss of potential advertising revenue in the foreseeable future.'¹⁵⁵ However, the parties settled and thus the question was not tried.¹⁵⁶

It may be gathered from Lord Hamilton's statements above that the website owners have the right to control the way in which the public may access their website. Nonetheless, in the context of copyright law, copyright owners enjoy no exclusive right to control access to copyright works, at least in respect of mere access or access for the purpose of reading. It is submitted that the setting of deep links does not infringe copyright because any reproduction or communication to the public of copyright works is done by the uploader, in much the same manner as in the case of setting any link as discussed earlier.¹⁵⁷

¹⁵⁴ [1997] FSR 604; 1997 SC 316.

¹⁵⁵ *Id.*

¹⁵⁶ Similarly, a suit commenced in the US, *Ticketmaster Corp v Microsoft Corp* 97 Civ. 3055 (C D Cal., filed on April 28, 1997), did not proceed to litigation. The case involved a claim of infringement against Microsoft's website, 'seattle.sidewalk.com', in providing a deep link to a subsidiary page of Ticketmaster's website from which users could purchase tickets or obtain information about ticket availability. Microsoft removed the links to Ticketmaster's website and the case was withdrawn.

¹⁵⁷ See section 4.3.2.1.

This stand may be supported by the case of *Ticketmaster Corp. v Tickets.com, Inc.*¹⁵⁸ in which the plaintiffs commenced an action against the defendant alleging, *inter alia*, copyright infringement by the defendant's provision of deep links to its webpage. The US district court held that such an act of linking does not violate copyright as no copying is involved since 'the customer is automatically transferred to the particular genuine webpage of the original author. There is no deception in what is happening. This is analogous to using a library's card index to get reference to particular items, albeit faster and more efficiently.'

Assuming that the setting of deep link is caught under the exclusive rights of copyright owners, the factor of the potential loss of advertising revenue may raise questions on defences to copyright infringement. As discussed above, in instances of linking to websites where copyright works have been made available legally, defences such as consent, estoppel or acquiescence may operate to rule out liability for copyright infringement, if any.¹⁵⁹ Nonetheless, in deep linking where there may be loss of advertising revenue, such defences may be difficult to be applied as copyright owners may argue that they have not intended the homepage to be bypassed that may cause them a loss of advertising revenue.

The difficulty of relying on such defences is complicated by the uncertainty surrounding the approach of opting out, as discussed in relation to defences for the act of setting hyperlinks earlier.¹⁶⁰ To require the website owners to opt out by making use of meta-tags and, thus, instructing search engines' crawlers or robots not to cache the webpages, would be to depart from the traditional norm under copyright law which places the burden on the public to seek permission from copyright owners to use copyright works. While website owners who wish to stop search

¹⁵⁸ 2000 U.S. Dist. Lexis 4553 (C.D. Cal., March 27, 2000).

¹⁵⁹ See section 4.3.1.2.

¹⁶⁰ *Ibid.*

engines from deep linking may do so by using a protocol known as Robots exclusion standard, it is arguable as to whether website owners are under a duty to opt out and failing which, may be presumed to have acquiesced to deep linking. Furthermore, the adoption of Robotic exclusion standard will only stop search engines whereas deep linking can technically be done by any person or body other than search engines.

On the other hand, it may be argued that website owners should not complain about the manner in which the public access their websites if website owners do not utilize the available measures to restrict access to their websites. The W3C Technical Architecture Group (TAG)¹⁶¹ expressed their view that if a website owner does not make use of the Web's built-in facilities to control access to resources on the website, attempts to restrict or suppress disclosure about the existence of the resources will not yield justice or good business result.¹⁶²

The courts in several member states of the European Union appeared to view the matter in a similar manner as that of TAG. In *Algemeen Dagblad B.V. & Ors v Eureka Internetdiensten*,¹⁶³ for instance, the claimants sought to stop the defendant from setting deep links to any webpage of their website. The district court of Rotterdam, Netherlands, took note of the fact that it was technically feasible for the claimants to prevent deep links but none of the claimants did that. As such, the claimants failed to obtain an injunction to stop a website from providing deep links to articles on their website. Another example may be seen in *Verlagsgruppe Handelsblatt v Paperboy*,¹⁶⁴ where the Germany Federal Court of Justice held that a copyright owner who makes his work freely available online, without technological protection measures, permits access to the

¹⁶¹ TAG is a working group within the World Wide Web Consortium (W3C), which is in charge of the web architecture. W3C is an international community to develop Web standards.

¹⁶² See Bray, T. (ed), 'Deep Linking in the World Wide Web', 11 Sep 2003, TAG, 28 November 2015 <http://www.w3.org/2001/tag/doc/deeplinking.html>.

¹⁶³ [2002] ECDR 1.

¹⁶⁴ [2005] ECDR 7.

work by internet users. Therefore, the setting of hyperlinks or even deep links to his website by others does not interfere with copyright as the links merely facilitate access to the work. Without the links, users can still directly access the work on the internet with the URL (Uniform Resource Locator) which is the internet address. However, it remains an open issue as to whether the setting of deep links may amount to liability for disturbance¹⁶⁵ under the German copyright law if the copyright owner intends to disable deep links by technological measures.¹⁶⁶

If the defences of consent, estoppel or acquiescence fail, it is necessary to determine whether the fair dealing exception in section 13(2)(a) of the CA 1987 can be invoked. As argued in Chapter 2, the scope of section 13(2)(a) of the CA 1987 has been broadened after the 2012 amendments by virtue of the insertion of the word ‘including’ before the prescribed permitted purposes.¹⁶⁷ The act of setting links in general may well fall within the ambit of the purposes of fair dealing under section 13(2)(a) since such an act is considered fundamental to the operation and navigation of the World Wide Web and plays a significant role in enhancing access to information and knowledge, as well as improving research or study related activities.

It is submitted that the discussion on the fair dealing exception in relation to the Google Books Project in Chapter 2 should apply equally to search engines, and any link provider in general, due to the close resemblance of the nature and function of the said practices.¹⁶⁸ The crucial question to be examined in this section is whether deep linking meets the ‘fairness’ standard in view of the fact that it allows one to bypass the homepage of the linked website.

¹⁶⁵ Disturbance liability is akin to contributory liability.

¹⁶⁶ *Supra* n 164 at para 39.

¹⁶⁷ See section 2.4.1 in Chapter 2.

¹⁶⁸ See section 2.4.3 in Chapter 2.

One of the factors in evaluating ‘fairness’ of a dealing is ‘the effect of the dealing upon the potential market for or value of the copyright work’ as provided in section 13(2A)(d) of the CA 1987. Copyright owners may argue that deep linking will cause them loss of advertising revenue and thus bring negative impact on the potential market for or value for their copyright works. This issue was dealt with in *Kelly v Arriba Soft Corp.*¹⁶⁹ where the US Court of Appeals for the Ninth Circuit dismissed the plaintiff’s objections to the defendant’s deep links. While noting that the deep links enabled users to bypass the plaintiff’s main page and, thus, made it possible that users may miss some of the plaintiff’s advertisements and promotional messages, the court found this insufficient to establish damage or adverse impact. Also, the plaintiff in the case failed to show evidence of any alleged harm or adverse impact.¹⁷⁰

It appears that the courts in both the US and European Union jurisdictions commonly found deep linking per se to be non-infringing. Deep linking does not necessarily result in the advertisements on a website being viewed less frequently. On the contrary, deep links direct traffic of visitors to the linked website, either its webpage or homepage.¹⁷¹ If users do not see the advertisements on the homepage, they are still able to view the advertisements on the webpage directed to by the deep links. Hence, it is argued that the question of advertising revenue, considered under ‘the effect of the dealing upon the potential market for or value of the copyright work’ factor in section 13(2A)(d), should not affect the availability of the fair dealing exception as provided in section 13(2)(a) of the Copyright Act 1987.

¹⁶⁹ *Supra* n 7.

¹⁷⁰ With regard to the claimants’ argument on the loss of advertising revenue in *Algemeen Dagblad B.V. & Ors v Eureka Internetdiensten*, *supra* n 22, the court observed that the defendant’s website may possibly promote the claimants’ websites by directing more visitors to the websites.

¹⁷¹ See Roarty, A., ‘Link Liability: The Argument for Inline Links and Frames As Infringements of the Copyright Display Right’, 68 Fordham L. Rev. 1011.

It should be noted that deep linking is commonly done and also performed by search engines which always endeavour to provide search results as accurately and efficiently as possible. Deep linking will refer the individual users directly to the particular webpage on which the relevant matter of interest is available, instead of referring them to the homepage of a website and leaving them to figure out where the particular information is actually located within the website. It is submitted that deep linking enhances efficiency in browsing and the usefulness of the Web in general, and thus benefit the public greatly in the online environment without causing unwarranted damage to copyright owners. It would upset the balance of interests under copyright law if it is treated as infringing copyright.

4.5 Copyright concerns in relation to inline links and frame links

An inline link ‘creates the appearance that the inlined graphic is a seamless part’ of the linking webpage.¹⁷² On the other hand, framing refers to ‘the process by which information from one computer appears to frame and annotate the inline linked content from another computer.’¹⁷³ Framing combines various pages in one single window and thus all pages may be viewed at the same time.¹⁷⁴ Both inline links and frame links enable the creation of webpages incorporating third party content which is available on other websites. The third party content is shown while the user stays on the link provider’s webpage. In view of the similar copyright issues arising in respect of inline links and frame links, both will be discussed together as follows.

¹⁷² *Kelly v Arriba Soft Corp.*, *supra* n 7 at 947.

¹⁷³ *Perfect 10 v Google, Inc.*, *supra* n 33 at 833-834.

¹⁷⁴ *Ibid.*

4.5.1 The showing to the public right

When a user clicks on either an inline link or a frame link referring to copyright content stored on another website, the user's browser downloads the linked content to his computer from the source website and displays it on his computer screen. However, the user does not see these invisible technical processes and thus may think that the content shown is stored on the linking website. In reality, it is the code of the linking website which instructs the user's browser to retrieve the content, either an image or a webpage from the source website, to be displayed on the linking website.¹⁷⁵ An inline link or frame link provider does not make a copy of the inlined or framed material.¹⁷⁶ Since there is no copy made by the linking website, there is no infringement of the copyright owner's reproduction right as provided in section 13(1)(a) of the CA 1987. It is the user's computer which makes a copy of the content on the computer's RAM. The earlier discussion on the statutory exceptions, in particular the temporary copy exception in section 13(2)(q), is applicable.¹⁷⁷

Would such link infringe the communication to the public right in section 13(1)(aa) of the CA 1987 instead?¹⁷⁸ Section 3 defines 'communication to the public' as 'the transmission of a work or performance through wire or wireless means to the public, including the making available of a work or performance to the public in such a way that members of the public may access the work or performance from a place and at a time individually chosen by them.'¹⁷⁹ The definition of 'communication to the public' in section 3 of the CA 1987 is *in pari materia* with Article 8 of the WIPO Copyright Treaty (WCT). Where a work is communicated to the public, a signal is

¹⁷⁵ *Kelly v Arriba Soft Corp.*, *supra* n 7 at 816.

¹⁷⁶ *Ibid.*

¹⁷⁷ See section 4.3.2.2.

¹⁷⁸ The communication to the public right was discussed earlier in section 4.3.1.1.

¹⁷⁹ This right was based on article 8 of the WIPO Copyright Treaty 1996 and introduced via the Copyright (Amendment) Act 1997. The communication to the public right covers the rights of broadcasting, communication by cable, and the internet: See Khaw, *supra* n 125 at 230.

transmitted via wire or wireless means.¹⁸⁰ By the nature of digital technology, the public can now select the content to be delivered to their computers. It is submitted that one does not make the work available by the provision of an inline or frame link. This is because the party who makes available the work on the source website, instead of the link provider, is the one who makes the initial act of making the work available. This argument may be supported by the Records of the Diplomatic Conference leading to the WCT, which explained that in relation to the act of ‘making available’ copyright works, it means ‘the decision to make a given work available’ and ‘not the mere provision of server space, communication connections, or facilities for the carriage and routing of signals’.¹⁸¹

The next issue to be considered is whether such a link may infringe the performance, showing or playing to the public right as stated in section 13(1)(b) of the CA 1987. This right may be further classified into the public performance right, the showing to the public right, or the playing to the public right, depending on the circumstances.¹⁸² A public performance involves the performance of a copyright work at a place where the public is or can be physically present.¹⁸³ A link provider may incur secondary liability for infringement of the public performance right if the user, by clicking on the link, is able to view or watch the performance of the relevant copyright works.¹⁸⁴ Accordingly, the act of setting an inline link or a frame link may arguably result in a public performance of copyright works. The question of who, between the source website owner and the link provider, performs or shows the inlined or framed material would thus be pertinent.

¹⁸⁰ WIPO, ‘Understanding Copyright and Related Rights’, 1 December 2015, http://www.wipo.int/edocs/pubdocs/en/intproperty/909/wipo_pub_909.pdf at 9.

¹⁸¹ WIPO, Records of the Diplomatic Conference on Certain Copyright and Neighbouring Rights Questions (WIPO Pub. No. 348), Geneva: WIPO, 1999 at 675.

¹⁸² There is no definition of this right in the Copyright Act 1987. Khaw explains, “‘Performance’ suggests delivery of a work, such as reading or reciting a literary work, singing a song, performing a musical work, etc. ‘Playing’ includes playing a sound recording while ‘showing’ refers to showing a film or exhibiting an artistic work.’ See Khaw, *supra* n 125 at 232.

¹⁸³ *Supra* n 180 at 9.

¹⁸⁴ See *Flava Works, Inc. v Marques Rondale Gunter d/b/a myVidster.com.*, *supra* n 140, as discussed earlier in section 4.3.4.

In *Perfect 10, Inc. v Google, Inc.*,¹⁸⁵ one of the questions was whether the setting of inline links infringes the display right under section 106(5) of the 17 USC,¹⁸⁶ which is similar to the showing to the public right under section 13(1) of the CA 1987. The court considered the ‘server’ and ‘incorporation’ tests in determining what constitutes an act of displaying. Under the ‘server’ test, displaying is ‘the act of *serving* content over the web – i.e., physically sending ones and zeroes over the internet to the user’s browser.’ Applying this test, the defendant did not display the photographs but it was the third party websites which did.¹⁸⁷ On the other hand, if the ‘incorporation’ test is adopted, displaying refers to ‘the mere act of *incorporating* content into a webpage that is then pulled up by the browser.’¹⁸⁸ Under this test, the defendant being the host of its own webpage that incorporated the photographs from third party websites would be the party that displayed the photographs.¹⁸⁹ The court chose to apply the ‘server test’ and held that it was the source website owner storing an image and serving it directly to the user who displayed the image, an act which may infringe the copyright owner’s exclusive right to display. The key consideration in determining who displays a copyright work on the internet is who stores and serves the electronic work.

¹⁸⁵ *Supra* n 33.

¹⁸⁶ The public performance right is prescribed under the 17 USC with reference to the types of copyright works involved. Section 106(4) of the 17 USC states that the copyright owner has the exclusive right ‘in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to *perform* the copyrighted work publicly’. Section 106(5) of the 17 USC provides for the right ‘in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to *display* the copyrighted work publicly’. Whereas section 106(6) of the 17 USC prescribes the right to ‘perform the copyrighted work publicly by means of a digital audio transmission’ in the case of sound recordings.

¹⁸⁷ *Supra* n 33 at 839.

¹⁸⁸ *Ibid.*

¹⁸⁹ The US District Court for the Central District of California observed, ‘As opposite ends of a spectrum, the server and incorporation tests both are susceptible to extreme or dubious results. Under the server test, someone could create a website entitled ‘Infringing Content For All!’ with thousands of in-line links to images on other websites that serve infringing content. That website, however, would be immune from claims of *direct* infringement because it does not actually *serve* the images. On the other hand, under the incorporation test, any website that inline links to or frames third-party content would risk liability for direct infringement (putting aside the availability of an affirmative defense) even if that website discloses the identity of the actual server of the image.’ *Id* at 839-840.

When the US Court of Appeals for the Ninth Circuit heard the appeal in *Perfect 10, Inc. v Amazon.com, Inc.*,¹⁹⁰ it agreed with the district court that Google did not display a copy of the infringing images when it framed the inline-linked images which appeared on a user's computer screen since Google's computers did not store the images. The court found that what Google had done was to provide HTML instructions which instructed a user's browser to the computer of a website publisher that kept the images.¹⁹¹ The court observed, 'Providing these HTML instructions is not equivalent to showing a copy.'¹⁹²

The reasoning in *Perfect 10, Inc. v Amazon.com, Inc.*¹⁹³ may be helpful in determining who shows the copyright work to the public under section 13(1)(b) of the CA 1987 in instances where the setting of an inline link or a frame link is involved. It is submitted that the server test should be adopted because the true cause of the copyright work being available on the internet is the uploader or the website owner who stores a copy of the work and shows it to the public. Inline link or frame link providers merely prescribe the internet address of the website. Copyright law should not hold the link providers for giving the address of the copyright material, which of itself does not involve any reproduction of the works, in the same manner in which copyright law does not find fault with the conduct of one informing others of the location where copyright works may be found as such act does not make any copy of the copyright works. To hold otherwise would have the effect of creating a new exclusive right for copyright owners to control the act of giving address or

¹⁹⁰ *Supra* n 33 at 1159-1161. Perfect 10, Inc. also brought a similar action against Amazon.com and the district court consolidated the two actions. Perfect 10, Inc. appealed against the denial of the preliminary injunction against Amazon in *Perfect 10, Inc. v Amazon.com, Inc.*, *supra* n 33, which was discussed in 4.3.1.1 earlier.

¹⁹¹ *Ibid.*

¹⁹² *Id* at 1161. The court explained, 'First, the HTML instructions are lines of text, not a photographic image. Second, HTML instructions do not themselves cause infringing images to appear on the user's computer screen. The HTML merely gives the address of the image to the user's browser. The browser then interacts with the computer that stores the infringing image. It is this interaction that causes an infringing image to appear on the user's computer screen.'

¹⁹³ *Id.*

informing others of the location of copyright works, which would result in imbalance of interests under copyright law.

4.5.2 The adaptation right

As explained by Berners-Lee, in cases of inline linking, the inlined images, embedded objects, and background sounds are ‘by default to be considered part of the document.’¹⁹⁴ In relation to frames, Berners-Lee explained that a user may easily be led to believe that the material within an embedded frame is a part of the frame provider’s content when it is actually not.¹⁹⁵ The ostensible problem with this is the possible confusion that may arise as to the actual location of the relevant copyright materials. In *Perfect 10, Inc. v Google, Inc.*,¹⁹⁶ the plaintiff argued that in displaying a copy of the images by framing them, the defendant’s inline links may lead viewers to assume that they are seeing a single Google webpage. The US Court of Appeals for the Ninth Circuit rejected the argument that such act could give rise to copyright liability since the copyright statute, ‘unlike the Trademark Act, does not protect a copyright holder against acts that cause consumer confusion.’¹⁹⁷ The same goes with any copyright law, including the Malaysian CA 1987.

However, there could be issues as to whether liability may be imposed on the part of the inline or frame link providers for integrating third-party content into their webpage and, thus, infringing the adaptation right enjoyed by copyright owners. Section 13(1)(a) of the CA 1987 confers on copyright owners the exclusive right to control reproduction of copyright works ‘either in its original or derivative form’. ‘Derivative form’ is not defined in the Act. However, section 8 of the

¹⁹⁴ *Supra* n 4.

¹⁹⁵ *Id.*

¹⁹⁶ *Supra* n 33.

¹⁹⁷ *Perfect 10, Inc. v Amazon.com, Inc.*, *supra* n 33, at 1161.

CA 1987, which recognizes copyright protection for derivative works, offers examples of what may constitute derivative forms of copyright works. Section 8(1) of the CA 1987 prescribes two main categories of derivative works, which are ‘translations, adaptations, arrangements and other transformations of works eligible for copyright; and collections of works eligible for copyright, or compilation of mere data’.¹⁹⁸ Adaptations and other transformations are reproductions of copyright works in their derivative form and hence activities over which the copyright owners have rights to control.

The question to be addressed is whether the incorporation of a third-party copyright work as part of one’s webpage amounts to reproduction of the copyright work in its derivative form. In other words, the issue to be considered is whether the act infringes the adaptation right of the copyright owner, that is, the right to reproduce the copyright work in derivative form under section 13(1)(a) of the CA 1987. This issue arose in *Futuredontics, Inc. v Applied Anagramics, Inc.*¹⁹⁹ in which the defendant provided a link on its website which, when clicked, would frame the plaintiff’s website. The plaintiff claimed that the link created an unauthorized derivative work of its contents. The defendant moved a motion to dismiss the plaintiff’s claim for copyright infringement relying on the case of *Lewis Galoob Toys, Inc. v Nintendo of America, Inc.*²⁰⁰ *Lewis Galoob Toys* involved the use of the ‘Game Genie’ to adjust the properties of Nintendo games.²⁰¹ It was held that the visual displays produced by ‘Game Genie’ were not derivative works since it merely enhanced the

¹⁹⁸ Section 3 of the CA 1987 defines ‘adaptation’ as including any of the following- (a) in relation to a literary work, a version of the work (whether in its original language or a different language) in which it is converted into a dramatic work; (b) in relation to a dramatic work, a version of the work (whether in its original language or a different language) in which it is converted into a literary work; (c) in relation to a literary or dramatic work- (i) a translation of the work; (ii) a version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book or in a newspaper, magazine or similar periodical; (d) in relation to a literary work in the form of a computer program, a version of the work, whether or not in the language, code or notation in which the work was originally expressed not being a reproduction of the work; (e) in relation to a musical work, an arrangement or transcription of the work; (f) in relation to a literary or artistic work, a version of the work (whether in its original language or a different language) in which it is converted into a film.’

¹⁹⁹ 1998 U.S. Dist. LEXIS 2265; 45 USPQ 2d 2005 (C. D. Cal 1998).

²⁰⁰ 964 F. 2d 965 (9th Cir. 1992), *aff’d* 16 F. 3d 1032 (9th Cir. 1994).

²⁰¹ The ‘Game Genie’ is a device which permits the player to modify maximum three features of a Nintendo game. It can, for instance, ‘increase the number of lives of the player’s character, increase the speed at which the character moves, and allow the character to float above obstacles.’ It does not, however, change the data kept in the game cartridge and its effects are temporary. *Id* at 967.

original work without making a copy of the original program's elements, in particular, the visual displays did not 'incorporate a portion of a copyrighted work in some concrete or permanent form'.²⁰² Besides, the defendant's 'Game Genie' 'could not duplicate or recast a Nintendo game's output.'²⁰³

Based on the ground that *Lewis Galoob Toys* could be distinguished from the case before the court, the court in *Futuredontics* dismissed the defendant's motion. The court opined that *Lewis Galoob Toys* did not preclude the plaintiff from showing that the defendant's webpage integrated the plaintiff's webpage in 'some concrete or permanent form' or that the defendant's frame links 'duplicates or recasts' the plaintiff's webpage. Although the plaintiff's claim of copyright infringement by reason of the defendant's framing was not dismissed, the court did not grant the preliminary injunction to restrain the defendant from doing so because the plaintiff had not established that the defendant's framing did produce a derivative work.²⁰⁴

The case of *Futuredontics* shows the possibility of framing resulting in the creation of derivative works, which tantamounts to copyright infringement. However, to be derivative works, a substantial part or the whole of the copyright work must be reproduced. As the court rightly pointed out in *Perfect 10, Inc. v Amazon.com, Inc.*,²⁰⁵ 'the claimant must be able to claim infringement of its reproduction right in order to claim infringement of its right to prepare derivative works.' As was held in the case, the inline link provider did not commit any direct infringement of the copyright owners' reproduction or displaying to the public rights since the link provider did not store any copy of the copyright works on its own website. If there is no reproduction made on the

²⁰² *Id* at 968.

²⁰³ *Ibid*.

²⁰⁴ The plaintiffs appealed against the district court's denial of a preliminary injunction but the US Court of Appeals for the Ninth Circuit affirmed the district court's denial because the latter did not abuse its discretion in doing so. See *Futuredontics, Inc. v Applied Anagramics, Inc.* 1998 US. App. LEXIS 17012.

²⁰⁵ *Supra* n 33 at 1161.

part of the link providers in the first place, the question whether it amounts to a reproduction of the copyright work in derivative form should not arise at all.

It is true that temporary copies of the copyright work are made when the user visits and views the linking webpage. As observed by the court in *Perfect 10, Inc. v Google, Inc.*,²⁰⁶ there could be potential contributory liability on the part of the link providers in respect of the RAM copy made on the user's computer. However, as discussed earlier,²⁰⁷ RAM copies are generally regarded as fair use in the US while they are exempted from liability in Malaysia under the temporary copy exception in section 13(2)(q) of the Copyright Act 1987. Hence, it is concluded that neither inline links nor frame links should be regarded as violating the right to reproduce copyright works in their derivative form.

4.5.3 Moral rights of authors

As explained above, users may not usually realize that the inline linked material originates from another source, separate from the website they are at. This is so since the browser shows the address of the linking website and does not indicate the location from which the inlined material originates.²⁰⁸ Similarly, according to Berners-Lee, framing may create an illusion in the minds of internet users that the information in the frame is a part of the framing website. Therefore, he thought that it is appropriate for content providers to make efforts to clear the possible confusion when designing the webpages by incorporating statements of clarification on this matter.²⁰⁹

²⁰⁶ *Supra* n 33.

²⁰⁷ See the earlier discussion in section 4.3.2.

²⁰⁸ *Perfect 10, Inc. v Google, Inc.*, *supra* n 33.

²⁰⁹ *Supra* n 4.

Questions may thus arise as to whether the setting of an inline link or a frame link violates the moral rights of the author of the linked material.

Section 25(2) of the CA 1987 provides two types of moral rights: the identification right and the integrity right. The identification right recognizes the right of the author to be identified as the author in the presentation of the work ‘by any means whatsoever’.²¹⁰ It may thus possibly be a violation of the author’s identification right when the work is inlined or framed either without an acknowledgement of the author, or with a false authorship attribution.²¹¹

There may be a breach of the integrity right when there is distortion,²¹² mutilation²¹³ or other modification of the work if such change ‘significantly alters the work; and is such that it might reasonably be regarded as adversely affecting the author’s honour or reputation.’²¹⁴ To sue for infringement of the integrity right, the author has to show not only significant modification done on his work, but also the modification constitutes derogatory treatment with negative effect on his honour or reputation.

The fulfilment of the requirements in section 25(2)(b) was illustrated in *Syed Ahmad Jamal v Dato Bandar Kuala Lumpur*.²¹⁵ In this case, the plaintiff who is the author of a sculpture named Lunar Peaks, sued the defendant for the modification works carried out by the latter. Lunar Peaks was a two-triangle towering sculpture with broad bases comprised of a reflecting pool to reflect the sculpture and the sky. Its surrounding landscape consisted of the external landscape plaza

²¹⁰ Section 25(2)(a) of the CA 1987. In *Syed Ahmad Jamal v Dato Bandar Kuala Lumpur* [2011] 2 CLJ 569, there was previously a plinth ascribing the authorship of the Lunar Peaks, the sculpture in dispute, to the plaintiff. When the defendant performed modification works on the Lunar Peaks and the surrounding landscape, the plinth was removed. By virtue of the removal of the plinth and, thus, failure to identify the plaintiff as the author of the work, the court held that the defendant had infringed the plaintiff’s moral right to be identified as the author of the .

²¹¹ *Copiepresse SCRL v Google, Inc.*, *supra* n 104.

²¹² The Oxford English Dictionary defines ‘distortion’ as ‘the twisting or perversion of words so as to give them a different sense’, as quoted in *Pasterfield v Denham & Anor* [1999] FSR 168.

²¹³ The Oxford English Dictionary defines ‘mutilation’ as ‘the fact of rendering a thing imperfect by excision or destruction of one or more of its parts’, as quoted in *Pasterfield v Denham & Anor*, *Id.*

²¹⁴ Section 25(2)(b) of the CA 1987.

²¹⁵ *Supra* n 210.

contiguous with the pool. The surrounding landscape was intended to contrast with the pristine whiteness of the sculpture and thereby highlighted the serenity of the sculpture. The defendant replaced the pyroceram slabs on Lunar Peaks with stainless steel plates and the deep blue tiles in the reflecting pool with black-coloured tiles. The court found that the modification works had significantly altered the character and spirit of Lunar Peaks. The modification had also ‘completely destroyed the delineation in form and the serenity intended by the plaintiff.’²¹⁶ The court noted that the pristine Lunar Peaks had been modified to the extent that ‘it looks more like a kitchen sink’ and that anyone looking at the mutilated sculpture ‘would have been appaled at the altered sculpttrue’.²¹⁷ Hence, it was held that the significant distortion, which amounted to derogatory treatment of the Lunar Peaks, has adversely affected the plaintiff’s honour and reputation.

With respect to inline links or frame links, questions may arise as to whether the inlined or framed copyright work being shown as a part of the linking website alone may be regarded as ‘distortion, mutilation or other modification’ to the work, while the copyright work itself is not modified. However, as the Belgium court noted in *Copiepresse SCRL v Google, Inc.*, ‘the modification may not concern the work as such, but its environment, its title, its classification, or the way it is divided up.’²¹⁸ On this line of argument, it may be contended that a repackaging or presentation of the work in a way different from the original style constitutes ‘distortion, mutilation or other modification’ of the work. The US court in *Hard Rock Café International v Morton*²¹⁹ observed that ‘framing changes a framed website, alters it, repackages it in a way its author did not intend, transforms it, misrepresenting the author’s work in the process, either by attributing the work to someone else or attributing a creation to the author that the author himself did not produce.’ The

²¹⁶ *Id* at para 19.

²¹⁷ *Ibid.*

²¹⁸ *Supra* n 104 at para 157.

²¹⁹ US Dist. LEXIS 8340 (SDNY, June, 1999). This case was, however, based on a claim for breach of contract, and not copyright infringement.

same argument may be made in respect of inline linking. This argument may succeed if ‘modification’ in section 25(2)(b) is given a broad interpretation.

However, in the absence of negative impact on the author’s honour or reputation there will be no infringement of the integrity right despite significant distortion, mutilation or other modification that has been made to the work.²²⁰ On ‘honour or reputation’, Laddie, Prescott and Vitoria were of the opinion that ‘any treatment of a work which tends to trivialize it and to diminish the respect in which either the work or the author is held’ may amount to an infringement of moral rights.²²¹ The question whether such changes might ‘reasonably’ be regarded as bearing negative impact on the author’s honour or reputation is an objective question to be determined. As was held in *Pasterfield v Denham & Anor*,²²² it is not enough that the author feels aggrieved. Negative impact on the author’s honour or reputation may be established if the material is inlined or framed and displayed together with other materials of the nature that may harm the author’s honour, such as if a copyright work is being inlined or framed by pornographic websites.

In *Syed Ahmad Jamal* as discussed earlier, the court’s finding of significant mutilation on the plaintiff’s work was not only based on the replaced materials of the sculpture alone, but also the modification made on the landscape surrounding the sculpture. The defendant had added chequered black and white tiles to the external landscape plaza which was contiguous to the reflecting pool and, thus, eroded the emphasis on Lunar Peaks. An analogy may be drawn between the case and the act of setting an inline or frame link, particularly where the inline or frame link

²²⁰ *Confetti Records (a firm) v Warner Music UK Ltd (t/a East West Records)* [2003] EWHC 1274 (Ch); [2003] ECDR 31. See also *Syed Ahmad Jamal v Dato Bandar Kuala Lumpur*, *supra* n 210.

²²¹ Laddie, et al. *The Modern Law of Copyright and Designs*. (3rd ed.) London, Edinburgh & Dublin: Butterworths, 2000, at para 13.19.

²²² *Supra* n 213 at 182.

may have the effect of diminishing the essence or spirit of the copyright work being so inlined or framed.

It is submitted that inline or frame linking raises concerns regarding authors' moral rights, rather than infringement of the economic rights enjoyed by copyright owners. Therefore, the issues at stake involve the interests of authors to have their identification and integrity rights respected, and freedom of website owners or any link provider in general to inline or frame third party content at their websites. A line needs to be drawn between freedom of linking and inappropriate linking that tarnishes the authors' honour or reputation.

4.6 Conclusion

In the online environment, the act of linking plays a significant role in ensuring efficient and accurate way of locating information of interest. As Chancey precisely commented, 'hypertext linking, now considered the "backbone" of the Web, is so integral to the Web experience that to remove it would be to remove the "Web" from the World Wide Web.'²²³ Linking is basically an act of prescribing the internet address of a website or webpage. The act of setting links to websites, including deep links, does not involve reproduction of copyright works which are made available on the websites. It is equivalent to the act of a librarian or a bookstore worker describing to a patron or customer where a particular book may be located in the library or the bookstore. Therefore, it is not an activity over which copyright owners have the exclusive right to control.

²²³ Chancey, M.E., 'Comment: Meta-Tags and Hypertext Deep Linking: How the Essential components of Web-Authoring and Internet Guidance are Strengthening Intellectual Property Rights on the World Wide Web', 29 Stetson L. Rev. 203, as quoted in Hugenholtz, P.B., 'Caching and Copyright: The Right of Temporary Copying', [2000] EIPR 482, at 228.

It is acknowledged that temporary copies are inevitably made in the process of browsing, unlike browsing books which involves no reproduction. Nonetheless, to treat the temporary copies infringing and, thus, browsing the Web unlawful, will have the effect of conferring copyright owners a new exclusive right, that is, the reading right in the online environment. It follows therefore that the introduction of the new exception, namely, section 13(2)(q), into the Malaysian CA 1987 is much needed and timely. Section 13(2)(q) makes it very clear that the making of transient and incidental copies of works on the internet does not constitute copyright infringement. The greatest advantage of exempting such temporary copies from copyright owners' control through section 13(2)(q) is that, as compared to the US position in which the same is generally regarded as fair use, a defendant is not encumbered with the duty to prove that the act meets the standard of 'fairness'.

In respect of cached links by search engines, the earlier discussion suggests that they should be treated as a fair dealing which falls under section 13(2)(a) of the CA 1987 in view of the beneficial purposes that cached links may serve. In this aspect, it is submitted that section 13(2)(a) should be liberally construed, mindful of the fundamental roles played by search engines. A purposive interpretation will guarantee a meaningful protection for the public access to information and knowledge by giving due consideration to the new potential brought by digital technologies which radically change the ways in which copyright works may be utilized. As the court observed in *Kelly v Arriba Soft Corp.*,²²⁴ at a time when a new use and technology are evolving, the transformative purpose of the use is more important than the unavoidable defects in the early stage of development of the technology. To treat cached links infringing would deprive the public of a great source of archived online information which could be useful in many different ways.

²²⁴ *Supra* n 7.

While linking per se should not be held as copyright infringement, the position of linking to websites containing infringing works is not that clear cut. Some are of the opinion that it should not be made illegal. For example, Litman highlighted the fact that the public has always had, and should have, a right to cite that extends to referring to an infringing work.²²⁵ However, it is submitted that links referring to infringing works should not be treated equally as the act of referring to an infringing work in the brick-and-mortar world. This is so since the links do not only mention or refer to an infringing work, but due to the fact that internet users may download or copy illegal works directly from the linked websites, the offer of such links may be close to the provision of the means to infringe copyright. Link providers should be held liable for linking to infringing websites if they are aware of the illegality of the websites, yet they encourage or induce infringements by the users.

The above discussion on inline links and frame links reveals that the real issues at stake concern the authors' moral rights, not the copyright owners' economic rights. 'Distortion, mutilation or other modification' in section 25(2)(b) of the CA 1987 has to be construed liberally so as to cover instances where the copyright works are inlined or framed in such a way that the works are repackaged. This does not impose undue restrictions on the freedom of others to set inline or frame links, in view of the other requirement in section 25(2)(b) that must be satisfied, namely, the modification to the work brings negative impact on the authors' honour or reputation. In addition, the provision of inline or frame links should be done with a proper acknowledgement of the title of the work as well as the name of the author, so as to respect the authors' identification right in section 25(2)(a) of the CA 1987.

²²⁵ Litman, J., 'Revising Copyright Law for the Information Age', in Thierer, A.D. and Crews, C.W. (eds), *Copy Fights – The Future of Intellectual Property in the Information Age*, Washington: Cato Institute, 2002, at 138.

Over-emphasis on the rights of copyright owners will overthrow the balance maintained under copyright law. The public interest in having universal access to knowledge is paramount provided that copyright owners are adequately, as opposed to overly, protected.²²⁶ Copyright law should not find fault with the provision of links itself, be it hypertext links or deep links, since the links in general direct users to the source websites. Except in instances where link providers may be subject to secondary liability for linking to websites containing illegal copies of copyright works, copyright owners should not be allowed to prevent, limit or control the act of linking as it will result in undue and unnecessary restrictions on freedom of creativity and access to information and knowledge.²²⁷

²²⁶ As observed by Vaidhyathan, ‘... as a result of schools of legal thought that aim to protect “property” at all costs and see nothing good about “public goods”, copyright has developed as a way to reward the haves: the successful composer, the widely read author, the multinational film company.’ Vaidhyathan, S., *Copyrights and Copywrongs: The Rise of Intellectual Property and How It Threatens Creativity*, New York: New York University Press, 2001, at 5.

²²⁷ Lessig pointed out the fact that the legal control over contents of creative works creates expense as well as burdens including the cost of creativity. See Lessig, L., *The Future of Ideas*. New York: Vintage Books, 2002.

CHAPTER 5

LIMITATION OF LIABILITIES OF SERVICE PROVIDERS

5.1 Introduction

There are various types of service providers (hereinafter referred to as ‘SPs’) who play essential roles in the online environment. SPs may be classified into two categories, namely, internet service providers (hereinafter referred to as ‘ISPs’) who provide services for connecting to the internet; and online service providers (hereinafter referred to as ‘OSPs’) who provide facilities and information resources on the internet.

Connecting to the internet as well as browsing the Web would not have been possible without ISPs who provide services relating to connections for the access, transmission or routing of data. Similarly, the Internet and the Web would be devoid of information and materials of various types without the SPs providing access to services and facilities which enable the content creators to upload and publish their content. The flourishing of user-generated content (hereinafter referred to as ‘UGC’)¹ evidences the importance of Web 2.0 applications² which empower users to be publishers, developers and creators at minimal costs. The act of surfing itself will be impossible,

¹ UGC refers to ‘the activities engaged in by those typically seen not as cultural producers but cultural consumers.’ Halbert, D., ‘Mass Culture and the Culture of the Masses: A Manifesto for User-Generated Rights’, 11 Vand. J. Ent. & Tech. L. 921. Halbert explained that UGC is a term used to describe the division between culture produced as a commodity for consumption and the culture that is generated by people acting as creative beings without any market incentive.

² O’Reilly explained Web 2.0 as ‘the network as platform, spanning all connected devices; Web 2.0 applications are those that make the most of the intrinsic advantages of that platform: delivering software as continually-updated service that gets better the more people use it, consuming and remixing data from multiple sources, including individual users, while providing their own data and services in a form that allows remixing by others, creating network effects through an “architecture of participation”, and going beyond the page metaphor of Web 1.0 to deliver rich user experiences.’ See O’Reilly, T., ‘Web 2.0: Compact Definition?’ 1 October 2005, O’Reilly Media, Inc., 2 December 2015 <http://radar.oreilly.com/2005/10/web-20-compact-definition.html>. Tim O’Reilly is the founder and CEO of O’Reilly Media, Inc., a publisher of computer books.

or may be slowed down,³ without the making of cache copies of webpages. Likewise, browsing could not be performed efficiently without information location tools.

It is evident that the Internet and the Web would not function at all or effectively, and would lose substantial attraction without SPs. Some of the SPs play a role similar to that of a mere conduit, messenger, or bookstore; while others do more than that and may be likened to publishers. At the same time, copyright owners' interests may be at stake in consideration of the extreme ease in reproducing and distributing digital copies of copyright works over the internet. As such, they may be reluctant to make their works available on the internet if there is no reasonable guarantee of protection over their works against piracy. In the case of SPs who are not merely passive conduits or storage hosts, they can be subject to secondary liability for copyright infringement in appropriate cases if they participate directly, contribute to, or actively promote or encourage infringing acts. Examples of these include those entities discussed in Chapter 3 who enable peer-to-peer file sharing to take place and those who provide links to websites containing infringing materials as discussed in Chapter 4.

However, even inactive SPs may be found liable for direct infringement in view of the fact that every activity over the internet would not be possible without copying,⁴ regardless of whether such copying is technical or otherwise. They could also be held accountable, possibly, for direct infringement of the copyright owners' distribution right, public performance right or communication to the public right.⁵ In view of the significant role played by certain types of SPs

³ Cache copies are made to accelerate the delivery of information in bytes to users. Graham-Cumming, J., 'Efficiently Compressing Dynamically Generated Web Content', 6 December 2012, CloudFlare, 2 December 2015 <https://blog.cloudflare.com/efficiently-compressing-dynamically-generated-53805/>.

⁴ As held in *MAI Systems Corp v Peak Computer, Inc.* 991 F. 2d 511 (9th Cir. 1993), the act of loading an operating system into random access memory (RAM) of a computer in order to perceive the data constituted copying.

⁵ This was illustrated in *Playboy Enters., Inc v Frena* 839 F. Supp. 1552 (M.D. Fla. 1993), a case decided before the introduction of safe harbour provisions, where bulletin board operators were held liable for unauthorized distribution and display of images uploaded onto and downloaded from their system, although the copies were not made by bulletin board operators themselves. This was so as copyright is a strict liability

and, more importantly, the inevitability and technicality of some of their functions, it is imperative to confer some form of immunity from liability on certain types of SPs so that they can engage in the business they operate without excessive fear and worry over liability for copyright infringement.⁶

In order to allow the internet to develop and grow robustly, safe harbour provisions were introduced into the US copyright law in 1998,⁷ namely, Title 17 of the US Code (hereinafter referred to as ‘the 17 USC’), with the objective of providing certainty for both SPs and copyright owners in relation to liability for copyright infringement in the online environment. The US safe harbour provisions prescribe limitations on SPs’ liability for identified categories of activity. The provisions were not intended to affect the existing doctrines of copyright infringement. Rather, they apply when a SP is held liable under the current rules of law for copyright infringement.⁸

The Malaysian Copyright Act 1987 (hereinafter referred to as ‘the CA 1987’) was amended by the Copyright (Amendment) Act 2012,⁹ which introduced, inter alia, Part VIB titled ‘Limitation of liabilities of the service provider’. Part VIB provides for limitation of liabilities of SPs, which are similar, but by no means identical, to the US safe harbour provisions. Such provisions are in gist an attempt to balance the interests of SPs and copyright owners, in which users’ interests may also be affected.

legislation. However, the court in *Religious Technology Center v Netcom On-Line Communication Servs., Inc.* 907 F. Supp. 1361 (N.D. Cal. 1995) opined that ‘although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party’ (at 1368-1370). The same approach was adopted in *Parker v Google, Inc.* 422 F. Supp. 2d 492 (E.D. Pa, 2006) in which it was held that when an ISP stores automatically and temporarily data without human intervention and this serves to ensure that the system can work and transmit data to its users, the essential element of volition is missing. (at p. 497.)

⁶ Without some form of certainty on their liability under the law, SPs may be reluctant to make necessary investment in increasing the speed and capacity of the Internet. See US S. Rep. No. 105-190 (1998) at 8.

⁷ The Online Copyright Infringement Liability Limitation Act, a part of the Digital Millennium Copyright Act (DMCA), added section 512 to Title 17 of the US Code.

⁸ *Supra* n 6 at 19.

⁹ Act A1420, which came into force on February 9, 2012.

This chapter examines the new provisions on the limitation of SPs' liabilities in the CA 1987, with reference made to similar provisions in the US, the UK and Australia. The focus is on the impact which such limitation might have on the balance of interests of the stakeholders involved. The second section explores the scope of the limitation of liabilities as provided in the new Part VIB. This is followed by the third and fourth sections analyzing the provisions applicable to mere conduits and system caching respectively. The fifth section examines the limitation of liabilities of SPs who provide facilities for content storage at the user's direction and those who offer the service of information location tools. The sixth section scrutinizes the notification procedure implemented under Part VIB for the limitation of liabilities purposes.

5.2 The extent of limitation of liabilities of SPs

Sections 43C, 43D and 43E¹⁰ begin with the phrase 'A service provider shall not be held liable for infringement of copyright'. Interpreted literally, these provisions appear to exclude SPs' liability for copyright infringement altogether. It would have the effect of precluding the award of compensation as well as the granting of injunctions against SPs who fall within the scope of the provisions. However, in view of the title of Part VIB 'Limitation of liabilities of the service provider', sections 43C, 43D and 43E of the CA 1987 should not be regarded as exceptions to copyright infringement, unlike section 13(2) which excludes certain activities from the copyright owners' exclusive rights of control.¹¹ Instead, the new provisions qualify or limit the eligible SPs' liabilities for copyright infringement if they meet the necessary conditions.

¹⁰ See subsection (1) in sections 43C, 43D and 43E respectively.

¹¹ Section 13(2) of the CA 1987 expressly provides that the copyright owners' right of control under section 13(1) does not include the right to control the prescribed acts in paragraphs (a) to (q) in subsection (2). It follows that the doing of the prescribed acts in section 13(2)(a)-(q) does not constitute copyright infringement. Sections 43C, 43D and 43E, on the other hand, provide that SPs who are compliant with the relevant

It is submitted that Part VIB limits SPs' liabilities by precluding monetary relief against them. Otherwise, the limitation of liabilities introduced by the said provisions will be meaningless. Part VIB is largely modelled on the safe harbour provisions which were introduced by the Digital Millennium Copyright Act (hereinafter referred to as 'the DMCA') into the 17 USC.¹² The safe harbour provisions were intended by the US Congress to provide SPs with more certainty so as to encourage the required investment for the development of the internet. At the same time, the US Congress wished to strongly promote cooperation between SPs and copyright owners in detecting and addressing copyright infringement in the online environment.¹³ Hence, eligible SPs are exempted from liability for monetary relief in exchange for assisting copyright owners to detect and act against copyright infringers.¹⁴ The phrase 'A SP shall not be liable for monetary relief...' is contained in subsection 512(a), (b), (c), and (d) of the 17 USC. It is clear that the US safe harbour provisions preclude only SPs' liability for monetary relief for copyright infringement, and confine injunctive relief to only that as prescribed in section 512(j) of the 17 USC.¹⁵

Similarly, the Australian Copyright Act 1968 (hereinafter referred to as 'the CA 1968') does not exclude all reliefs against eligible SPs. Section 116AG(2) of the CA 1968 precludes monetary relief against SPs, which could be damages or an account of profits, additional damages or any other monetary relief. Injunctive relief may be obtained against SPs, only within the scope as

requirements shall not be held liable for copyright infringement. This implies that SPs could have been held liable for copyright infringement and only if they meet the necessary requirements their liabilities would be limited.

¹² The 17 USC was amended by the DMCA to implement the 1996 WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty.

¹³ H. Rept. 105-796, 105th Cong., 2d Sess. 72 (1998).

¹⁴ *In re Verizon Internet Services, Inc.*, 240 F. Supp.2d 24, 37 (D.D.C.), rev'd sub nom. *Recording Industry Association of America v. Verizon Internet Services* 351 F.3d 1229.

¹⁵ The scope of injunctive relief that may be obtained against SPs other than mere conduits is confined to one or more of the following forms: '(i) An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network. (ii) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order. (iii) Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.'

delineated in section 116AG(3)¹⁶ and (4)¹⁷ of the CA 1968. It is noteworthy that the provisions in the 17 USC and the CA 1968 expressly limit the injunctive relief that may be granted against SPs to only one or more of the specified orders.

Regulation 20(1)(b) of the UK Electronic Commerce (EC) Directive Regulations 2002 (hereinafter referred to as ‘the E-Commerce Regulations 2002’)¹⁸ preserves the rights of any party to get relief from a court to prevent or stop infringement. Regulation 20(2) makes it clear that no power of an administrative authority to prevent or stop infringement of any rights is to be affected by the exemptions. The power of the court to grant injunctive relief against a SP is provided in section 97A of the UK Copyright, Designs and Patents Act 1988 (hereinafter referred to as ‘the CDPA’),¹⁹ which subjects the exercise of the power to the condition that the SP ‘has actual knowledge of another person using their service to infringe copyright’.²⁰ While section 97A of the CDPA deals with injunctions against SPs in relation to copyright works, a similar provision is found in section 191JA that provides for the same in relation to performers’ rights.

It is apparent that the corresponding legislations in the US, the UK, and Australia do not preclude the granting of injunctive relief against SPs. Instead, the relevant provisions exempt eligible SPs

¹⁶ Section 116AG(3) of the CA 1968 provides that in relation to SPs acting as mere conduits the relief that a court may grant against SPs is limited to one or more of the following orders: ‘(a) an order requiring the carriage service provider to take reasonable steps to disable access to an online location outside Australia; (b) an order requiring the carriage service provider to terminate a specified account.’

¹⁷ Section 116AG(4) of the CA 1968 provides that in relation to SPs other than mere conduits the relief that a court may grant against SPs is limited to one or more of the following orders: ‘(a) an order requiring the carriage service provider to remove or disable access to infringing copyright material, or to a reference to infringing copyright material; (b) an order requiring the carriage service provider to terminate a specified account; (c) some other less burdensome but comparably effective non-monetary order if necessary.’

¹⁸ The E-Commerce Regulations 2002 implements the Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market, or known as the European Union E-Commerce Directive 2000/31. The E-Commerce Directive exempts certain SPs from liability for any unlawful act or information, including copyright infringement. Articles 12, 13, and 14 of the E-Commerce Directive provide safe harbour for mere conduit, caching, and hosting. The E-Commerce Directive expressly preserves the possibility for the court or administrative authority to grant injunctive relief requiring the SP to terminate or prevent an infringement, as well as removing or disabling access to information: see Articles 12(3), 13(2), and 14(3) of the E-Commerce Directive.

¹⁹ Section 97A of the CDPA implemented Article 8(3) of the Information Society Directive which states that ‘Member States shall ensure that rightholders are in a position to infringe a copyright or related right.’ Recital 59 of the Information Society Directive recognizes that the services of SPs may increasingly be used by third parties to carry out infringing activities in the digital environment and in many instances such SPs are in the best position to end such infringing activities. Therefore, copyright owners should be allowed to apply for an injunction against SPs who carry third parties’ infringement of copyright works.

²⁰ Section 97A(1) of the CDPA.

from monetary relief and subject them to injunctive relief only in limited circumstances. In line with the international norm and practices, the Malaysian provisions should similarly allow the granting of injunctive relief, of a definite scope, in appropriate cases against SPs. In view of the enormous volume of activities taking place on the internet and, consequently, the great difficulties encountered by SPs in detecting and preventing infringement, safe harbour provisions were introduced to fend off monetary relief, which can be in huge amount, against SPs. However, there could be circumstances where copyright owners may be faced with stubborn repeat infringers. This may result in frustrating and costly repetition of the notice and take down procedure to be pursued by copyright owners, with no meaningful or significant achievement. In such cases, injunctive relief may be desirable due to its efficiency in preventing infringement.

Unfortunately, the CA 1987 does not expressly outline the scope of injunctive relief that may be granted against SPs except section 43C(2) which deals with SPs which act as mere conduits. Section 43C(2) of the CA 1987 provides that in instances where infringing material has been identified to originate from an online location outside Malaysia or from a certain account, the court may order mere conduit SPs to take reasonable steps to prevent access to the said online location outside Malaysia or to terminate the specified account.

Section 43C(2) is similar to section 512(j)(1)(B) of the 17 USC and section 116AG(3) of the CA 1968. As regards SPs other than mere conduits, section 512(j)(1)(A) of the 17 USC and section 116AG(4) of the CA 1968 elaborate further on the scope of injunctive relief that a court may grant against the SPs. Both the US and Australian provisions confine the injunctive relief to only one or more of the orders requiring the SP to remove or disable access to infringing material;²¹ to

²¹ It is noted that section 116AG(4) of the CA 1968 also prescribes an order requiring the SP to remove or disable access to a reference to infringing material.

terminate a specified account; or any other injunctive relief which is the least burdensome to the SP but comparatively effective if necessary.²² The requirements of ‘least burdensome’ but ‘comparatively effective’ statutorily incorporate the consideration of the interests of the relevant stakeholders in granting injunctive relief against SPs. This is in contrast to the CA 1987 that is silent on this matter.

Section 97A of the CDPA, on the other hand, does not specify the forms of injunctions that a court may grant against a SP.²³ Instead, it imposes a limit on the court’s power to grant an injunction against a SP to only instances where the SP ‘has actual knowledge of another person using their service to infringe copyright’, as stated in section 97A(1) of the CDPA. Section 97A(2) of the CDPA lists the factors that a court shall consider in determining whether a SP has the requisite actual knowledge, namely, whether the SP has received a notice through a means of contact made available in accordance with regulation 6(1)(c) of the E-Commerce Regulations; and the extent to which the notice includes the full name and address of the notice sender as well as the details of the infringement in question.²⁴

In *EMI Records Ltd v British Sky Broadcasting Ltd*,²⁵ the court laid down several requirements that have to be met for section 97A of the CDPA to apply. Firstly, the defendants are SPs. Secondly, the users and/or the operators of the websites have committed copyright infringement. Thirdly, the users and/or the operators of the websites used the defendant’s services to commit the

²² See section 512(h) of the 17 USC which provides for the subpoena power to order a SP to identify infringers.

²³ As the court observed in *Twentieth Century Fox Film Corp v British Telecommunications Plc* [2011] EWHC 2714 (Ch) at para 156, section 97A, despite being subject to the condition of proving actual knowledge, confers on the court ‘a specific and broad jurisdiction’ to grant an injunction against SPs.

²⁴ The court in *Twentieth Century Fox Film Corp v Newzbin Ltd* [2010] EWHC 608; [2010] ECDR 8 held that service of a notice of a kind prescribed in section 97A(2) is not a precondition of finding that a SP has actual knowledge of the use of its service by another to infringe copyright. Service of such a notice is only one of the matters to be considered in determining the SP’s knowledge of the said matter.

²⁵ [2013] EWHC 379 (Ch).

infringement. Lastly, the defendants have actual knowledge about the users and/or the websites operators using their services to infringe copyright.

The case of *Twentieth Century Fox Film Corp v British Telecommunications Plc*²⁶ involved an application by the claimants against defendant, which is the UK's largest internet provider. The claimants had earlier succeeded in their action against Newzbin, a website allowing users to search for and download copies of films and TV programmes. After Newzbin ceased its operation, Newzbin 2 emerged at the same website address and in the same style, operated by unknown persons and its servers were located outside the jurisdiction of the UK. Thus the claimants applied for an injunction to compel the defendant to adopt certain technological measures to block its subscribers from accessing Newzbin 2's website. The court was of the view that the requirement of actual knowledge in section 97A(1) should not be interpreted too restrictively.²⁷ It was held that it is fundamental to show that the SP 'has actual knowledge of one or more persons using its service to infringe copyright', but actual knowledge of a specific infringement of a specific copyright work by a specific individual is not required.²⁸ Furthermore, the court in this case opined that the court's jurisdiction in granting such an injunction was not limited to prevent the continuation or repetition of infringing acts over which the SP has actual knowledge, but extends to granting an injunction compelling the SP to take measures that help prevent further infringement of that kind.²⁹ Since the

²⁶ *Supra* n 23 at para 156.

²⁷ The court noted that SPs lose the protection in Articles 13 and 14 in relation to caching and hosting if they have actual knowledge of the matters specified in the Articles while mere conduit SPs do not lose the protection in Article 12 even if they have actual knowledge of others using their service to infringe copyright. In addition, as indicated in Article 8(3) and recital 59 of the Information Society Directive (*supra* n 19), the object of Article 8(3) and, thus, of section 97A is to grant an injunction against a SP which 'carries' infringement since they are at the best position to end infringements. All these reasons support that the actual knowledge requirement should not be interpreted too restrictively. See *Id* at paras 145 & 146.

²⁸ *Id* at paras 147-148.

²⁹ In *Twentieth Century Fox Film Corp v Newzbin Ltd*, *supra* n 24, Kitchin J granted an injunction covering the studios' present repertoire as well as future additions to the repertoire notified to the defendant.

court found the defendant had the requisite actual knowledge, it ruled that the injunction sought by the claimant was within its jurisdiction to grant.

The court's holding in the above case that 'general knowledge' on the part of SPs about individuals using their service to infringe copyright would be sufficient to warrant the injunctive relief may be criticized on the ground that it may in effect place an enormous burden on SPs. This is especially so since the court took the view that the injunctive relief could be extended to restrain future infringement.

Section 512(j)(2) of the 17 USC and section 116AG(5) of the CA 1968, on the other hand, expressly list down a number of factors that are to be considered by the court in deciding whether or not an order should be made.³⁰ They include the damage suffered or likely to be suffered by the copyright owner; the burden imposed on the SP resulting from complying with the order; the technical feasibility as well as effectiveness of the order; and the availability of any other less burdensome but comparably effective means of preventing or disabling access to the infringing material. All these factors demonstrate the exercise of balancing interests of the involved parties in determining whether a court order should be granted against SPs.

In the UK, despite the absence of any statutory provision on the factors to be considered, it is noted that the English courts have considered similar factors in hearing applications for injunctive relief. In exercising its discretion in granting injunctive relief, the English courts consider proportionality

³⁰ The phrases 'The court ... shall consider ...' and '... a court must have regard to ...' in section 512(j)(2) of 17 USC and section 116AG(5) of the CA 1968 respectively indicate that it is mandatory for a court to take into consideration the listed criteria. The CA 1968 also makes it clear that the court may consider other matters as it considers relevant.

of the orders in view of the various interests that may be at stake, such as copyright as a right to property, the right to privacy and the right to the protection of personal data.³¹

The claimants in *Twentieth Century Fox Film Corp v Newzbin Ltd*³² applied for an injunction ‘to restrain the defendant from including in its indices or databases entries identifying any material posted to or distributed through any Usenet group in infringement of copyright’.³³ The court, however, found it inappropriate to grant an injunction of such scope because such an injunction would restrain activities with regard to binary and text materials over which the claimants have no rights. In addition, it was not proved that the defendant had actual knowledge of third parties using its service to infringe all such rights, which were not defined. All these factors rendered the ambit of the injunction uncertain. The court thus granted an injunction only to restrict the defendant from infringing the claimants’ copyright in their repertoire of films.³⁴

The proportionality of an injunction is ‘a context-sensitive question’ which requires the court to consider thoroughly ‘whether it is appropriate to make an order in the light of the specific facts of each case’.³⁵ One of the factors to be taken into account in determining proportionality of an injunction is the cost of complying with the injunction.³⁶ In *EMI Records Ltd v British Sky Broadcasting Ltd*, the court’s injunction required the defendants to use technical measures which they already had and, thus, the cost of complying with the orders was modest.³⁷ Another factor to be considered is the ease of circumvention,³⁸ in respect of which the court in *EMI Records Ltd v*

³¹ *EMI Records Ltd v British Sky Broadcasting Ltd*, *supra* n 25 at paras 90-99.

³² *Supra* n 24.

³³ *Id* at para 133.

³⁴ *Id* at para 135.

³⁵ *EMI Records Ltd v British Sky Broadcasting Ltd*, *supra* n 25 at para 100.

³⁶ *Id* at para 102.

³⁷ *Ibid.* In addition, none of the defendants in the case had opposed the terms of the orders on the ground that compliance would be burdensome and costly.

³⁸ *Id* at para 103.

British Sky Broadcasting Ltd considered that an injunction would be justified even if it prevented only a small number of users.³⁹ The effectiveness of an injunction, which relies much on its preciseness,⁴⁰ must also be taken into account.⁴¹

As discussed earlier, unlike the legislation of the US or Australia, there is no limit on the form of injunctive relief that may be obtained against SPs in the CA 1987. The UK CDPA does not specify the types of injunctive relief either. However, the CDPA imposes the actual knowledge requirement which qualifies the instances in which injunctive relief may be granted against SPs. The absence of any limits on the grant of injunctive relief against SPs under the CA 1987 may leave the matter entirely within the discretion of the courts.

In addition, both the US and Australian legislation list down the factors to be considered by the court in deciding whether to grant an order against SPs. There is no similar provision in the UK legislation and Malaysian CA 1987. However, the English case law discussed above demonstrates that the factors to be taken into account in granting injunctive relief against SPs may be developed by the court notwithstanding the absence of any express provision in the legislation. The same may thus be said with regard to the position in Malaysia. Nonetheless, it is preferable for the factors to be statutorily incorporated in the CA 1987 in order to ensure a fair balance of interests of copyright owners, SPs and the public in this matter.

Even section 43C(2) of the CA 1987, the only provision in Part VIB that provides for injunctive relief, is not free from ambiguities. Section 43C(1) provides limitation of liabilities for SPs in relation to the transmission or routing, or the provision of connections. In other words, section 43C

³⁹ *Id* at para 104.

⁴⁰ *Id* at para 105.

⁴¹ *Id* at para 106.

deals with SPs acting as mere conduits. Section 43C(2) provides that the court ‘may’ order a mere conduit SP to take reasonable steps to disable access to an online location physically situated outside Malaysia or to terminate the specified account. While it is clear that such an order prescribed in section 43C(2) may be granted by the court, the court does not appear to be prevented from granting any other form of order against mere conduit SPs. In contrast, section 512(j)(1)(B) of the 17 USC and section 116AG(3) of the CA 1968 expressly limit the order that a court may grant against mere conduit SPs to only one or more of the specified forms.

In addition, the US and Australian legislations clearly confer greater power on the courts in terms of the forms of injunctive relief against SPs other than mere conduit as compared to that which the court may grant against SPs acting as mere conduit. The court may grant orders requiring SPs, both mere conduit and SPs other than mere conduit, to disable access to an online location or to terminate a specified account.⁴² However, in the case of SPs other than mere conduit, section 512(j)(1)(A)(iii) of the 17 USC and section 116AG(4)(c) of the Australian CA 1968 empower the court to make also such other order that is ‘the least burdensome’ to the SP but ‘comparably effective’.⁴³ As for Malaysia, in the absence of any provision prescribing the scope of injunctive relief that may be granted against SPs other than mere conduit, questions may arise as to whether the court may also make any other order apart from the orders compelling the SPs to disable access to an online location or terminate a particular account. In other words, it is uncertain as to whether

⁴² See sections 512(j)(1)(A)(i)-(ii) and 512(j)(1)(B)(i)-(ii) of the 17 USC, and sections 116AG(3)(a)-(b) and 116AG(4)(a)-(b) of the CA 1968.

⁴³ Section 512(j)(1)(A)(iii) of the 17 USC provides that the court may also grant ‘such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose’ against SPs other than mere conduit. Likewise, section 116AG(4)(c) of the CA 1968 states that the court may grant ‘some other less burdensome but comparably effective non-monetary order if necessary’ against SPs other than mere conduit.

the scope of injunctive relief that the court may grant against SPs other than mere conduit is wider than that of orders that may be obtained against mere conduit SPs.

It is submitted that uncertainty on the scope of injunctive relief against SPs in Malaysia as discussed above may raise doubts as to whether Part VIB as a whole guarantees a fair treatment to both SPs and copyright owners, which is the very purpose of the said provisions. The grant of injunctive relief against SPs should cause minimum adverse impact on the parties with due regard to all legitimate interests involved. While the scope of injunctive relief should not be too narrow so as to ensure that copyright owners in appropriate cases would be able to effectively restrict or prevent infringement, it should not be unrestrained at the same time. Otherwise, it will be too onerous to SPs and thus undermine the robust growth and development of the digital online environment.

5.3 Limitation of liabilities under section 43C - mere conduit

Section 43C of the CA 1987 limits the liabilities of SPs for copyright infringement which takes place by virtue of either the transmission or routing, or the provision of connections, by the SPs of an electronic copy of a copyright work via its primary network. The section also limits the liabilities of SPs for copyright infringement in respect of any transient storage⁴⁴ by the SP of an electronic copy of a copyright work during such transmission, routing or provision of connections. Section 43B defines a ‘SP’ for the purpose of section 43C as one ‘who provides services relating

⁴⁴ The corresponding provision in the 17 USC, section 512(a), contains further requirements emphasizing that no copy made during such intermediate or transient storage is kept in a manner ordinarily accessible to others apart from the intended recipients; and the duration of such copy being kept shall not be for a longer period than is reasonably necessary for the transmission, routing, or provision of connections: see section 512(a)(4) of 17 USC.

to, or provides connections for, the access, transmission or routing of data'.⁴⁵ The limitation of liabilities in section 43C is intended to encompass SPs which perform communications functions in digital networks during which many electronic copies of information including copyright works may be made in routers and servers, as mentioned in Chapter 4 on the temporary copies in the process of browsing.⁴⁶ One example of SPs which may fall under section 43C in Malaysia is TMnet.

To qualify for the limitation of liabilities in section 43C, a SP must meet the conditions in section 43C(1)(A)-(D), namely, the transmission was initiated by or at the direction of a person other than the SP; the transmission, routing, provision of connections or storage occurs through an automatic technical process and the SP makes no selection of the electronic copy; the SP does not choose the recipient of the electronic copy except as an automatic response to another person's request; and the SP makes no modification, other than modification made as part of a technical process, to the content of the electronic copy during transmission through the primary network.

When a user gets connected to the internet and visits a particular website, it is the user who initiates the transmission. The process of transmission is automatic and technical in that the SP which provides the connection service makes no selection over the content to be transmitted. Similarly, the SP does not choose the recipients of the electronic copy as it simply responds to the request by the user. The SP does not make any changes to the content of the transmitted electronic copy too.

⁴⁵ Paragraph (a) of the definition of 'SP' in section 43B defines 'SP' for the purpose of section 43C, which is broader than the definition of 'SP' for the purpose of SPs other than SPs under section 43C, as provided in paragraph (b) of the definition of 'SP' in section 43B. 'SP' other than SPs under section 43C is defined as 'a person who provides, or operates facilities for, online services or network access and includes a person referred to in paragraph (a).'

⁴⁶ See section 4.3.2 in Chapter 4.

In sum, the SP in providing the connections service will generally fulfill all the conditions in section 43C(1)(A)-(D).⁴⁷

The conditions imposed for this limitation of liabilities as found in section 43C(1)(A)-(D) of the CA 1987 place emphasis on the passive role or the lack of involvement of SPs in such transmission, routing, provision of connections, or transient storage during such processes. It is thus apparent that section 43C is intended to encompass SPs which act as mere conduits. The rationale of such requirements may be understood better by referring to the US case of *Religious Technology Center v Netcom On-Line Communication Services, Inc.*,⁴⁸ which was decided before the passing of the DMCA that introduced the safe harbour provisions. In this case, the court adopted a pragmatic approach in addressing liability issues relating to ISPs and expressed its view that ‘although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party.’⁴⁹ Similarly, it was held in *Parker v Google, Inc.*⁵⁰ that when an ISP stores automatically and temporarily data without human intervention to ensure that the system can work and transmit data to its users, the essential element of volition is missing.⁵¹

As regards transient storage by the SP of an electronic copy during transmission, routing or provision of connections, it is observed that the same conditions in section 43C(1)(A)-(D) as prescribed above apply equally. This is similar to the position in Australia. On the other hand,

⁴⁷ The conditions listed in section 43(A)-(D) are similar to those prescribed in section 512(a)(1)-(3) and (5) of the 17 USC as well as those provided in regulation 17(1)(a)-(c) of the E-Commerce Regulations 2002 which transplants Article 12(1)(a)-(b) of the E-Commerce Directive. The Australian legislation differs slightly from the rest in this aspect where table item 2 in section 116AH of the CA 1968 only imposes two conditions similar to those in section 43C(A) and (D), namely, any transmission must be initiated by or at the direction of a person other than the SP; and the SP makes no substantive modifications to the copyright material transmitted except modifications made as a part of a technical process.

⁴⁸ 907 F. Supp. 1361 (N.D.Cal. 1995).

⁴⁹ *Id* at 1368-1370.

⁵⁰ 422 F. Supp. 2d 492 (E.D. Pa, 2006).

⁵¹ *Id* at 497.

section 512(a)(4) of the 17 USC imposes two specific conditions in relation to storage during transmission, routing or provision of connections. First, no copy of the material made by the SP during such intermediate or transient storage is maintained on the system or network in a way usually accessible to anyone other than the anticipated recipients. Second, no such copy is kept on the system or network in a manner usually accessible to the anticipated recipients for a longer period than is reasonably necessary for the transmission, routing or provision of connections. Likewise, regulation 17(2) of the E-Commerce Regulations 2002,⁵² which implements Article 12(2) of the E-Commerce Directive, essentially confines the intermediate and transient storage to only that which takes place for the sole purpose of carrying out the transmission in the communication network; and that the information is not stored for any period longer than is reasonably necessary for the transmission.

Though some of them are more elaborate, all the legislations of the US, UK, Australia and Malaysia do not explain what constitutes a ‘transient’ copy and when a copy is considered kept for a period longer than is reasonably necessary for the transmission, routing or provision of connections. The question of what constitutes ‘transient’ copy may prove to be one of the important mechanisms to ensure a right balance of interests of the relevant parties and may rely greatly on the industry practice.

In *Ellison v Robertson*⁵³ the US court observed that the term ‘intermediate and transient storage’ was rather ambiguous.⁵⁴ In this case, the plaintiff author sued the ISP because the author’s works

⁵² Regulation 17(2) of the E-Commerce Regulations 2002 provides, ‘The acts of transmission and of provision of access referred to in paragraph (1) include the automatic, intermediate and transient storage of the information transmitted where: (a) this takes place for the sole purpose of carrying out the transmission in the communication network, and (b) the information is not stored for any period longer than is reasonably necessary for the transmission.’

⁵³ 89 F.Supp. 2d 1051 (US District Court for the Central District of California).

⁵⁴ *Id* at 1068.

which were converted to digital files by the copier and uploaded onto a USENET newsgroup,⁵⁵ were transmitted and received by the defendant's USENET server. The defendant had sought the safe harbour in section 512(a) of the 17 USC but the plaintiff argued that the defendant stored USENET messages on its servers up to fourteen days and thus it was not 'intermediate and transient storage' as prescribed in section 512(a)(4) of the 17 USC. The court referred to the legislative history which showed that section 512(a) was intended to codify the decision of *Religious Technology Center v Netcom On-Line Communication Services, Inc.*⁵⁶ in which the SP was held not liable for storing USENET messages for eleven days on its server. The court in *Ellison v Robertson* found that the three-day difference between the defendant's USENET storage and that of the defendant in *Religious Technology Center v Netcom On-Line Communication Services, Inc.* was insufficient to distinguish the two cases. As such, the court found that the defendant's storage of USENET messages for fourteen days was 'intermediate and transient storage' which was not maintained on its system or network 'for a longer period than is reasonably necessary for the transmission, routing, or provision of connections.'⁵⁷

It remains a question as to what constitutes 'transient' storage under section 43C and to date there is no local case law on this issue. It is submitted that the courts are unlikely to adopt a strict rule on the duration as to how long copies may reasonably be stored by ISPs. It will be a matter to be decided by the courts on a case-by-case basis, taking into consideration the relevant industry practices.

⁵⁵ The USENET is an abbreviation of 'User Network', which refers to an international collection of organizations and individuals whose computers are connected to each other enabling exchange of messages posted by USENET users. Messages are classified into 'newsgroups' which are discussion forums with various topics where individuals can exchange opinion, ideas and information.

⁵⁶ *Supra* n 48.

⁵⁷ *Supra* n 53 at 1070. The district court's finding on this issue was affirmed by the US Court of Appeals for the Ninth Circuit on appeal: see *Ellison v Robertson* 357 F.3d 1072 at 1081.

5.4 Limitation of liabilities under section 43D – system caching

5.4.1 The scope of system caching

As Peguera explained, ‘storage of data in a cache memory consists of temporarily keeping a copy of certain data that are likely to be used again, in a place where they can be accessed, and retrieved from, easier and faster than fetching them again from their original source.’⁵⁸ System caching is a practice whereby the material on a website is maintained on a SP’s system or network for a period of time to enable efficient access to the website by subsequent users after a prior access to the same by another user. It helps to reduce the burden on the internet’s bandwidth and enhance the service by the SP.⁵⁹ Section 43D of the CA 1987 limits SPs’ liabilities for copyright infringement that occurs by reason of system caching as such.

Section 43D(1) specifies caching as the making of an electronic copy of any copyright work on a SP’s primary network from an electronic copy available on an originating network which satisfies the following characteristics: resulting from an automatic process; in response to a user’s action; with the objective of facilitating efficient access to the work by a user.⁶⁰ When the first user requests and receives a file, the data is stored by the SP on its server. When the next user requests the same file, the data is retrieved from the SP’s server, not from the originating network. This will reduce the bandwidth burden and facilitate efficient access to the file by the subsequent users.

A SP that performs system caching as described above has to meet the conditions in section 43D(1)(A) and (B) in order to enjoy the limitation of liabilities for copyright infringement. Section

⁵⁸ Peguera, M., ‘When the Cached Link is the Weakest Link: Search Engine Caches under the Digital Millennium Copyright Act’, 56 *Journal of the Copyright Society of the USA* 589.

⁵⁹ Pessach, G., ‘An International Comparative Perspective on Peer-to-Peer File Sharing and Third Party Liability in Copyright Law: Framing the Past, Present, and Next Generation’s Questions’, 40 *Vand. J. Transnat’l L.* 87, 124 (2007).

⁶⁰ Section 43D(1)(a)-(d) of the CA 1987.

43D(1)(A) requires that the SP does not make any substantive modification, except a modification made as part of a technical process, to the content of the electronic copy during its transmission to users.⁶¹ The SP shall also fulfil such other conditions as may be determined by the Minister with respect to, firstly, access to the electronic copy by users of its primary network or another network,⁶² secondly, the refreshing, reloading or updating of the electronic copy,⁶³ and lastly, non-interference with the technology used at the originating network to get information about the usage of any work on the originating network and such technology is consistent with industry standards in Malaysia.⁶⁴ It is said that all these conditions express the legislature's concern, namely, to balance protection for distributors of online material against users' interest in efficient access.⁶⁵

Section 43D(1) of the CA 1987 closely resembles regulation 18 of the E-Commerce Regulations 2002,⁶⁶ which implements Article 13(1) of the E-Commerce Directive, and the conditions listed in table item 3 in section 116AH of the Australian CA 1968.⁶⁷ It is also similar to section 512(b) of

⁶¹ This is to protect the website operators against distortion of the information or material made available on their websites. Peguera considered that this requirement also ensures that SPs perform neutral, automatic, and passive character and, thus, SPs engaged in system caching are not subject to the requirement on lack of knowledge about the infringing nature of copies, unlike their hosting and linking counterparts. See Peguera, *supra* n 58.

⁶² This requirement will ensure that the terms on access to a certain website are complied with. For instance, if a particular webpage is only accessible to subscribers with the relevant password, it should not be made available to others who are not subscribers or without the password.

⁶³ This is to address some disadvantages of caching such as the risk of obsolescence of the cached webpages, some users will not thus visit the original websites. See Peguera, *supra* n 58.

⁶⁴ This may refer to cookie and other similar technologies. See Jacob, A. & Argento, Z., 'To Cache or Not to Cache-That is the Question; P2P "System Caching" - The Copyright Dilemma', 31 Whittier L. Rev. 421 (2010) at 485.

⁶⁵ *Ibid.*

⁶⁶ Regulation 18 of the E-Commerce Regulations 2002 provides, 'Where an information society service is provided which consists of the transmission in a communication network of information provided by a recipient of the service, the service provider (if he otherwise would) shall not be liable for damages or for any other pecuniary remedy or for any criminal sanction as a result of that transmission where- (a) the information is the subject of automatic, intermediate and temporary storage where that storage is for the sole purpose of making more efficient onward the transmission of the information to other recipients of the service upon their request, and (b) the service provider (i) does not modify the information; (ii) complies with conditions on access to the information; (iii) complies with any rules regarding the updating of the information, specified in a manner widely recognised and used by industry; (iv) does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and (v) acts expeditiously to remove or to disable access to the information he has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.'

⁶⁷ The conditions in table item 3 of section 116AH(1) of the CA 1968 are '1. If the copyright material that is cached is subject to conditions on user access at the originating site, the carriage service provider must ensure that access to a significant part of the cached copyright material is permitted only to users who have met those conditions. 2. If there is a relevant industry code in force—the carriage service provider must comply with the relevant provisions of that code relating to: (a) updating the cached copyright material; and (b) not interfering with technology used at the originating site to obtain information about the use of the copyright material. 3. The service provider must expeditiously remove or disable access to cached copyright material upon notification in the prescribed form that the material has been removed or access to it has been disabled at the originating site. 4. The carriage service provider must not make substantive modifications to the cached copyright material as it is transmitted to subsequent users. This does not apply to modifications made as part of a technical process.'

the 17 USC except that the latter further provides that the non-interference technology requirement only applies if that technology does not cause significant interference with the performance of the SP's system or network or with the intermediate storage of the material. The non-interference technology requirement is also consistent with the generally accepted industry standard communications protocols. In addition, it does not extract information from the SP's system or network other than the information that would have been available to the person who makes the material available if the users had accessed the material directly from that person.⁶⁸ Any case law on the corresponding legislations in the said jurisdictions would, therefore, be relevant to Malaysia in light of the close similarity in the applicable statutory provisions.

The requirement that caching must take place through an automatic process in response to a user's action may preclude search engines from sheltering themselves under the liability limitation in section 43D of the CA 1987 in connection with cached links.⁶⁹ This is illustrated in the Belgian case of *Copiepresse SCRL v Google*⁷⁰ in which the court held that the defendant could not avail themselves of the exemption in Article 13 of the E-Commerce Directive because without the defendant's intervention, users could not access pages which were no longer available at the relevant websites. The defendant, a search engine, was found to have intervened by copying webpages into their cache database and, thus, was able to provide cached copies of webpages including those which may have been removed from the original websites. Therefore, caching by the search engine did not occur automatically in response to a user's request. By contrast, the US court in *Field v Google*⁷¹ did not have doubt that the storing by the defendant, Google, occurred

⁶⁸ Section 512(b)(2)(C)(i)-(iii) of the 17 USC. Section 512(b)(2)(D) of the 17 USC also elaborates further the condition on access to the online information.

⁶⁹ See section 4.3.3 in Chapter 4 in which the position of cached links under traditional copyright rules is examined.

⁷⁰ [2007] ECDR 5.

⁷¹ 412 F.Supp.2d 1106 (D. Nev. 2006).

‘through an automatic technical process’ in view of the fact that the content was added to Google’s cache by automatic software process. Likewise, the court considered that Google’s cache was performed to facilitate access to the webpages by subsequent users if they failed in requesting the materials from the websites for whatever reason.⁷²

It is debatable as to whether the same approach may be applied in interpreting section 43D of the CA 1987. It is noted that section 43D(1)(d) clearly confines the limitation of liabilities in relation to system caching only to those done ‘to facilitate efficient access to the work’.⁷³ System caching, or proxy caching as it may be described, is intended to serve ‘perfect substitutes for the original page’, instead of archival copies which search engines’ cached links provide.⁷⁴ More significantly, section 43D(1)(c) prescribes caching as a process which occurs ‘in response to an action by a user’. As Peguera rightly pointed out, search engines send crawlers that store copies of webpages in its cache, out of its own initiative.⁷⁵ It follows that search engines’ cached links may not fall within the scope of activities for which eligible SPs may seek the limitation of liabilities under section 43D. Section 43D, as a whole, appears to be limited in its scope due to the restrictive language adopted. Accordingly, it may be concluded that search engines may have to rely on the fair dealing exception in section 13(2)(a) instead in connection with cached links, which is fraught with uncertainties, as discussed in Chapter 4.⁷⁶

⁷² *Id* at 1124. Peguera doubted search engines’ cached links fall within the scope of section 512(b) of the 17 USC at all in view of the fact that the process of transmission of the material as stipulated in section 512(b)(1)(A)-(C) does not occur in the case of cached links. Section 512(b)(1) provides for caching where ‘(A) the material is made available online by a person other than the service provider; (B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and (C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A)’. See Peguera, *supra* n 58.

⁷³ It is noted that regulation 18 of the E-Commerce Regulations 2002 is even stricter as it requires caching to be performed for ‘the sole purpose’ of making more efficient onward the transmission of the information to other recipients of the service upon their request.

⁷⁴ Peguera explained that copies served by system caching are intended to be perfect substitutes for the original webpages and, thus, it is required that the cache must be properly updated. See Peguera, *supra* n 58.

⁷⁵ See Peguera, *supra* n 58.

⁷⁶ See section 4.3.3 in Chapter 4.

5.4.2 The duration of storage

As mentioned earlier, section 43D confers the limitation of liabilities for SPs which perform system caching, of which the objective is to enable efficient access to the materials made available on the internet and the Web. Thus, copies made during the caching process should be transient or only for a temporary period. However, similar to the Australian CA 1968, section 43D of the CA 1987 does not expressly require that the electronic copy made in the process of system caching to be maintained only for a temporary period. On the other hand, its counterpart in both the 17 USC and the E-Commerce Regulations 2002 refer to ‘intermediate and temporary storage’ of material.⁷⁷

In *Field v Google, Inc.*,⁷⁸ one of the relevant safe harbours was section 512(b) of the 17 USC. The plaintiff claimed that section 512(b) of the 17 USC was inapplicable because the defendant, Google, did not make ‘intermediate and temporary storage’ of the material as required by section 512(b)(1) of the 17 USC. The court disagreed and viewed that Google’s cache for fourteen to twenty days was ‘temporary’ within the meaning of section 512(b). This case demonstrates that the entitlement to a safe harbour as such may depend on whether the cached material is transient. Leaving aside the question of duration in which the material may be considered to be stored for a ‘temporary’ period, section 43D of the CA 1987 with the absence of an express requirement of ‘temporary storage’ poses questions as to whether the act of system caching will be excused regardless of the storage duration. Without the imposition of storage duration, the balance of copyright protection may tilt against the copyright owners.

⁷⁷ See section 512(b)(1) of the 17 USC, and regulation 18(a) of the UK E-Commerce Regulations 2002 which implements Article 13(1) of the E-Commerce Directive.

⁷⁸ *Supra* n 71.

5.4.3 Notification under section 43H

Section 43D(2) of the CA 1987 provides that a SP shall not be held liable if the copyright owner or his agent has not served a notification under section 43H. When read together with section 43H, this would have the effect of requiring a SP to take proper action upon a section 43H notification. On this matter, it is noted that regulation 18(b)(v) of the E-Commerce Regulations 2002, which implements Article 13(1)(e) of the E-Commerce Directive, only expects a SP to take action upon knowing that the material at the originating website has been removed or access thereto has been restricted, or a court has ordered such removal or disabling of access. The same is observed under section 512(b)(2)(E)(i) of the 17 USC⁷⁹ and section 116AH(1) of the Australian CA 1968.⁸⁰ Under the Malaysian CA 1987, while a SP is required to promptly take proper action upon a notification alleging infringement, its counterpart under the said legislations is required to do so at a later stage, that is, when the material at the originating site has been removed or access to it has been disabled and the SP has been served a notification about this removal or disabling of access.

The 17 USC and the Australian CA 1968 prescribe a separate notice and takedown procedure for SPs engaged in system caching, unlike the position under section 43H of the Malaysian CA 1987 which provides a general notice and takedown procedure for all types of SPs prescribed in sections 43D and 43E. With a notice and takedown procedure for system caching on its own under the US and Australian legislations, the SP's obligation to take proper action arises only after the notice and takedown procedure applicable to content hosting or information location tools or services has been brought into play. This is because storage in the process of system caching 'occurs

⁷⁹ Section 512(b)(2)(E)(ii) of the 17 USC requires the notification issuer to confirm the facts as mentioned in (i) in the notification.

⁸⁰ Condition 3 in relation to table item 3 in section 116AH(1) of the Australian CA 1968 requires the SP to 'expeditiously remove or disable access to cached copyright material upon notification in the prescribed form that the material has been removed or access to it has been disabled at the originating site'.

automatically and unless infringing material has been removed from the originating site, the infringing material would ordinarily simply be re-cached'.⁸¹ Therefore, section 43D(2) of the Malaysian CA 1987 when read together with section 43H, by requiring a SP to remove or disable access to infringing material upon a notification from the copyright owner claiming infringement, does not appear practical at all because if the alleged infringing material has not been removed from the originating website it will be re-cached regardless of the notification served on SPs engaged in system caching. Imposing an obligation on SPs to remove upon such a notification from copyright owners claiming infringement, instead of a notice that the material has been removed from the originating website, is impractical and onerous on SPs. It is indeed wasteful to compel SPs to do so. Accordingly it is submitted that section 43D should be amended to prescribe for the obligation to remove only upon a notification that the material in question has been removed, or access to it has been disabled, or a court order to such effect.

5.5 Limitation of liabilities under section 43E - storage at the user's direction & information location tool or service

5.5.1 Storage at the user's direction

Section 43E(1)(a) of the CA 1987 limits SPs' liability for copyright infringement that takes place 'by reason of the electronic copy of the work being stored at the direction of a user of its primary network.' The booming of user-generated content (UGC) is evident on mega websites such as YouTube, Photobucket, Facebook, or Wikipedia, of which the SPs could be potentially liable for

⁸¹ Sen. Rep. No. 105-190 at 43.

content uploaded by users thereto which infringe copyright. The SPs provide the platform, facilities, and service to enable individual users to upload, keep, and share content. Users may make available content which are entirely created by them and this type of content will not attract liability for copyright infringement. However, it is also a common practice among users to make use of pre-existing copyright works in producing new works without getting copyright owners' permission. There are also circumstances in which users make available entire copies of copyright works without any contribution on their part. In respect of the last two types of content shared by users, the concerned SPs may be subject to liability by virtue of the users' infringing conduct. In view of the massive amount of the content generated and uploaded by users, and thus the great difficulty of SPs in monitoring each and every user's content, section 43E(1)(a) provides a relief to the relevant SPs in relation to copyright infringement by reason of storage at the user's direction.

Section 43E of the CA 1987 is modelled on section 512(c) of the 17 USC.⁸² The US court in *UMG Recordings, Inc. v Veoh Networks, Inc.*⁸³ observed that the phrase 'by reason of' in section 512(c)(1) of the 17 USC, which is also contained in section 43E(1) of the CA 1987, means 'as a result of' or 'something that can be attributed to...'⁸⁴ In this case, the plaintiffs, the copyright holders of sound recordings and musical compositions, sued the defendant which operated an internet-based service allowing users to share videos free of charge. Applying the said meaning of 'by reason of', it was found that the display or distribution of copyright content on the defendant's website was 'a result of' or 'attributable to' the act of the defendant's users in uploading the content to its servers.⁸⁵ The court held that section 512(c) of the 17 USC does not require that the infringing

⁸² Section 512(c)(1) of the 17 USC provides that a SP shall not be liable for monetary relief, except as provided in subsection (j), for injunctive or other equitable relief, for copyright infringement by reason of the storage at the direction of a user of material residing on a system or network controlled or operated by or for the SP, provided that the SP meets the relevant conditions. Section 116AE of the Australian CA 1968 is also similar to section 512(c)(1) of the 17 USC.

⁸³ 620 F.Supp. 2d 1081 (C.D. Cal. 2008).

⁸⁴ *Id* at 1089.

⁸⁵ This was adopted in *Viacom International, Inc. v YouTube* 718 F. Supp. 2d 514 (SDNY, 2010).

conduct be ‘storage’ but be ‘by reason of the storage’. As such, it means that SPs will not lose the shelter simply because they provide other facilities or service in addition to ‘storage’.

On appeal, the US Court of Appeals for the Ninth Circuit agreed with such interpretation.⁸⁶ Thus, the phrase ‘by reason of the storage’ in section 512(c) of the 17 USC covers the access-facilitating processes which automatically take place when a user uploads a video to the defendant’s website.⁸⁷ In addition, it was held that section 512(c) which codifies a notice and takedown procedure, by which copyright owners notify SPs of infringing material available at their website and SPs then ‘disable access to’ the materials, presupposes that SPs will provide access to material stored by users. It would thus conflict with the statute if such access itself would disqualify a SP from the safe harbour.⁸⁸

The phrase ‘by reason of’, when read together with ‘at the direction of a user’, has the effect of ensuring that this safe harbour is available only to SPs which provide the facilities for storage of works online without active participation in or supervision over the infringing activities. In *CoStar Group, Inc v LoopNet, Inc.*,⁸⁹ the defendant offered a service which allowed subscribers to upload real estate pictures to a folder on its system. The pictures were briefly reviewed by the defendant’s employees and only those that showed real estate and were clearly not copyrighted by any third party would be posted on the defendant’s website. It was held that the defendant met the condition regarding the storage of material at the direction of users since the pictures were uploaded at the will of users and the defendant’s employees merely performed a ‘gateway’ function.

⁸⁶ *UMG Recordings, Inc. v Veoh Networks, Inc.* 718 F. 3d 1006 (9th Cir, 2013).

⁸⁷ *Id* at 1031.

⁸⁸ *Id* at 1033.

⁸⁹ 164 F.Supp.2d 688 (D.Md. 2001).

A similar question was raised in *Io Group, Inc. v Veoh Networks, Inc.*⁹⁰ where the defendant's system automatically converted video files uploaded by users into Flash format and extracted still images therefrom. The plaintiff argued that the Flash files were created and stored by the defendant's own acts and decisions. The court found that the defendant did not itself actively participate in or supervise the uploading of files. It did not preview or choose the files before uploading since the process of uploading video files was started wholly at the volition of the users.

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The scope of safe harbour for copyright infringement 'by reason of the storage at the direction of a user' was also contended in *Viacom International, Inc. v YouTube*⁹² where the defendant operating a website on which users may upload video files⁹³ free of charge applied for summary judgment that they were entitled to the safe harbour under section 512(c) of the 17 USC. The plaintiff argued that the replication, transmittal and display of videos on the defendant's site were not caught within section 512(c) as the said activities were not 'by reason of the storage at the direction of a user'. The court disagreed with the plaintiff and stated, 'Surely the provision of such service, access, and operation of facilities are within the safe harbour when they flow from the material's placement on the provider's system or network: it is inconceivable that they are left exposed to be claimed as unprotected infringements.'⁹⁴

⁹⁰ 586 F. Supp.2d 1132 (N.D. Cal. 2008). The plaintiff, the copyright owner of various adult entertainment works, applied for summary judgment on liability of copyright infringement against the defendant, which was an internet TV network providing software and a website on which the sharing of user-submitted video was facilitated. The defendant sought judgement that it qualified for safe harbour.

⁹¹ This case was followed in *Viacom International, Inc. v YouTube* 718 F. Supp. 2d 514 (SDNY, 2010).

⁹² *Id.*

⁹³ The files uploaded by the users were copied and formatted by the defendant's computer systems and were then made available for viewing on its website.

⁹⁴ *Supra* n 91 at 527-28.

A similar safe harbour is provided in regulation 19 of the UK E-Commerce Regulations 2002 which implements Article 14 of the E-Commerce Directive.⁹⁵ Regulation 19 of the E-Commerce Regulations 2002 states that a SP offering an information society service which consists of the storage of information provided by a recipient of the service shall not be liable for damages or any other pecuniary remedy or any criminal sanction resulting from that storage. This is also known as the hosting exemption.

The question as regards whether a SP's provision of service or facilities in addition to 'storage' may deny it the hosting exemption also arose in the UK, though not dealing with copyright issues but with defamation. In *Kaschke v Gray & Anor*,⁹⁶ for instance, the question of a website controller's liability for publication of an allegedly defamatory blog on the website he hosted and operated was raised. The website controller, the second defendant in the case, sought to rely on the liability exemption in regulation 19 of the E-Commerce Regulations 2002 and argued that a website containing a mixture of UGC and material which is created by or actively selected by the website operator did not deny the website operator the liability exemption in regulation 19 so far as the UGC is concerned.⁹⁷ Stadlen J accepted the defendant's argument and explained that a SP may still be protected by regulation 19 even if it offered some other service which did not consist of the storage of information⁹⁸ or where its 'intervention goes beyond mere storage of information'.⁹⁹ In deciding whether a defendant is exempted from liability under regulation 19, the

⁹⁵ Article 14 of the E-Commerce Directive guarantees that a SP whose service is to store information provided by a recipient of the service will not be liable for 'the information so stored at the request of a recipient of the service'.

⁹⁶ [2010] EWHC 690 (QB); [2011] WLR 452.

⁹⁷ The second defendant applied for summary judgment that the claimant had no real prospect of defeating his defence under regulation 19 of the E-Commerce Regulations 2002. His application was rejected by Master Rose and, thus, the appeal. Master Rose held that the second defendant was obligated to show that he 'did no more than store the information in question or no more than facilitate the transmitting of the communication' as a SP which falls within the definition of the E-Commerce Regulations 2002 and the evidence raised a proper question to be tried as regards the degree of control exercised by the second defendant over the information so stored. Besides, the Master also held that it was inappropriate to decide the question on whether the second defendant satisfies conditions of regulation 19 as regards the knowledge of the unlawful activity or information on an application for summary judgement. *Id* at paras 33 and 36.

⁹⁸ *Id* at para 68.

⁹⁹ *Id* at para 72.

question to be asked is ‘whether the information society service provided by the defendant in respect of the information containing the defamatory words which would otherwise give rise to liability consists only of and is limited to storage of that information’,¹⁰⁰ instead of considering the defendant’s service in relation to the whole website. It was held that the question whether the second defendant’s hosting of the claimant’s blog consisted merely of storage depends on whether the second defendant had edited, amended or altered in any way the content of the claimant’s blog.¹⁰¹ In this case, Stadlen J held this was an issue that should be decided at trial.¹⁰²

It would appear that the UK court’s approach in relation to the scope of the hosting exemption does not differ from that in the US jurisdiction and the same is likely to be adopted under the Malaysian CA 1987 in view of the similarity in the statutory language. The limitation of liabilities for copyright infringement which occurs by reason of storage of a copy of a work at the user’s direction under section 43E(1)(a) of the CA 1987 should therefore apply even if a SP provides services, in addition to storage, to facilitate or enable access to the content. This may include access to copyright works uploaded on the platforms, or conversion of files into a particular format, which automatically takes place with or flow from the placement of the copy on the SP’s system or network. To interpret it otherwise would render the scope of section 43E(1)(a) too narrow or even meaningless for hosting SPs such as SPs of UGC platforms, in respect of which access thereto by the public is paramount for the sharing of the UGC and the key factor for the flourishing of those websites.

¹⁰⁰ *Id* at para 75.

¹⁰¹ The second defendant stated that he ‘rarely altered’ members’ articles. However, when he has identified a blog to be promoted on the homepage, he might but did not always check the piece for spelling and grammar and ‘make corrections’. *Id* at para 81.

¹⁰² As a result, it was held that there was a real prospect that the second defendant’s defence based on regulation 19 may fail and, thus, the appeal failed.

5.5.2 Information location tools or service

Section 43E(1)(b) of the CA 1987 limits SPs' liability for copyright infringement by reason of the very fundamental activity in the online environment, namely, referring or linking users to an online location on an originating network where an electronic copy of copyright work is made available. The SPs that are covered by section 43E(1)(b) are those that provide information location tools such as a hyperlink or directory and information location service such as a search engine. Section 43E does not seem to differ from section 512(d) of the 17 USC and section 116AF of the Australian CA 1968.¹⁰³ The UK E-Commerce Regulations 2002, on the other hand, does not provide an exemption for SPs in relation to infringement by reason of linking. Hence, as illustrated in the Belgian case of *Copiepresse SCRL v Google*¹⁰⁴ discussed above,¹⁰⁵ the defendant was held liable for caching that took place in the process of linking as it was unprotected by any exception. The defendant could not avail itself of Article 13 of the E-Commerce Directive, the caching exemption, for not meeting the non-interference requirement. The absence of an exemption specifically for linking under the E-Commerce Directive greatly undermines the operation of search engines and accordingly how users may locate and access information in general.

As discussed in Chapter 4, liability under copyright law is more likely to be established in instances of cached links by search engines,¹⁰⁶ and links to websites containing infringing copies.¹⁰⁷ It would appear that section 43E(1)(b) may confer limitation of liabilities to SPs involved in the latter scenario, subject to the fulfilment of the conditions listed in section 43E(1)(i)-(iii), as will be

¹⁰³ Section 512(d) of the 17 USC qualifies a SP's liability for copyright infringement by reason of the SP referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer or hypertext link. Section 116AF of the CA 1968 explains that this limitation applies to SPs which refer users to an online location using information location tools or technology.

¹⁰⁴ *Supra* n 70.

¹⁰⁵ See the discussion in section 5.4.1.

¹⁰⁶ See section 4.3.3 in Chapter 4.

¹⁰⁷ See section 4.3.4 in Chapter 4.

discussed in the remaining part of this section. With respect to liability for cached links by search engines, which as discussed earlier is unlikely to be limited under section 43D,¹⁰⁸ the question arises as to whether the act of providing cached links by search engines falls within the scope of the acts which occur ‘by reason of’ the search engines referring or linking to an online location by the use of an information location tool or service.

As discussed in section 5.5.1 above, the US courts have construed ‘by reason of’ as meaning ‘as a result of’ or ‘something that can be attributed to’.¹⁰⁹ The infringing conduct, to which section 43E may extend limitation of liabilities, is not the use of an information location tool or service itself, but ‘by reason of’ the act of referring or linking by either information location tool or service. However, cached links may not be considered ‘as a result of’ the act of referring or linking users to a particular online location by a search engine. The act of providing cached links is not the crucial or fundamental service of search engines.¹¹⁰ Peguera observed that the cached links feature is an ‘additional service’, which happens to be useful for users.¹¹¹ Search engines may still be able to perform their function by providing lists of search results with the corresponding links without the provision of cached links. The setting of cached links which allows users to access archival copies of webpages cannot be said to take place automatically attributable to search engines’ function in referring or linking. Accordingly, it is submitted that cached links may not fall within the scope of section 43E(1)(b) of the CA 1987. Search engines would have to rely on the fair dealing exception in section 13(2)(a) of the CA 1987 instead in respect of the cached links they provide.¹¹²

¹⁰⁸ See section 5.4.1.

¹⁰⁹ *UMG Recordings, Inc. v Veoh Networks, Inc.*, *supra* n 83.

¹¹⁰ Peguera, *supra* n 58.

¹¹¹ *Ibid.*

¹¹² See section 4.3.3 in Chapter 4.

5.5.3 No knowledge of infringement

Section 43E(1)(i) of the CA 1987 requires that a SP shall have neither actual knowledge that the electronic copy of the work or activity is infringing;¹¹³ nor apparent knowledge of the claimed infringement,¹¹⁴ which is also known as the ‘red flag’ test. This condition is similar to that found in sections 512(c)(1)(A)(i)&(ii) and 512(d)(1)(A)&(B) of the 17 USC, regulation 19(a)(i) of the E-Commerce Regulations 2002 implementing Article 14(1)(a) of the E-Commerce Directive, and condition 2A in table items 4 & 5 as in section 116AH(1) of the CA 1968. This condition is applicable to both SPs who host infringing content at the users’ direction and SPs who refer or link users to an online location where infringing content are available.

The question as to how a SP’s apparent knowledge about infringement should be determined may be contentious. The US court held in *Viacom International, Inc. v YouTube*¹¹⁵ that the ‘red flag’ test involves subjective and objective components.¹¹⁶ It is a subjective question to determine whether the SP is aware of the facts or circumstances from which infringement is obvious.¹¹⁷ On the other hand, an objective standard should be adopted in deciding whether those facts or circumstances do constitute ‘red flag’.¹¹⁸ In other words, it is an objective question as to whether

¹¹³ Section 43E(1)(i)(A) of the CA 1987. By contrast, Regulation 22 of the E-Commerce Regulations 2002 prescribes the factors to be considered by a court in determining actual knowledge of a service provider which include whether a service provider has received a notice through a means of contact made available in accordance with regulation 6(1)(c), and (b) the extent to which any notice includes- (i) the full name and address of the sender of the notice; (ii) details of the location of the information in question; and (iii) details of the unlawful nature of the activity or information in question.

¹¹⁴ Section 43E(1)(i)(B) of the CA 1987 states that the SP ‘in the absence of such actual knowledge, is not aware of the facts or circumstances from which the infringing activity is apparent.’ In *Perfect 10, Inc. v CCBill LLC* 488 F.3d 1102 (9th Cir. 2007), the court held that a SP may lose safe harbour ‘if it fails to take action with regard to infringing material when it is aware of facts or circumstances from which infringing activity is apparent’ (at 1114).

¹¹⁵ *Supra* n 91.

¹¹⁶ *Id* at 520.

¹¹⁷ *Ibid*.

¹¹⁸ *Id* at 520-521.

the infringing activity would be obvious to any reasonable person in the same or similar circumstances.¹¹⁹

The adoption of such test was illustrated in *Io Group, Inc. v Veoh Networks, Inc.*¹²⁰ in which the plaintiff argued that its copyright registrations constituted the defendant's constructive knowledge of infringement. The court found none of the video files in question contained the plaintiff's copyright notices. Although one of them displayed the plaintiff's trademark for several minutes, the court found no basis to infer that the defendant was aware of it but chose to ignore it.¹²¹ It was a subjective question whether or not the defendant was aware of the alleged red flags which were the copyright notices in this case. The court also rejected the plaintiff's argument that the professionally produced nature of the videos in itself amounted to a sufficient 'red flag' of infringement for the purpose of imputing the defendant with the necessary degree of knowledge or awareness.¹²² The question as to whether a particular fact or circumstances constitutes a red flag was approached objectively. In sum, the question to be considered is whether the SP 'deliberately proceeded in the face of blatant factors of which it was aware'.¹²³ Such apparent knowledge may be established if a SP 'turned a blind eye to "red flags" of obvious infringement.'¹²⁴

The question of what may constitute red flags was also raised in *Perfect 10, Inc. v CCBill LLC*.¹²⁵ In this case, the plaintiff claimed that the names of the websites to which the defendants provided web hosting and other services were sufficient to raise 'red flags'. The said websites were named 'illegal.net' and 'stolencelebritypics.com'. The Court of Appeals for the Ninth Circuit did not find

¹¹⁹ *Ibid.*

¹²⁰ *Supra* n 90.

¹²¹ *Id* at 1149.

¹²² *Ibid.*

¹²³ *Corbis Corp. v Amazon.com, Inc.* 351 F. Supp. 2d 1090 (W.D. Wash., 2004) at 1108 quoted: *Id* at 1148.

¹²⁴ *Ibid.*

¹²⁵ *Supra* n 114.

the names of the websites amounted to an admission that the photographs thereon were actually illegal or stolen.¹²⁶ The court refused to encumber the duty of scrutinizing whether photographs were actually illegal on a SP.¹²⁷ It follows that if investigation of facts and circumstances is needed to determine the material as infringing, then these facts and circumstances are not ‘red flags’.

Actual knowledge of infringement on the part of SPs may be established by the notifications served under section 43H, which is only one of the factors to be considered in determining the knowledge requirement. In respect of SPs hosting storage of infringing material at the user’s direction, this knowledge requirement may not be easily established in view of the vast amount of content usually hosted by the SPs, such as Facebook, Photobucket, and YouTube. If a high proportion of the content hosted by a SP at its platform is infringing, the apparent knowledge may be readily imputed to the SP. For SPs which refer or direct users by hyperlinks to websites consisting of infringing materials, the apparent knowledge may be shown, for instance by providing specific assistance for users to locate infringing materials, or being engaged in any other act which aims to promote or encourage infringement.¹²⁸

It is submitted that the knowledge requirement renders the scope of the limitation of liabilities in section 43E confined and narrow. The fulfilment of the knowledge requirement is very likely to negate the relevant SP’s secondary liability for copyright infringement in the first place,¹²⁹ of which knowledge about infringement is a crucial element to be considered, if ‘causes’ in section 36(1) of the CA 1987 is broadly interpreted as carrying the same meaning as ‘authorizes’.¹³⁰ On

¹²⁶ *Id* at 1114. The court observed that ‘When a website traffics in pictures that are titillating by nature, describing photographs as ‘illegal’ or ‘stolen’ may be an attempt to increase their salacious appeal, rather than an admission that the photographs are actually illegal or stolen’ (at 1114).

¹²⁷ *Ibid.*

¹²⁸ See section 4.3.4 in Chapter 4.

¹²⁹ See Chapter 3 generally and section 4.3.4 in Chapter 4.

¹³⁰ See section 3.5.3 in Chapter 3.

the contrary, if a SP possesses the requisite knowledge, the SP could be subject to secondary liability but would be disqualified for the safe harbour in section 43E. On the other hand, if ‘causes’ in section 36(1) of the CA 1987 is literally construed, a person or body would incur secondary liability only if the direct infringer is a servant or agent of the former.¹³¹ It follows that it is very unlikely for SPs who provide services as prescribed in section 43E to be subject to secondary liability for third party’s infringement under section 36(1) of the CA 1987 in the first place and, thus, there is no need of relying on section 43E. As such, the limitation of liabilities in section 43E is very much restricted as compared to that under section 43C or section 43D.

5.5.4 No direct financial benefit & no right and ability to control

Section 43E(1)(ii) of the CA 1987 requires a SP not to receive a ‘financial benefit directly attributable to the infringement’. The provision closely resembles that as found in sections 512(c)(1)(B) and 512(d)(2) of the 17 USC; as well as condition 1 in table items 4 and 5 of section 116AH(1) of the CA 1968.¹³² Section 43E(2) lists several factors that a court should take into account in deciding whether a financial benefit is directly attributable to the infringement. These are the industry practice as regards the charging of services by a SP; whether the financial benefit was bigger than the benefit usually resulting from charging in line with accepted industry practices; and any other matter that the court considers relevant. This provision is almost identical to that contained in section 116AH(3) of the CA 1968.

¹³¹ *Ibid.*

¹³² Regulation 19 of the E-Commerce Regulations 2002 does not impose the direct financial benefit requirement. To enjoy the hosting exemption, regulation 19 requires that the SP shall have no knowledge of the illegal activity or information and to remove or disable access to it upon acquiring such knowledge; and that the recipient of the hosting service shall not be acting under the authority or control of the SP.

As explained in *Ellison v Robertson*,¹³³ whether a financial benefit is directly attributable to infringement depends on ‘whether the infringing activity constitutes a draw for subscribers, not just an added benefit.’¹³⁴ In *Wolk v Kodak Imaging Network, Inc.*,¹³⁵ the US court expressed that in the absence of evidence that the SP had ‘attracted or retained subscriptions because of the infringement or lost subscriptions because of [its] eventual obstruction of the infringement’,¹³⁶ it may not be concluded that the SP received a direct financial benefit from simply offering access to the infringing material.¹³⁷

It is important to determine whether a SP derives direct financial benefit from copyright infringement committed via their services or facilities. This requirement ensures that SPs which have infringing copies as their main attraction will not be sheltered under section 43E. At the same time, by emphasizing on financial benefit ‘directly’ resulting from infringement, section 43E does not exclude SPs which may gain from infringement but whose survival does not depend on infringement. As such, the determination of the question as to whether a SP gains direct financial benefit from copyright infringement is crucial to striking a balance of interests between SPs and copyright owners under copyright law.

Section 43E(1)(ii) of the CA 1987 also requires a SP not to have ‘the right and ability to control’ the infringing activity. This requirement is similar to that prescribed in sections 512(c)(1)(B) and 512(d)(2) of the 17 USC, and condition 1 in table items 4 and 5 of section 116AH(1) of the CA

¹³³ 357 F.3d 1072, 1076 (9th Cir. 2004).

¹³⁴ *Id* at 1079.

¹³⁵ 98 U.S.P.Q.2d (BNA) 1152 (SDNY, 2011).

¹³⁶ Reference was made to *Perfect 10, Inc. v CCBill LLC*, *supra* n 114 at 1117; and *Ellison v Robertson*, *supra* n 133 at 1079.

¹³⁷ *Supra* n 135 at 1157-1158..

1968. The UK E-Commerce Regulations 2002, on the other hand, does not impose this condition.¹³⁸

As the court in *Io Group, Inc. v Veoh Networks, Inc.*¹³⁹ observed, the pertinent question to consider is not whether a SP has the right and ability to control its *system*, but rather whether it has the right and ability to control *the infringing activity*,¹⁴⁰ which cannot simply mean the SP's ability to block or remove access to materials posted on its website or stored on its system.¹⁴¹ It was held that even assuming the defendant received a direct financial benefit from the claimed infringement, it did not have the right and ability to control such activity based on the absence of evidence to show that the defendant could control what content users decide to upload before it is uploaded.¹⁴² The court found it unreasonable to expect the defendant to perform a comprehensive review of every file uploaded. Even if such review is possible, there is no guarantee that the defendant could have precisely identified the infringing content in question.¹⁴³

In *Viacom International, Inc. v YouTube*,¹⁴⁴ the court was of the opinion that the SP must first have knowledge of the alleged infringing activity before it could control that activity and the SP was under no duty to monitor or seek out facts indicating such activity.¹⁴⁵ Further, the court in *Perfect 10, Inc. v CCBill LLC*¹⁴⁶ explained that the right and ability to control may exist in the form of pre-

¹³⁸ *Supra* n 132.

¹³⁹ *Supra* n 90.

¹⁴⁰ *Id* at 1151. Section 43E(1)(ii) of the CA 1987 also provides that the SP 'does not have the right and ability to control the infringing activity'.

¹⁴¹ *Ibid.* See *Corbis Corp. v Amazon.com, Inc.*, *supra* n 123 at 1110; *Perfect 10, Inc. v CCBill LLC*, *supra* n 114 at 1098; *Hendrickson v Ebay, Inc.* 165 F. Supp. 2d 1082 (C.D. Cal. 2001), at 1093. In *Tur v YouTube, Inc.* No. CV064436, 2007 WL1893635 (C.D. Cal., 2007), it was held that the phrase 'right and ability to control' 'presupposes some antecedent ability to limit or filter copyrighted material.'

¹⁴² *Id* at 1153.

¹⁴³ *Ibid.* The court found no evidence of failure on the part of the defendant in policing its system to the fullest extent permitted by the architecture of its system. The case of *A & M Records, Inc. v Napster, Inc.* 239 F.3d 1004 (9th Cir. 2001) was distinguished on the basis that the sole purpose of the existence of Napster was to offer the site and facilities for copyright infringement and its control over its system was directly intertwined with its ability to control the infringing activity. However, the defendant in *Io Group, Inc. v Veoh Networks, Inc.*, *supra* n 90, did not aim to promote copyright infringement on its system.

¹⁴⁴ *Supra* n 91.

¹⁴⁵ *Id* at 527.

¹⁴⁶ *Supra* n 114 at 1181-1182.

screening content, giving comprehensive help and advice to users about the content and editing the user-submitted content.¹⁴⁷

In contrast, the hosting exemption in regulation 19 of the UK E-Commerce Regulations 2002, which implements Article 14 of the E-Commerce Directive, does not impose these two conditions. It may thus be said that the hosting exemption in the E-Commerce Regulations 2002 is of a wider scope. A SP who derives direct financial benefit from infringing activities and right and ability to control them may nonetheless enjoy the hosting exemption in the UK as long as it has no knowledge of the infringing activities.

As concluded in section 5.5.3 above, section 43E does not exclude the relevant SP's secondary liability for authorizing infringement, if section 36(1) of the CA 1987 is interpreted liberally. Section 43E is also inapplicable in circumstances where a SP has direct financial benefit as well as the right and ability to control infringing activities.¹⁴⁸ As discussed in Chapter 3, if 'causes' in section 36(1) of the CA 1987 is interpreted literally, secondary liability thereunder may be established only where the direct infringer is the defendant's servant or agent. These two elements, namely, direct financial benefit as well as right and ability to control, would very likely to be present in circumstances where the direct infringer is the defendant's servant or agent. As such, the fulfilment of these two requirements would negate secondary liability of SPs under section 36(1) of the CA 1987, if interpreted literally.

To sum up, the scope of the limitation of liabilities under section 43E is very limited, and indeed the narrowest as compared to that under section 43C or section 43D. By virtue of the requirements

¹⁴⁷ This was cited in *Corbis Corp. v Amazon.com, Inc.*, *supra* n 123 at 1110.

¹⁴⁸ These two elements would establish vicarious liability under the US copyright law: see section 3.5.4.1 in Chapter 3.

in section 43E(1)(i) and (ii), it appears that section 43E is not intended to exclude SPs from secondary liability, regardless of the approach of interpreting section 36(1). It follows that section 43E excludes only liability for direct infringement on the part of SPs themselves.

5.6 Notice and takedown procedure

A notification under section 43H is served by a copyright owner or his agent to notify a SP of infringing material available on the SP's network, and to require the SP to remove or disable access to the said material.¹⁴⁹ Section 43D(2) in relation to system caching, and section 43E(3), similarly provide that a SP shall not be held liable if the copyright owner or his agent has not served any notification under section 43H. Section 43E(1)(iii) of the CA 1987 provides further that a SP may be denied the limitation of liabilities if it fails to respond accordingly upon receipt of such a notification. It follows that SPs under sections 43D and 43E are subject to the notice and takedown procedure. However, it is the copyright owners' duty to make use of the procedure.

It is observed that there is no corresponding provision in section 43C with respect to mere conduit SPs to require copyright owners to serve notifications on the SPs. Hence, mere conduit SPs under section 43C are not subject to the notice and takedown procedure implemented under section 43H. It is, therefore, less onerous for mere conduit SPs under section 43C, as compared to its counterparts under sections 43D or 43E, to enjoy the limitation of liabilities in Part VIB.

¹⁴⁹ Section 43H(1) of the CA 1987 provides that if a copy of a copyright work accessible in a network is infringing, the relevant copyright owner may notify the SP of the network of such infringement by serving on the SP a notification requiring the SP to remove or disable access to the copy on the SP's network.

5.6.1 No general duty to monitor infringement on SPs

As explained by the US Court of Appeals for the Ninth Circuit in *Perfect 10, Inc. v CCBill LLC*,¹⁵⁰ the fundamental objective of the notice requirements is to ‘place the burden of policing copyright infringement – identifying the potentially infringing material and adequately documenting infringement – squarely on the owners of the copyright’.¹⁵¹ This was followed in *Wolk v Kodak Imaging Network, Inc.*¹⁵² In this case, the plaintiff, a visual artist, served notices requesting some of her copyrighted images to be removed from the defendant’s site, Photobucket, which hosted user-generated photographs for storage and sharing. The defendant complied with the plaintiff’s statute-compliant notices and also removed certain photographs which were sufficiently identified by the plaintiff. The plaintiff argued that since the defendant was then aware of infringement of her works on its site, the defendant must thus patrol its site to detect current infringement and foreclose future infringement without the need of the plaintiff to give notices in every case. The plaintiff’s argument was rejected by the court which held that such an argument attempted to place a burden on the defendant beyond what was demanded by the statute.¹⁵³

It should be noted that section 512(m)(1) of the 17 USC clearly refutes any attempt to place a duty on SPs to monitor their services or affirmatively seek facts showing infringing activity.¹⁵⁴ A similar provision is found in section 116AH(2) of the Australian CA 1968. Likewise, Article 15 of the E-Commerce Directive does not impose any general obligation on intermediary SPs to monitor the information which they transmit or store, or to actively seek facts or circumstances

¹⁵⁰ *Supra* n 114.

¹⁵¹ *Id* at 1113.

¹⁵² *Supra* n 135.

¹⁵³ *Id* at 1156.

¹⁵⁴ An exception to this is found in section 512(m)(1) which states: ‘...except to the extent consistent with a standard technical measure complying with the provisions of subsection (i)...’.

indicating illegal activity. Although the UK E-Commerce Regulations 2002 do not include that prohibition as found in the E-Commerce Directive, the Regulations should be given effect with no such duty to be imposed on SPs in view of the fact that the Regulations implement the E-Commerce Directive.

The same may be said with respect to the notice and takedown procedure implemented in section 43H of the CA 1987, in which the SP is only required to take proper actions upon receipt of any notification either from the copyright owner or the user. The CA 1987 does not contain a provision similar to that found in the legislations mentioned above which refutes the imposition of a duty on SPs to monitor their service or actively seek facts regarding infringing activities. However, sections 43D(2) and 43E(3) similarly emphasize that a SP shall not be held liable under the sections if a section 43H notification has not been served on the SP. In addition, section 43F(4) stresses that a SP shall not be regarded as having authorized the doing of any infringement under the CA 1987 solely by reason of the SP having provided a facility that was used by a person to perform the infringing act. It is submitted that these provisions, when read together, have the effect of placing the burden on copyright owners to alert SPs of any infringing activity.

This may be supported further by considering the roles played by the relevant stakeholders in the notification procedure outlined under Part VIB. Upon receipt of a notification from the copyright owner, a SP shall remove or disable access to the copy complained within forty-eight hours from the receipt, as stated in section 43H(2). Section 43F(2) requires the SP to notify the user whose copy was removed or to which access has been disabled, ‘as far as may be practicable’, of such action and enclose it with a copy of the notification from the copyright owner. The user may serve a counter notification to the SP requesting restoration of the copy or access to it, as provided in

section 43H(3). When this takes place, section 43H(4)(a) requires the SP to promptly provide a copy of the counter notification to the copyright owner informing the latter that the copy or access to it will be restored in ten business days. Unless the copyright owner has issued another notification to the SP, which informs the SP of the filing of an action seeking a court order to stop the relevant user from infringing his copyright, the copy or access to it shall then be restored within ten business days as stated in section 43H(4)(b). Section 43F(3) provides that the SP is also obliged to restore the copy or access to it when it receives a written notification from either party to do so as a result of a settlement between the copyright owner and the user; or when the user was adjudicated by a court or tribunal as the rightful copyright owner of the work.¹⁵⁵ It is obvious that SPs function as neutral intermediaries which merely have to act in response to the notifications served on them.

In addition, the notification from the copyright owner or the counter notification from the user shall include an undertaking by the issuer to compensate the SP or any other person against any damages, loss or liability resulting from the compliance by the SP of the notification.¹⁵⁶ Section 43F(1) states that a SP who acts in compliance with subsection 43H(1) and in accordance with Part VIB shall not be subject to any liability in respect of an action taken in good faith in removing or disabling access to an electronic copy of a work. It is thus clear that the sole responsibility placed on a SP is due compliance with the notification served by either the copyright owner or the user, without the burden to monitor or determine the nature of the relevant copy or activity, and without liability for any compensation in performing such actions.

¹⁵⁵ The proviso to section 43F(3) of the CA 1987 explains further that in such circumstances the SP shall be furnished with the proper documentation about the settlement or the judgment or decision of the court or tribunal.

¹⁵⁶ See proviso to subsections (1) and (3) of section 43H of the CA 1987 respectively.

5.6.2 The details to be included in a notification

It is provided in section 43H(1) that the notification shall be ‘in the manner as determined by the Minister’ but to date there have been no rules or regulations made on this matter.¹⁵⁷ By way of comparison, it is noted that section 512(c)(3)(A) of the 17 USC expressly details the elements that a copyright owner’s notification shall substantially comply with,¹⁵⁸ while section 512(c)(3)(B)(i) provides that a defective notification shall not be taken into account in deciding whether a SP has actual or apparent knowledge of the alleged infringement.¹⁵⁹

Similarly, regulation 22(b) of the UK E-Commerce Regulations 2002 prescribes the details to be contained in a notice, which is a factor to be considered in deciding actual knowledge of the SP. The details include ‘(i) the full name and address of the sender of the notice; (ii) details of the location of the information in question; and (iii) details of the unlawful nature of the activity or information in question.’ The effect of failure to include the necessary details is illustrated in *Bunt v Tilley & Ors*,¹⁶⁰ which was a libel case. In this case, the e-mail sent by the claimant to the sixth defendant, British Telecommunications plc, was deficient as it failed to include the information required in regulation 22(b)(ii) and (iii). It was held that the sixth defendant was not liable for

¹⁵⁷ Section 43H(5) of the CA 1987 prescribes the information that shall be included in a counter notification served by users. Oddly, there is no corresponding provision with regard to a notification from copyright owners.

¹⁵⁸ Section 512(c)(3)(A) of the 17 USC provides, ‘To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following: (i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed. (ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site. (iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material. (iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted. (v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law. (vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.’

¹⁵⁹ See *UMG Recordings, Inc. v Veoh Networks, Inc.*, *supra* n 83.

¹⁶⁰ [2006] EWHC 407 (QB), [2006] 3 All ER 336. In this case, the claimant commenced a libel suit against the internet service provider defendants over certain statements posted on websites, claiming that the individual defendants ‘published’ the statements in question via the services provided by the internet service provider defendants. The sixth defendant, British Telecommunications plc., sought to seek the liability exemption in regulation 19 of the E-Commerce Regulations 2002.

hosting the publication due to the lack of knowledge about the claimed unlawfulness of the information in question. Thus, the liability exemption for hosting in regulation 19 applied.

An example of such sufficient information could be a copy or description of the claimed infringing material and the ‘uniform resource locator’ (URL) which is alleged to contain the said material. The question of whether a notification complies substantially with the requirements is a crucial factor in determining the knowledge on the part of a SP. For instance, in *Viacom International, Inc. v YouTube*,¹⁶¹ the plaintiff complained that the defendant removed only the specific video clips identified in the notices but not the other clips which infringed the same works. The court noted that the statute allowed a notification to describe the works representatively but it should identify the infringing material with ‘information reasonably sufficient to permit the service provider to locate the material.’¹⁶² Thus, the deficient notification was not taken into account in determining the SP’s knowledge about the alleged infringement as stated in section 512(c)(3)(B)(i) of the 17 USC.¹⁶³

The purpose of serving a notification is to keep the relevant SP informed of the alleged infringing material so that the SP could remove or disable access to the said material. Accordingly, a notification served on a SP should effectively identify and locate the alleged infringing material. However, the Malaysian CA 1987 does not prescribe the details to be included in a notification. It is uncertain as to when a notification may be regarded as defective, and thus, whether it should be considered in determining the SP’s knowledge of copyright infringement.

¹⁶¹ *Supra* n 91.

¹⁶² Section 512(c)(3)(A)(iii) of the 17 USC.

¹⁶³ Section 512(c)(3)(B)(i) of the 17 USC provides that a notification from a copyright owner or his agent that fails to comply substantially with section 512(c)(3)(A) shall not be considered in determining whether a SP has actual or apparent knowledge about infringement.

5.6.3 Removal upon copyright owner's notification

It is noted that in the notice and takedown procedure under the CA 1987, a SP shall remove or disable access to infringing content on its network within forty eight hours from the receipt of a notification from the copyright owner.¹⁶⁴ The SP is required to inform as far as may be practicable the person who uploaded the content, and enclose a copy of the copyright owner's notification upon removal or disabling of access to the alleged infringing copy.¹⁶⁵ The latter may then, if he or she wishes to, serve a counter notification on the SP requesting to restore the content or access to it.¹⁶⁶ When such a counter notification is issued, the SP shall promptly provide the copyright owner a copy of it and inform the latter that the content or access to it will be restored in ten business days.¹⁶⁷ The SP shall restore the content or access to it within ten business days unless the copyright owner issues a notification informing that an action has been filed seeking a court order to restrain the user, that is, the person who uploaded the content at issue, from engaging in any infringing activity.¹⁶⁸

A few points about the notice and takedown procedure under the CA 1987 are worthy of attention as they are crucial to the interests of the concerned stakeholders. First, the SP is required to remove the content upon receipt of a complaint from the copyright owner within forty eight hours, which is a relatively short period as compared to the period of ten business days within which the SP is required to restore the content or access to it if a counter notification is received from the user.

¹⁶⁴ Section 43H(2) of the CA 1987.

¹⁶⁵ Section 43F(2) of the CA 1987.

¹⁶⁶ Section 43H(3) of the CA 1987.

¹⁶⁷ Section 43H(4)(a) of the CA 1987.

¹⁶⁸ Section 43H(4)(b) of the CA 1987.

This means the content in question will be removed or access to it disabled in a quicker manner than its restoration.

Furthermore, the SP is required to inform the user only ‘upon removing or disabling access to’ the content in dispute.¹⁶⁹ In comparison, the SP who has been served with a counter notification from the user shall inform the copyright owner that the content or access to it ‘will be restored’ in ten business days.¹⁷⁰ It is clear that the SP is expected to keep users informed of the removal of or disabling of access to the content which has already been undertaken, while the SP is obliged to inform the copyright owner about the restoration of the content or access to it that will take place.

In addition, the CA 1987 does not stipulate clearly the period within which the SP is needed to inform the user of the removal of or disabling of access to the content in dispute. Section 43F(2) provides that the SP has to notify the user about the removal of or disabling of access to the content ‘as far as may be practicable’ upon removing or disabling access to it. The phrase ‘as far as may be practicable’ carries the meaning to the extent that it is feasible for the SP to notify the user, which depends on the capability of the SP to do so.¹⁷¹ This appears to give SPs leeway in informing users about the removal or disabling of access. On the other hand, section 43H(4)(a) requires the SP to inform the copyright owner about the imminent restoration ‘promptly’, which means that the SP has to inform the copyright owner without delay.¹⁷² Furthermore, when read together with section 43H(4)(b) which requires the SP to restore the material or access to it within ten business days *following the receipt of the counter notification*, the SP must inform the copyright owner

¹⁶⁹ Section 43F(2) of the CA 1987.

¹⁷⁰ Section 43H(4)(a) of the CA 1987.

¹⁷¹ ‘Practicable’ is defined in the Oxford English Dictionary as ‘Able to be done or put into practice successfully; feasible; able to be used; useful, practical, effective.’

¹⁷² ‘Promptly’ is defined in the Oxford English Dictionary as ‘In a prompt manner; readily, quickly; at once, without delay; directly, forthwith, there and then.’

before the end of the ten-day period. In this sense, it is submitted that there is a certain degree of urgency for the SP to inform the copyright owner, which is lacking in the corresponding duty to inform the user.

More significantly, as mentioned earlier, the SP shall remove or disable access to the content complained of upon the copyright owner's notification. If the user wishes to object to the removal or disabling of access, it is for the user to serve a counter notification after the removal or disabling of access. In other words, by default, the content will be removed or access to it will be disabled within forty-eight hours from the receipt of the notification. This could create a situation where copyright owners may issue such notifications unduly and excessively, causing the SP to be under an obligation under the CA 1987 to comply. At the same time, the fear of litigation and considerations of financial costs may discourage the user from contending for the content at issue or access thereto be restored even in circumstances where the user has a very strong case of entitlement to exceptions to infringement.

As a whole, it may be concluded that the notice and takedown procedure under the CA 1987 appears to favour copyright owners over users. More specifically, it is submitted that the procedure finds favour with, if not encourages, prompt removal of or disabling of access to the content uploaded by users, without giving an opportunity to users to object before the said removal or disabling access. This may not be desired as it may have negative impact on public interest. As the court commented in *Lenz v Universal Music Corp.*,¹⁷³ 'the unnecessary removal of non-infringing

¹⁷³ 572 F. Supp. 2d 1150 (N.D. Cal., 2008).

material causes significant injury to the public where time-sensitive or controversial subjects are involved and the counter-notification remedy does not sufficiently address these harms.’¹⁷⁴

5.6.4 Good faith belief statement

The purely ‘notification-compliant’ nature of the duty placed on a SP is strengthened by the good faith belief statement which is required to be included in the counter notification served by a user on the SP. Section 43H(5)(c) of the CA 1987 requires the counter notification to contain ‘a statement under penalty of perjury that the issuer has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled’. This is *in pari materia* with section 512(g)(3)(C) of the 17 USC.

By requiring such a good faith belief statement from the user, it is submitted that the law shifts the duty from a SP to the user in ensuring that the notice and takedown procedure is not abused. Strangely, a similar good faith belief statement is not expressly required to be contained in the copyright owner’s notification in section 43H, unlike its counterpart in section 512(c)(3)(A)(v) of the 17 USC which expressly requires a good faith belief statement from the copyright owner that the ‘use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law’. It was held in *Hendrickson v eBay, Inc.*¹⁷⁵ that the copyright owner’s good faith belief statement was an essential requirement of a takedown notice and its absence caused the notice to be deficient. It is thought that the same good faith belief statement should be contained in the copyright owner’s notification as well in order to distribute the burden equally between the

¹⁷⁴ *Id* at 1156.

¹⁷⁵ *Supra* n 141 at 1089-1090.

user and copyright owner in the notice and takedown procedure in which the SP has to merely comply with their notifications.

The significance of a good faith belief statement is illustrated in *Lenz v Universal Music Corp.*¹⁷⁶ where the question whether a copyright owner is obliged by section 512(c)(3)(A)(v) of the 17 USC to evaluate a fair use in formulating a good faith belief of copyright infringement before sending out takedown notices was raised. Section 512(c)(3)(A)(v) of the 17 USC requires a notification to include a statement that the complainant has a ‘good faith belief’ that use of the material in dispute ‘is not authorized by the copyright owner, its agent, or the law’. In this case, the plaintiff uploaded to YouTube.com a video file of her toddler son dancing to a song of which the copyright was owned by the defendant.¹⁷⁷ The plaintiff alleged that the takedown notice sent by the defendant was not based on any good faith belief that the video actually infringed copyright. The defendant filed the motion to dismiss the case. The court held that the obvious meaning of ‘authorized by law’ in section 512(c)(3)(A)(v) of the 17 USC is clear,¹⁷⁸ that is, ‘an activity or behaviour “authorized by law” is one permitted by law or not contrary to law.’¹⁷⁹ Even though the fair use doctrine was not expressly mentioned in the DMCA which introduced the safe harbours, the court noted that section 107 of the 17 USC explicitly provides that fair use of a copyright work is not an infringement of copyright.¹⁸⁰ As such, a copyright owner must evaluate whether the material makes fair use of the copyright work before he proceeds with a ‘good faith belief’ that the material

¹⁷⁶ *Supra* n 173.

¹⁷⁷ The song was ‘Let’s Go Crazy’ by the artist ‘Prince’. The video was twenty-nine seconds in length while the song was audible for about twenty seconds. The sound quality of the video was poor and, thus, the song can be heard with difficulty. The defendant sent a takedown notice pursuant to section 512(c) of the 17 USC demanding YouTube to remove the said video alleging copyright infringement. YouTube complied with the notice and informed the plaintiff via an e-mail of the removal. The plaintiff served a counter notification on YouTube under section 512(g) of the 17 USC requesting the reinstatement of her video on the ground that it was fair use of the song and, thus, did not infringe the defendant’s copyright. YouTube complied with the counter notification.

¹⁷⁸ Section 512(c)(3)(A)(v) of the 17 USC provides that a notification should include, ‘A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.’

¹⁷⁹ *Supra* n 173 at 1154.

¹⁸⁰ The court was of the view that even if fair use only excuses infringement, it remains a lawful use of a copyright: see *Sony Corp. of America v Universal City Studios, Inc.* 464 U.S. 417 (1984) at 433: ‘[a]nyone ... who makes a fair use of the work is not an infringer of the copyright with respect to such use.’

is infringing.¹⁸¹ The court expressed its view that such an interpretation is in accordance with the objectives of the DMCA and copyright law generally. As noted by the US Congress in legislating the DMCA, the provisions of the Act ‘balance the need for rapid response to potential infringement with the end-users [sic] legitimate interests in not having material removed without recourse.’¹⁸²

In *Lenz*, in response to the defendant’s claim that the need to evaluate fair use before issuing takedown notices may cause the copyright owners to lose the ability to respond rapidly to any potential infringement,¹⁸³ the court felt that the actual impact was exaggerated as ‘there are likely to be few in which a copyright owner’s determination that a particular use is not fair use will meet the requisite standard of subjective bad faith required to prevail in an action for misrepresentation’ under section 512(f) of the 17 USC.¹⁸⁴ The court reasoned that the compulsory evaluation of fair use by copyright owners will help to guarantee that ‘the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand’ without compromising creative copyright works.¹⁸⁵

Unfortunately, the Malaysian CA 1987 does not expressly require such a good faith belief statement to be contained in the copyright owner’s notification while expecting the same in the counter notification issued by the user. In this way, the notice and takedown procedure under the CA 1987 appears to favour copyright owners more as compared to users in general. It is noted that section 43I(1) of the CA 1987 does provide for an offence when any notification maker makes a false statement, ‘which he knows to be false or does not believe to be true and relates to a material

¹⁸¹ Without such a ‘good faith belief’, a copyright owner who has issued a takedown notice may be subject to a misrepresentation claim under section 512(f) of the 17 USC.

¹⁸² US Sen. Rep. No. 105-190 at 21 (1998).

¹⁸³ The defendant also highlighted that the determination of fair use is a ‘fact-intensive inquiry’ and that it is hard for copyright owners to foresee whether a court may ultimately rule in their favour. *Id* at 1155.

¹⁸⁴ *Ibid*.

¹⁸⁵ *Id* at 1156.

point to the object of the notice’.¹⁸⁶ In view of the requirement on ‘knowingly’ making such a false statement, section 43I provides for a narrow cause of action as the degree of knowledge involved in relation to a good faith belief statement differs from that as required for an offence under section 43I.

Similar to section 43I of the CA 1987, section 512(f) of the 17 USC provides that a person is liable for any damages resulting from him knowingly making a material misrepresentation that an activity or material is infringing; or that a material was removed or an activity was disabled by mistake or misidentification.¹⁸⁷ As observed by the US Court of Appeals for the Ninth Circuit in *Rossi v MPAA*,¹⁸⁸ section 512(f) of the 17 USC provides for an ‘expressly limited cause of action’ for only improper notifications which constitute knowing misrepresentations. It is not a knowing misrepresentation if the copyright owner makes an unknowing mistake, even an unreasonable one. Actual knowledge about the untrue statements on the part of the copyright owner must be established. The court, in comparing the ‘good faith’ provision with the ‘knowing misrepresentation’ provision, found ‘an apparent statutory structure that predicated the imposition of liability upon copyright owners only for knowing misrepresentations regarding allegedly infringing websites’, which is not satisfied by a lesser ‘objective reasonableness standard’.¹⁸⁹

¹⁸⁶ Section 43I(1)(b) provides for the punishment for the offence as a fine of maximum RM100,000 or imprisonment for a term of maximum five years or both. In addition, he shall also be liable to compensate any person for any loss or damage resulting from the making of the notification as stated in section 43I(1)(b). Section 43I(2) further explains that the same applies to a statement made outside Malaysia and the person doing so will be dealt with under section 43I(1)(a) as if the offence was committed in Malaysia. The offence in section 43I may be established in circumstances where a false statement is made in either a notification issued by a copyright owner or a counter notification issued by the user whose copy is the subject matter in dispute.

¹⁸⁷ Section 512(f)(1) & (2) of the 17 USC. As stated in section 512(f), the damages could be those incurred by the claimed infringer, copyright owner or copyright owner’s authorized licensee, or by a SP; which is due to the SP’s reliance on such misrepresentation in removing or disabling access to the claimed infringing material or activity, or in restoring the removed material to ceasing to disable access to it.

¹⁸⁸ 391 F.3d 1000 (9th Cir. 2004).

¹⁸⁹ *Id* at 1004-1005.

The above position which places emphasis on the subjective mental state of knowledge about a material misrepresentation was followed in *Lenz v Universal Music Publishing Group*¹⁹⁰ where, consequent to the defendant's takedown notice with regard to the plaintiff's video and the counter notification by the plaintiff requesting the reinstatement of the video, the plaintiff commenced an action seeking redress for the alleged misuse of the takedown process by the defendant. In particular, the plaintiff applied for summary judgment based on the alleged misrepresentation by the defendant under section 512(f) of the 17 USC. The court held that the plaintiff had failed to show facts from which a knowing misrepresentation by the defendant could be inferred. Additionally, the plaintiff had also failed to demonstrate that her use of the song was a 'self-evident' fair use.

The district court's decision in *Lenz* was affirmed by the US Court of Appeals for the Ninth Circuit in *Lenz v Universal Music Corp.*¹⁹¹ The court made it clear that a copyright owner who ignores or neglects the requirement of considering fair use before serving a takedown notice is liable for damages under section 512(f) of the 17 USC. A copyright owner who pays lip service to the consideration of fair use is also liable under section 512(f) of the 17 USC. For instance, a copyright owner sends a takedown notice when there is sufficient evidence that he intentionally requests removal of a material which he knows he has no right to remove, he could be liable under section 512(f) of the 17 USC. However, in circumstances where a copyright owner forms a *subjective* good faith belief that a material does not constitute fair use, the court would not dispute his belief even if the court holds the opposite belief.

¹⁹⁰ 2008 U.S. Dist. LEXIS 44549; Copy L. Rep. (CCH) P29, 540.

¹⁹¹ 801 F. 3d 1126 (9th Cir. 2015).

An example of a ‘knowing’ and ‘material’ misrepresentation may be seen in *Online Policy Group v Diebold*¹⁹² in which the content at issue was internal emails among the employees of the defendant which produced voting machines. The emails showed the knowledge of some employees that the machines were unreliable and were published by college students in several websites including an online newspaper. The defendant demanded the ISPs of the college students and the online newspaper to remove access to the emails or face liability for copyright infringement. The college students and the ISP of the online newspaper filed a suit against the defendant alleging its copyright infringement claims were misrepresentations under section 512(f) of the 17 USC.

The court held that the defendant’s misrepresentation was made ‘knowingly’ as the use of the emails to expose the problems relating to the voting machines to the public was clearly a fair use. It was explained that ‘knowingly means that a party actually knows, should have known if it acted with reasonable care or diligence, or would have had no substantial doubt had it been acting in good faith, that it was making misrepresentations.’¹⁹³ Besides, the misrepresentation was ‘material’ by virtue of the fact that it actually resulted in the removal of the said emails. The court described a misrepresentation as ‘material’ if it affected the SP’s response to the notification.¹⁹⁴ The court concluded that the defendant sought to use the safe harbour provisions as ‘a sword to suppress publication of embarrassing content rather than as a shield to protect its intellectual property’.¹⁹⁵ The defendant was therefore liable for misrepresentation under section 512(f) of the 17 USC.

¹⁹² 337 F.Supp. 2d 1195 (N.D. Cal. 2004).

¹⁹³ *Id* at 1204.

¹⁹⁴ *Id* at 1204-1205.

¹⁹⁵ *Ibid*.

It is not an easy task to prove the required ‘subjective mental state of actual knowledge’ that one is making a material misrepresentation. A user is required to show that the copyright owner’s takedown notice is made in ‘subjective bad faith’.¹⁹⁶ It was evident in *Lenz v Universal Music Publishing Group*¹⁹⁷ that the defendant was not liable under section 512(f) of the 17 USC even where the court may hold the opposite belief, as compared to the defendant’s, as to whether the material in dispute was fair use. The ‘objective reasonableness standard’, which applies to determine whether a copyright owner has a good faith belief about the alleged infringement, is a lesser standard than the subjective bad faith standard required to establish knowing misrepresentation. The absence of the requirement for a good faith belief statement to be included in the copyright owner’s notification under the Malaysian CA 1987 therefore results in a weaker machinery to counter abuse of the notice and takedown procedure by copyright owners. Section 43I is considered the only means to reduce the said abuse under the CA 1987. Unfortunately, it would not be easy to establish an offence under section 43I because subjective knowledge of the maker of a false notice has to be demonstrated.

5.6.5 Is the SP obliged to take action upon acquiring knowledge of infringement in the absence of a notification?

Sections 43D(2) states that a SP ‘shall not be held liable under this section if the copyright owner or his agent has not given any notification under section 43H’.¹⁹⁸ An identical provision is found in section 43E(3). This means SPs under sections 43D and 43E would not lose the limitation of

¹⁹⁶ *Rossi v MPAA*, *supra* n 188.

¹⁹⁷ *Supra* n 190. See also *Lenz*, *supra* n 191.

¹⁹⁸ The notice and takedown procedure in section 43H has no application to SPs acting as mere conduits in section 43C.

liabilities if the copyright owner has not served any notification. It is questionable as to whether SPs are obliged to remove or disable access to infringing materials if they know about the infringement, despite the fact that they receive no notification under section 43H and, thus, their entitlement to the limitation of liabilities is not at risk.

There may not be issues with regard to the position of SPs seeking the limitation of liabilities for system caching as section 43D, unlike section 43E, does not impose as a condition that the SPs shall have no knowledge of copyright infringement. A SP would be eligible for the limitation of liabilities for system caching if the SP meets the conditions listed in section 43D(1)(A)-(B) as discussed earlier¹⁹⁹ and complies with notifications, if any.

The meaning of section 43E(3), when read together with the conditions in section 43E(1)(b)(i)²⁰⁰ and (iii),²⁰¹ may however raise some questions. It is uncertain as to whether the absence of a notification under section 43H will have the effect of dispensing with the need to impute knowledge of the alleged infringement on the part of the SP under section 43E(1)(b)(i). This interpretation would contradict the statutory language of section 43E(1)(b)(i) in which a SP may be disqualified for the liabilities limitation if the SP has actual or apparent knowledge about infringement. It is thought that if section 43E(3) is interpreted as such it would have the effect of condoning a SP being indifferent or turning a blind eye to the obvious or apparent infringing activity taking place over its network simply because no statutory notification has been issued. It would tilt greatly in favour of the SP whose entitlement to the limitation of liabilities in section 43E is not undermined regardless of its knowledge of the infringement as long as it has not received

¹⁹⁹ See section 5.4.1.

²⁰⁰ Section 43E(1)(b)(i) of the CA 1987 provides for the requirement on a SP's knowledge of the alleged infringing material or activity.

²⁰¹ Section 43E(1)(b)(iii) of the CA 1987 requires a SP to take the necessary action upon being served with a notification under section 43H. Failure to do so will disqualify the SP from the liability limitation.

any notification under section 43H. This will render the knowledge requirement in section 43E(1)(i) superfluous and meaningless, in particular with regard to the apparent knowledge of red flags.

Another question that may arise with respect to section 43E(3) is whether a SP, upon acquiring actual or apparent knowledge of the infringement, is obliged to remove or disable access to the alleged infringing material in the absence of a notification under section 43H. Section 43E(1)(b)(iii), as mentioned earlier, requires a SP to remove or disable access to the alleged infringing material ‘upon receipt of a notification of any infringement under section 43H’. This requirement, when read together with section 43E(3), appears to suggest that a SP is not obliged to remove or disable access to the alleged infringing material if it has not received a notification despite the fact that it does know about the infringement. It follows that a SP on whom no notification has been served is not obliged to remove or disable access to the infringing material but may nonetheless lose the limitation of liabilities in section 43E if it has knowledge about the infringement.

By comparison, section 512(c)(1)(A)(iii) of the 17 USC expressly requires a SP upon obtaining actual knowledge or apparent awareness of infringement to remove or disable access to the relevant material expeditiously. The same requirement is found in Regulation 19(a)(ii) of the E-Commerce Regulations 2002.²⁰² Likewise, condition 2A for table items 4 and 5 in section 116AH(1) of the Australian CA 1968 impose a similar requirement.²⁰³ It is submitted that a similar provision which

²⁰² Regulation 19(a)(ii) of the E-Commerce Regulations 2002 provides that the SP ‘upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.’

²⁰³ Condition 2A for table item 4 in section 116AH(1) of the Australian CA 1968 states that the SP ‘must act expeditiously to remove or disable access to the copyright material residing on its system or network if the carriage service provider ‘(a) become aware that the material is infringing; or (b) becomes aware of facts or circumstances that make it apparent that the material is likely to be infringing.’ Condition 2A for table item 5 is similar except that it refers to a reference residing on the SP’s system or network which refers to copyright material which is infringing.

expressly imposes a duty to remove or disable access to the infringing material upon acquiring actual or apparent knowledge on the part of the SP should be included in section 43E of the CA 1987 to get rid of any doubt as regards this matter. More importantly, it is submitted that the duty to remove or disable access should be imposed on a SP who has knowledge about the infringement in order to ensure a more efficient protection of copyright, irrespective of whether or not a section 43H notification has been served on the SP.

5.7 Conclusion

The newly introduced Part VIB of the CA 1987 is lacking in several aspects, which bears heavily on a balance of interests between SPs, copyright owners, and users. First of all, Part VIB does not expressly deal with the granting of injunctive relief, except in section 43C(2) which is applicable to mere conduit ISPs. The scope of limitation of liabilities under Part VIB in general, and injunctive relief in particular, is thus uncertain.

A ‘transient storage’ requirement for the limitation of liabilities in respect of system caching, which may function as a caveat on the duration for how long storage is necessary and should be allowed for efficient access, is missing in section 43D. The application of a common notice and takedown procedure to section 43D is unfortunate because the eligible SPs are unnecessarily burdened with the duty to comply with notices alleging infringement. This is a wasteful effort since the infringing content will be re-cached as long as it is not removed from the originating websites.

The phrase ‘by reason of’ in section 43E(1) may turn out to be a crucial battlefield for copyright owners and the concerned SPs, which will greatly affect the scope of the limitation of liabilities under section 43E. It should be understood that section 43E does not seek to limit liabilities for only the act of providing storage at users’ direction or linking itself, but in respect of any additional service or facilities which are attributable to the provision of the storage or hyperlinks. In addition, it is observed that the scope of limitation of liabilities in section 43E is the narrowest as compared to the rest in view of the additional requirements that the relevant SPs have to satisfy. It may be concluded that section 43E appears to exclude only primary liability for copyright infringement on the part of SPs, and not secondary liability for their users’ infringing activities.

The above discussion reveals some drawbacks in connection with the notice and takedown procedure implemented under Part VIB. There is no provision in Part VIB which stresses that SPs are under no general duty to monitor or seek facts indicating infringements. Furthermore, a good faith belief statement is required to be included in the counter notifications served by users but not required to be inserted in the notifications issued by copyright owners to SPs. The CA 1987 is also not clear as to whether SPs under section 43E are obliged to remove or disable access to the content complained of upon acquiring knowledge of the infringement. More significantly, it is submitted that the ‘notice, and takedown’ model of the notice and takedown procedure under Part VIB may result in overzealous removal of content without first affording users a chance to object or justify why the content should remain. There is possible risk of excessive issue of notifications by copyright owners and, thus, inordinate removal of content from the internet. It is concluded that the notice and takedown procedure under the CA 1987 tilts greatly in favour of copyright owners.

CHAPTER 6

LEGAL PROTECTION OF TECHNOLOGICAL PROTECTION MEASURES

6.1 Introduction

Digital technologies enable copyright works in digital format to be reproduced easily and the copies are of almost perfect quality.¹ Furthermore, new compression technologies² tremendously ease the transformation, storing and transmission of digital works. All these qualities of digital technologies promise a new market for exploitation of digital works to copyright owners in general.³ The other side of the coin is that these qualities of digital technologies also pose an alarming threat to copyright owners as regards their abilities to assert control over digital works.⁴ Some believe that ‘the answer to the machine is in the machine.’⁵ Hence, copyright owners turn to the source of the problems they encounter, which is the technologies, for solutions. As a result, copyright owners increasingly employ technological means to fence their copyright works in the digital environment.

In view of the ease of the said technological means to be by-passed, copyright owners have lobbied for legal protection against circumvention of technological protection measures (hereinafter referred to as ‘TPMs’) adopted by them. This eventually resulted in the introduction of Article 11

¹ As observed by Madison, the most important traditional obstacle to copyright infringement, namely, the imperfection of reproductions, was discarded by digital technology. See Madison, M. J., ‘Legal-Ware: Contract and Copyright in the Digital Age’, 67 Fordham L. Rev. 1025 (1998).

² Examples of compression technologies are MPEG-2 for videos and MP3 for music, which allow nearly perfect copies to be created at 5% of the original size. See Marks, D.S. & Turnbull, B.H., ‘Technical Protection Measures: The Intersection of Technology, Law and Commercial Licences’, [2000] EIPR 198.

³ Digital technologies reduce the manufacturing and distribution costs for copyright owners. See Loren, L. P., ‘Technological Protection in Copyright Law: Is More Legal Protection Needed?’ International Review of Law, Computers and Technology, Volume 16, No. 2, 2002, 133-148. Lessig admitted that while the internet offers ‘perfect copies at practically no cost’ and this raised legitimate concerns for copyright owners; the technological advances have also given copyright owners more control over their works than that they previously enjoyed: Lessig, L., *Code and Other Laws of Cyberspace*, New York: Basic Books, 1999, at 125.

⁴ Apart from technological advances in digital copying and compression, Marks and Turnbull identified the increase in bandwidth and networking as the other two main causes of the digital dilemma faced by copyright owners. See Marks, D.S. & Turnbull, B.H., *supra* n 2.

⁵ Clark, C., ‘The Answer to the Machine is in the Machine’, Hugenholtz, P. B., ed., *The Future of Copyright in a Digital Environment, Proceedings of the Royal Academy Colloquium organised by the Royal Netherlands Academy of Sciences (KNAW) and the Institute for Information Law (Amsterdam 6-7 July 1995)*, Hugenholtz, P. B., ed., (Den Haag: Kluwer Law International, 1996), 139-148.

of the WIPO Copyright Treaty (hereinafter referred to as ‘the WCT’).⁶ Article 11 of the WCT⁷ requires the contracting states to provide ‘adequate legal protection and effective legal remedies against 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.’⁸ Member states have responded to Article 11 of the WCT in implementing protection over TPMs in digital works under their own copyright legislations. However, many have expressed doubts over the adequacy of resorting to TPMs and giving legal protection over them due to the worries that it may have the effect of upsetting the balance of interests maintained under the current copyright law.⁹

In Malaysia, the legal protection of TPMs was introduced by the Copyright (Amendment) Act 1997¹⁰ which inserted new provisions into section 36 of the Copyright Act 1987 (hereinafter referred to as ‘the CA 1987’).¹¹ Section 36(3) of the CA 1987, as it then was, provided that copyright is infringed by a person who circumvents or causes any other person to circumvent effective TPMs.¹² Strangely, circumvention of TPMs was treated as an infringement of copyright by the then section 36(3). However, direct circumvention of TPMs applied to copyright works is different altogether from copyright infringement such as copying of a copyright work. This was

⁶ As regards the run-up to Article 11 of the WCP, see Khaw, L.T., ‘Of Encryption and Devices: The Anti-Circumvention Provision of the Malaysian Copyright Act 1987’, [2005] EIPR 53, at 53-55.

⁷ A similar provision is found in Article 18 of the WIPO Performances and Phonograms Treaty (‘WPPT’).

⁸ A similar provision is found in Article 19 of the WPPT. Article 12 of the WCT prescribes that adequate and effective legal remedies shall be provided as against unauthorized removal or alteration of electronic rights management information and unauthorized distribution, import for distribution, broadcast or communication to the public of works in which electronic rights management information has been removed or altered without authority. A provision similar to Article 12 of the WCT is found in Article 19 of the WPPT.

⁹ See, for instance, Geiger, C., ‘The Answer to the Machine Should Not be the Machine: Safeguarding the Private Copy Exception in the Digital Environment’, [2008] EIPR 121.

¹⁰ Act A994 which came into force on 1 April 1999.

¹¹ Malaysia introduced TPM-related provisions even before it joined the WCT and WPPT on 27 December 2012.

¹² The previous section 36(3) of the CA 1987 read, ‘Copyright is infringed by any person who circumvents or causes any other person to circumvent any effective technological measures that are used by authors in connection with the exercise of their rights under this Act and that restricts acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.’

eventually rectified by the Copyright (Amendment) Act 2012¹³ which deleted the then section 36(3) and introduced a new section 36A into the CA 1987. The scope of the new section 36A is profoundly relevant to the balance of interests under the Malaysian copyright law in grappling with the challenges brought by the developments in digital technologies.

This chapter examines the digital dilemma in relation to TPMs with the balance of interests under copyright law in mind. The next section provides a brief introduction on TPMs used by copyright owners to protect their digital works. The third section considers the scope of ‘TPM’, while the fourth section examines the prohibition on circumvention of TPM in section 36A(1). This is followed by the fifth section which scrutinizes another prohibited act, namely, the trafficking activities in relation to circumvention devices under section 36A(3). The sixth section discusses the ambiguous scope of the prohibited acts in section 36A. Finally, the seventh section studies the issues relating to the exceptions to the prohibited acts under section 36A.

6.2 Technological tools used to protect digital works

Technological tools are intended to promote the authorized use of digital works by controlling access to or various uses of such works.¹⁴ There may be TPMs and rights management information (hereinafter referred to as ‘RMI’) used together in many instances. A typical example of TPMs is cryptography. RMI ‘identifies the work, the author of the work, the owner of any right in the work, the performer or the terms and conditions of use of the work, any number or codes that represent such information, when of these items is attached to a copy of a work or appears in connection

¹³ Act A1420 which came into force on 1 March 2012.

¹⁴ Kerr, I., Maurushat, A. & Tacit, C., ‘TPMs: Tilting at the Copyright Windmill’, *Ottawa Law Review*, Vol. 34, pp. 9-82, 2003, at 25.

with the communication of a work to the public'.¹⁵ One commonly utilized example of RMI is digital watermarking technologies which trace the marked copies back to the original.

6.2.1 Classification of TPMs based on technology

Technological tools may be categorized according to how they work, that is, the technology involved. Technically, there are four main systems of technological tools.¹⁶ First, encryption is the most commonly used system, of which there are two main types. The first is the symmetric-key encryption, in which a single key is used to encrypt and decrypt the information. To access the so-encrypted information, one must get the identical key from the copyright owner.¹⁷ The second is the public-key cryptography in which two separate keys are used: the public key and the private key. Both of the keys form a unique combination. While the public key can only be used to encrypt the information; the private key can only decrypt it. The public key will be published while the private key is kept only with the individual user. Most copyright works used the combined forms of the said two. The risks with this system include the possibility of it being circumvented and interception in the process of distribution.

The second system is digital rights language, which is also known as the rights management languages ('RML').¹⁸ This system consists of computer programmes which are coded with all conditions and rights attributable to a specific copyright work. A copyright work formatted with

¹⁵ Section 36B(3) of the CA 1987. See also IFPI, 'The WIPO Treaties: Protection of Rights Management Information', March 2003, IFPI, 11 December 2015 <http://www.ifpi.org/content/library/wipo-treaties-rights-management-information.pdf>. The adoption of RMI may raise privacy concerns but it does not involve direct conflict between copyright owners' interest in being rewarded for their creation and the public interest in the progress of arts and knowledge. Therefore, the thesis examines only the protection for TPMs

¹⁶ Mauricio, E., 'The Fallacy That Fair Use and Information Should be Provided For Free: An Analysis of the Responses to the DMCA's Section 1201', 31 Fordham Urb. L. J. 135.

¹⁷ *Id.* As explained by Mauricio, the major problem with this system is that the key needs to be sent to the authorized users and, thus, open to risks that the key might be intercepted in the process.

¹⁸ *Id.*

this system allows users to use it only for specified and permitted purposes. Since the work has to be delivered to the users' computer, the work must still be encrypted to avoid it from being intercepted and disseminated.

The third category covers marking and monitoring tools. One simple way in dealing with digital works is to offer an inferior copy when the work is reproduced while the superior copy is available only at a fee. The main problem with this method is that the superior copy may be reproduced and disseminated. Therefore, watermarking may come to assistance where digital signal is used 'as a social warning, to carry information, and to leave digital fingerprints for detection and tracing unauthorized copying.'¹⁹ Watermarked digital content must be monitored especially its subsequent tracks on the web as well as other media. Hence, monitoring tools such as the web crawler will trace the watermarked content. These tools, however, are not free of any weakness. Their weaknesses include that they are unable to break through firewalls,²⁰ e-mails or other media other than the web. Marking and monitoring tools fall under RMI which do not prevent access to or restrict uses of copyright works. Instead, they target at detecting the activities of unauthorized copying.

Lastly, trusted systems may also be used to protect digital works. A trusted system refers to the whole of various computer systems which are designed from the beginning-to-end for the sole purpose of protecting digital content. This will require the implementation of all TPMs discussed above and some others.²¹ Examples of this category include the Trusted Computing Platform Alliance (TCPA) to promote a single, common platform for trusted computing,²² and the Trusted

¹⁹ *Id.*

²⁰ *Id.* Firewalls are computer software that prevent unauthorized access to private data by external computer users.

²¹ *Id.*

²² TCPA is a collection of hardware and software companies, which was formed in 1999. See Roemer, R., 'Trusted Computing, Digital Rights Management, and the Fight for Copyright Control on Your Computer', 2003 UCLA J. L. Tech. 8.

Computing Group (TCG) to develop common technical specifications for trusted computing systems.²³

6.2.2 Classification of TPMs based on function

TPMs may also be classified according to their function. First, there are access control TPMs which prevent or restrict access to digital works unless with the copyright owners' authorization. Examples of access control TPMs include identification and password technologies.²⁴

Second, copy control TPMs that aim at controlling the copying of works. Examples of copy control technologies include the Analog Copy Protection developed by Macrovision. Analog Copy Protection manipulates the output component of DVD players so as to distort the VHS copies made from DVD players equipped with Macrovision. The VHS copies thus become unwatchable.²⁵

Another type of TPMs is transfer protection technologies that have the main function of restricting the dissemination of digital works. An example of transfer protection TPMs is Digital Transmission Content Protection (DTCP) which is a specification developed by the members of the Digital Transmission Licensing Administrator. DTCP encrypts transmission of content between devices. Hence, content may be transferred between devices only if they implement DTCP.²⁶

²³ *Id.* HP, IBM, Intel and Microsoft pulled out of the TCPA in April, 2003 and formed the TCG.

²⁴ See Turner, P., 'Digital Video Copyright Protection with File-Based Content', 16 Media L. & Pol'y 165.

²⁵ *Id.*

²⁶ *Id.*

6.3 The scope of ‘TPM’

6.3.1 Does ‘TPM’ include access control TPM?

The Copyright (Amendment) Act 2012 inserted a definition of TPM in section 3.²⁷ ‘TPM’ is defined as ‘any technology, device or component that, in the normal course of its operation, effectively prevents or limits the doing of any act that results in an infringement of the copyright in a work’. Section 36 of the CA 1987 provides for two types of copyright infringement: direct infringement in section 36(1); and indirect infringement by importation of articles into Malaysia in section 36(2). TPMs are intended to prevent or reduce direct infringement, but not importation of infringing copies into a country. Therefore, in relation to TPMs, it is direct infringement of copyright in section 36(1) which is relevant.

Section 36(1) refers to infringement by the doing of an act ‘which is controlled by copyright under this Act’ while acts over which the copyright owner has the exclusive right to control are prescribed mainly in section 13(1), which are the reproduction, the communication to the public, the public performance, the distribution of copies to the public, the commercial rental to the public, of the work. It follows therefore that ‘TPM’ under the CA 1987 covers copy control TPMs which prevent or limit unauthorized reproduction of copyright works. However, the act of accessing or reading copies of copyright work per se has never been subject to the control of copyright owners and, thus, does not constitute copyright infringement. Hence, it is questionable as to whether ‘TPM’ under the CA 1987 includes access control TPMs.

Section 3 of the CA 1987 does not define ‘TPM’ as a tool that effectively prevents or limits copyright infringement. Instead, a ‘TPM’ is explained as one that effectively prevents or limits

²⁷ Prior to the Copyright (Amendment) Act 2012, there was no definition of ‘TPM’ under the CA 1987.

‘the doing of any act that results in an infringement of the copyright in a work’. The question to be considered is thus whether access to a copyright work is ‘an act that results in an infringement of the copyright in a work’. The phrase ‘results in’ is defined in the Oxford Dictionary as ‘have (a specified outcome)’. Accessing a copyright work itself is not an infringement of copyright, but does it have the outcome of copyright infringement? It is noted that accessing a work is inevitably an initial step prior to any reproduction which may amount to copyright infringement but accessing a work does not necessarily result in copyright infringement. It may therefore be argued that an access control TPM does not fall within the scope of ‘TPM’ in section 3 of the CA 1987.

By way of comparison, it is noted that the Title 17 of the US Code (hereinafter referred to as ‘the 17 USC’) separately defines access control TPM and copy control TPM. Access control TPM is defined in section 1201(a)(3)(B) of the 17 USC as a TPM that ‘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.’²⁸ This is notably different from the definition of ‘TPM’ in the CA 1987. On the other hand, section 1201(b)(2)(B) of the 17 USC defines copy control TPM as one which ‘in the ordinary course of its operation, prevents, restricts, or otherwise limits the exercise of a right of a copyright owner under this title’.²⁹ It would appear that the definition of copy control TPM in the 17 USC, read together with the prohibited acts in connection with it, is closer, or carries a meaning similar to the definition of TPM in the CA 1987. This is so despite the fact that the latter expressly mentions prevention of copyright infringement while the former specifies ‘the exercise of a right of a copyright owner’, which arguably could be wider in

²⁸ Section 1201(a)(1) of the 17 USC prohibits the circumvention of a TPM that effectively controls access to a work protected; while section 1201(a)(2) of the 17 USC prohibits the trafficking in circumvention tools in relation to access control TPMs.

²⁹ Section 1201(b)(1) of the 17 USC prohibits the trafficking in circumvention tools targeting TPM that ‘effectively protects a right of a copyright owner’.

its scope. The Australian Copyright Act 1968 (hereinafter referred to as ‘the CA 1968’) is similar to the 17 USC in respect of the definition of TPM.³⁰

In the UK, section 296ZF(1) of the UK Copyright, Designs and Patents Act 1988 (hereinafter referred to as ‘the CDPA’) defines ‘technological measures’ as ‘any technology, device or component which is designed, in the normal course of its operation, to protect a copyright work other than a computer program’.³¹ Further, section 296ZF(2) explains that technological measures are effective if a copyright owner is able to restrict the use of a copyright work through ‘an access control or protection process’³² or ‘a copy control mechanism’³³ that achieves the intended ‘protection’. ‘Protection’ is defined in section 296ZF(2) as ‘the prevention or restriction of acts that are not authorized by the copyright owner of that work and are restricted by copyright.’³⁴ TPM is defined in a general manner under the CDPA with the objective of protecting a copyright work while ‘protection’ of a copyright work may be achieved via the employment of either access control or copy control TPMs. In comparison, the definition of TPM in the CA 1987 explicitly deals with the objective of preventing or limiting the doing of an act which results in copyright infringement. Accessing a work may not always result in copyright infringement. Hence, it may be argued that the scope of TPM in the CA 1987 is narrower than that in the CDPA and may not include access control TPMs. Nonetheless, in the absence of an express mention of the types of

³⁰ Section 10(1) of the CA 1968 defines ‘TPM’ as ‘(a) an access control technological protection measure; or (b) a device, product, technology or component (including a computer program) that ... in the normal course of its operation, prevents, inhibits or restricts the doing of an act comprised in the copyright’. Access control TPM is defined in section 10(1) of the Australian CA 1968 as one that ‘in the normal course of its operation, controls access to the work or subject matter’. The definition is in *pari materia* with the definition of access control TPM in section 1201(a)(3)(B) of the 17 USC.

³¹ Section 296 of the CDPA 1988 provides the protection against circumvention of technological measures applied to computer programmes while section 296ZA is applicable to technological measures applied to any copyright work other than a computer programme.

³² Section 296ZF(2)(a) of the CDPA 1988.

³³ Section 296ZF(2)(b) of the CDPA 1988.

³⁴ This is notably similar to section 36A(1)(b) which prohibits the circumvention of a TPMS ‘that restricts acts in respect of his works which are not authorized by the owner concerned or permitted by law’.

TPM to be covered under the CA 1987, as contrary to other jurisdictions discussed above, the question as to whether ‘TPM’ under the CA 1987 includes access control TPM remains uncertain.

It is submitted that ‘TPM’ should be interpreted to exclude access control TPMs in view of the far-stretched scope of the prohibited acts if ‘TPM’ is otherwise construed. Such a broad scope of protection given to TPM is unfavourable to developing countries such as Malaysia.³⁵ If ‘TPM’ under the CA 1987 includes access control TPMs, it may result in conferring a new exclusive right to control access and reading in the digital environment. This will shift the balance of copyright too far in favour of copyright owners.

6.3.2 The meaning of ‘effectively’

Section 3 of the CA 1987 defines TPM as one which ‘effectively’ prevents or limits any act resulting in copyright infringement. There is no definition or explanation on the meaning of ‘effectively’ in the CA 1987. It is thus questionable to what extent a TPM should ‘effectively’ prevent or limit the doing of any act that results in copyright infringement in order to qualify for the protection under section 36A. To date, there is no Malaysian case law on this matter.

The meaning of effectiveness of TPMs was discussed in the US cases on the Content Scramble System (hereinafter referred to as ‘CSS’), an encryption scheme using an algorithm³⁶ configured by a set of keys whereby the contents of a DVD³⁷ are encrypted. To decrypt CSS, one must have

³⁵ See also the discussion in section 6.4 below as regards how the scope of ‘TPM’ in section 3 would determine the scope of the prohibited acts in section 36A.

³⁶ ‘The algorithm is a type of mathematical formula for transforming the contents of the movie file into gibberish; the ‘keys’ are in actuality strings of 0’s and 1’s that serve as values for the mathematical formula.’ See *Universal City Studios, Inc v Corley* 273 F.3d 429 (2d Cir. 2001) at 436–437.

³⁷ Digital Versatile Discs (DVDs) are discs used to store full-length motion pictures in digital format: *Universal City Studios, Inc v Reimerdes* 111 F. Supp. 2d 294 (SDNY 2000). Virtually perfect copies of DVDs can be made at a mere click of computer control and, thus, CSS was developed.

a set of ‘player keys’ in compliant DVD players as well as the CSS encryption algorithm. Without these two, DVD players are unable to access the contents on a DVD. With them, DVD players can show the movies on a screen but do not permit copying or manipulation of the contents of a DVD.³⁸ CSS, which was perceived as a viable protection for the contents of DVDs was however decrypted by a Norwegian teenage, Jon Johansen in September, 1999. The program written by Johansen which was named DeCSS can decrypt the CSS protection on DVDs and, thus, enable the copying of the contents on DVDs.³⁹

In *Universal City Studios, Inc v Reimerdes*,⁴⁰ for instance, one of the arguments raised was whether the CSS ‘effectively’ controls access to copyright works. Section 1201(a)(3)(B) of the 17 USC explains that a technological measure ‘effectively controls access to a work’ if it, ‘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 a work.’ The court found that one cannot obtain access to a work protected by CSS without the application of the necessary three keys that can be gained only with a licence from the copyright owner.⁴¹ Thus, the court concluded that CSS effectively controlled access to works on DVDs within the meaning of the 17 USC, ‘whether or not it is a strong means of protection.’⁴² It is a well-known fact that ‘what may be encrypted or

³⁸ CSS technology was adopted by the motion picture, computer, and consumer electronic industries for the encryption of contents on DVDs. These industries later established the DVD Copy Control Association, Inc. (‘DVD CCA’) which is responsible with the granting and administering the CSS technology. DVD CCA began licensing the CSS technology in October 1996 and it is a term of the licensing agreement that a licensee shall maintain confidentiality of the proprietary information in the technology.

³⁹ In *DVD Copy Control Assn., Inc v Bunner* 113 Cal. Rptr. 2d 338 (Cal. Ct. App. 2002), the trial court granted a preliminary injunction to force the defendant to remove the DeCSS program from the defendant’s website. The defendant appealed and the Court of Appeals for the 6th Circuit reversed, holding that the injunction was invalid prior restraint on pure speech under the First Amendment. The California Supreme Court reversed the Court of Appeals’ decision on the ground that there is no valid First Amendment protection for a knowing violation of the trade secret law: *DVD Copy Control Assn., Inc. v Bunner* 31 Cal. 4th 864 (Cal. 2003). However, the case was remanded to the Court of Appeals to decide if the preliminary injunction was properly issued. The Court of Appeals reversed the trial court’s injunction because by then, DeCSS had been so widely disseminated and, thus, lost its status as a trade secret: *DVD Copy Control Assn., Inc. v Bunner* 10 Cal. Rptr. 3d 185 (Cal. Ct. App. 2004).

⁴⁰ *Supra* n 37.

⁴¹ One can get legal access to the said keys by entering into a licensing agreement with the DVD CCA with the authorization granted by copyright owners or by buying a DVD player or drive with the keys under such a licence. *Id* at 317-318.

⁴² *Id* at 318. The court noted that such view was supported by the legislative history in which the House Judiciary Committee explained that a technological measure ‘effectively controls access’ to a copyright work if its *function* is to control access.

scrambled often may be decrypted or unscrambled’.⁴³ Since CSS, in its ordinary course of its operation, that is, when DeCSS or any other decryption program is not used, does disable access to the copyright work it thus ‘effectively controls access’ to a work under the 17 USC.⁴⁴

A similar argument was made on the effectiveness of CSS in *RealNetworks, Inc v DVD Copy Control Association, Inc*.⁴⁵ The plaintiff, in seeking a declaration that it had neither breached its licence agreement with the defendant, nor violated the 17 USC by manufacturing and distributing its RealDVD product, argued that CSS was no longer an ‘effective’ technological measure to control access to or copying of copyrighted works since it was already cracked. The court was of the view that the TPM provision was predicated on ‘the authority of the copyright owner’ and not ‘whether or not the technological measure is a strong means of protection.’⁴⁶ It follows therefore that ‘to whatever extent CSS may have been cracked and certain CSS keys and algorithms have been compromised by hackers and made available on the internet’, such availability did not destroy the ‘effectiveness’ of a TPM as under the language of the legislation it controlled access to a work in its normal operation and with the copyright owner’s authority.⁴⁷ Similarly, the English High Court held in *Nintendo Co Ltd v Playables Ltd*⁴⁸ that TPMs do not have to be ‘totally effective’.⁴⁹ If TPMs have to be totally effective there would be no scope for application of the TPM provisions.⁵⁰

To be effectively preventing or limiting copyright infringement, TPMs should provide a physical obstacle to copying and not merely a general discouragement of copying.⁵¹ Reference may be

⁴³ *Ibid.*

⁴⁴ *Ibid.*

⁴⁵ 641 F Supp 3d 913; 2009 US Dist. LEXIS 70503.

⁴⁶ *Id* at 932 where the court referred to *Universal City Studios, Inc v Reimerdes*, *supra* n 37.

⁴⁷ *Ibid.*

⁴⁸ [2010] EWHC 1932 (Ch).

⁴⁹ *Id* at para 17.

⁵⁰ *Ibid.*

⁵¹ *Ibid.* The court applied the approach in *R v Higgs* [2008] EWCA Crim 1324; [2009] 1 WLR 73, which is discussed in detail in this section as well as section 6.5.2.3.

made to the case of *Stevens v Kabushiki Kaisha Sony Computer Entertainment & Ors*⁵² which was decided by the Australian High Court before the Copyright Amendment 2006. The then definition of ‘TPM’ in section 10(1) of the Australian CA 1968 read, ‘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 access control or copy control means.⁵³ In this case, the respondent had the access code stored on its games CD-ROMs. The access code stored on the CD-ROM was read by the boot ROM in its PlayStation consoles when a game was played. Unauthorized copies of games without the necessary access code could not be played on the respondent’s consoles. The appellant’s modification computer chips (‘modchips’) modified the consoles and enabled the unauthorized copies of games to be played. The respondent sued the appellant for violating the then section 116A of the Australian CA 1968⁵⁴ when the latter knowingly sold or distributed the modchips which were capable of circumventing or facilitating the circumvention of the access code. The access code was claimed to be a TPM that protected the respondent’s copyright in literary works, namely, its computer programs, and cinematograph film.⁵⁵

Sackville J in the Federal Court viewed that ‘TPM’ refers to ‘a technological device or product that is designed to bring about a specified result (preventing or inhibiting the infringement of **copyright** in a work) by particular means.’⁵⁶ A TPM employs technological ways to disable access

⁵² (2005) 65 IPR 513; (2005) HCA 58. This case is also discussed in section 4.3.2.1 in Chapter 4.

⁵³ The then section 10(1) of the CA 1968 referred to the ways in which TPMs prevent or inhibit copyright infringement as ‘(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 subject matter) with the authority of the owner or exclusive licensee of the copyright; (b) through a copy control mechanism.’

⁵⁴ The section applies if ‘a work or other subject matter is protected by a technological protection measure’ and a person without the permission of the owner or exclusive licensee thereof makes, sells, or offers for sale or hire or otherwise promotes or advertises ‘a circumvention device’ which is capable of circumventing, or facilitating the circumvention of, that TPM.

⁵⁵ The then section 10(1) of the CA 1968 referred to the ways in which TPMs prevent or inhibit copyright infringement as ‘(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 subject matter) with the authority of the owner or exclusive licensee of the copyright; (b) through a copy control mechanism.’

⁵⁶ *Supra* n 52 at para 114.

to a copyright work or to restrict one's ability to copy the work after obtaining access to it and, thus, 'physically' prevents or inhibits acts that, if performed, 'would or might infringe copyright in the work'.⁵⁷ However, the appellant's modchip was not used for the purpose of reproducing a computer game since any such reproduction had already taken place via the process of 'burning' or copying the game CD-ROM. The modchip was used to access the copied game and enable it to be played on the respondent's console. As such, the respondent's access code did not prevent infringement from taking place, instead it denied access only after any infringement has taken place.

Sackville J's interpretation was upheld by the High Court. The High Court noted that it was not disputed that the appellant had sold a 'circumvention device'⁵⁸ but the crucial question was whether the purpose of the circumvention device was to circumvent a 'TPM'.⁵⁹ The Australian High Court considered that it is crucial 'to avoid an overbroad construction which would extend the copyright monopoly rather than match it'. The definition of TPM shall exclude those which prevent the carrying out of non-infringing acts and are not otherwise unlawful.⁶⁰

⁵⁷ *Id* at para 115.

⁵⁸ Section 10(1) of the Australian CA 1968 Act earlier defined 'circumvention device' 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 a technological protection measure.' The current definition of 'circumvention device' is 'a device, component or product (including a computer program) that (a) is promoted, advertised or marketed as having the purpose or use of circumventing the technological protection measure; or (b) has only a limited commercially significant purpose or use, or no such purpose or use, other than the circumvention of the technological protection measure; or (c) is primarily or solely designed or produced to enable or facilitate the circumvention of the technological protection measure.'

⁵⁹ The current definition of 'TPM' under the Australian CA 1968 is '(a) an access control technological protection measure; or (b) a device or product, technology or a component (including a computer program) that: (i) is used in Australia or a qualifying country by, with the permission of, or on behalf of, the owner or exclusive licensee of the copyright in a work or other subject-matter; and (ii) in the normal course of its operation, prevents, inhibits or restricts the doing of an act comprised in the copyright; but does not include such a device, product, technology or component to the extent that it: (iii) if the work or other subject-matter is a cinematograph film or computer program (including a computer game)—controls geographic market segmentation by preventing the playback in Australia of a non-infringing copy of the work or other subject-matter acquired outside Australia; or (iv) if the work is a computer program that is embodied in a machine or device—restricts the use of goods (other than the work) or service in relation to the machine or device.' It follows that the current Australian CA 1968 includes TPMs used as market segmentation tools.

⁶⁰ *Supra* n 52 at paras 45-47. The court gave one example of non-infringing acts: the playing in Australia a program lawfully acquired in the US. Devices that control geographic market segmentation are later expressly excluded from the definition of 'TPM' in section 10(1) of the Australian CA 1968 pursuant to the Copyright Amendment 2006. The respondent also contended that its device fell within the definition of TPM since it prevented PlayStation users from reproducing in the RAM of unmodified consoles a substantial part of the program contained in unauthorized copies of the respondent's game CD-ROM by playing the CD-ROM in the console. This argument also failed as the court did not find the reproduction in the RAM was in a material form. This point of argument was discussed in section 4.3.2.1 of Chapter 4.

Similar issues arose in an English criminal case, *R v Higgs*.⁶¹ In this case, the accused sold and fitted modchips to customers' computer games consoles including Sony's PlayStation, Microsoft's X-Box and Nintendo's Gamecube. The games consoles contained embedded codes and allowed the playing of a game only if the game CD-ROM had a corresponding code which was not copiable by conventional copying equipment. The modchips sold by the accused could overcome the said measures on games consoles and, thus, enabled pirate games to be played. The prosecution in this case argued that the accused was providing devices which enabled the circumvention of 'effective technological measures'⁶² under section 296ZB of the UK CDPA.⁶³ However, the prosecution did not show that when an infringing CD-ROM was inserted in a console, the console would read into its memory, in particular RAM, the game and, thus, infringed the copyright in the game.⁶⁴ Instead, the prosecution argued that the TPM had the effect of inhibiting or limiting copyright infringement and by selling modchips and modified consoles, the accused was encouraging and exploiting a market for pirate games.

The English Court of Appeal observed that the case involved a question of law, that is, whether section 296ZF in relation to effective TPM applies to devices incorporated into computer games consoles and computer games which do not prevent unauthorized copying of such games but which do prevent the playing of counterfeit copies on games consoles.⁶⁵ It was concluded that it was

⁶¹ *Supra* n 51.

⁶² Section 296ZF(1) of the CDPA defines 'technological measures' as 'any technology, device or component which is designed, in the normal course of its operation, to protect a copyright work other than a computer program'. Section 296ZF(2) of the UK CDPA provides that a technological measure is 'effective' if the use of the copyright work is controlled by the copyright owner via '(a) an access control or protection process such as encryption, scrambling or other transformation of the work, or (b) a copy control mechanism, which achieves the intended protection.'

⁶³ Section 296ZB of the CDPA provides for criminal liabilities of those trafficking in circumvention devices. Exceptions are prescribed in section 296ZB(3) for the acts of law enforcement agencies or any of the intelligence services either in the interests of national security; or for the purpose of the prevention or detection of crime, the investigation of an offence, or the conduct of a prosecution. A defence to this criminal offence is found in section 296ZB(5), i.e. if the defendant can prove that there was no knowledge or reasonable ground for believing that the device or service enabled or facilitated the circumvention of effective technological measures.

⁶⁴ As noted by Jacob LJ, 'If such had been contended and proved (as it would seem very probable it could have been), it is difficult to see what defence there might have been.' This is so since the making of transient copies of copyright works onto RAM constitutes reproduction in material form and, thus, infringing under section 17 of the CDPA.

⁶⁵ *Supra* n 51 at para 37.

insufficient if the TPM was a discouragement or a general hindrance to copyright infringement. Instead, the TPM must be a measure which physically prevented copyright infringement.⁶⁶

Therefore, the prosecution failed in this case.⁶⁷

It is submitted that the same approach should be adopted in determining the effectiveness of a TPM under the CA 1987. A TPM is supposed to be ‘effective’ to enjoy the legal protection offered by copyright law. However, it is impossible to expect a TPM to be perfect against any dodging.⁶⁸

Copyright owners only have to demonstrate that without circumvention tools or devices, a TPM does operate or function to prevent or limit copyright infringement in respect of the relevant copyright work, instead of showing that a TPM is ‘circumvention-proof’. Such degree of effectiveness that a TPM should possess is reasonable and copyright owners will not be inordinately burdened.

Furthermore, to enjoy the legal protection under section 36A of the CA 1987, a TPM must be one which physically and, thus, ‘effectively prevents or limits the doing of any act that results in an infringement of the copyright in a work’.⁶⁹ It is insufficient if the TPM merely discourages

⁶⁶ *Id* at para 35.

⁶⁷ The prosecution’s failure in the case of *R v Higgs* was rectified in *R v Gilham* [2009] All ER (D) 89 (Nov); [2009] EWCA Crim 2293. In *R v Gilham*, the accused sold modchips which were alleged to be ‘primarily designed, produced, or adapted for the purpose of enabling or facilitating the circumvention of effective technological measures’ contained in various games consoles under section 296ZB of the CDPA. The prosecution, obviously having learnt their lesson in the case of *R v Higgs*, based their case on the argument that the playing of a counterfeit DVD on a game console involved the copying of the whole or a substantial part of a copyright work. It was held that when a game was played from a counterfeit DVD, data was copied into the RAM of the games console and, thus, amounted to an infringement despite the fact that such copy was transient. It was argued by the accused in the case that such copying did not involve the whole or a substantial part of the games data on the DVD at any one time. In addressing this issue, the court concluded that the game as a whole was not the sole subject of copyright. The various drawings resulted in the images shown on the television screen or monitor were themselves artistic works eligible to copyright protection. It follows, therefore, that the images shown on the screen were copies or substantial copies of those works. Reference was made to the case of *Football Association Premier League Ltd & Ors v QC Leisure & Ors* [2008] EWHC 1411 Ch, on the issue of whether the CDPA intends that displaying an image on a television screen amounts to copying. It was held in the case that the CDPA is indeed this broad and the reproduction right includes the making of temporary copies by electronic means, subject to the defence. ‘Reproducing the work in any material form’ covers the showing of copyright works on television monitors.’ The court noted that the case was concerned with artistic works which were reproduced in full within one frame of the broadcast signal in the decoder and as seen on the screen. As such, it did not matter that the display on a screen was seen for only an instant as section 17(6) of the CDPA expressly provides that a transient copy is a copy. The TPM claims were thus successfully established as the accused’s modchips did facilitate copyright infringement.

⁶⁸ ‘Effective cannot mean ... ‘impervious’, per Ricketson, S. & Ginsburg, J., *International Copyright and Neighbouring Rights: The Berne Convention and Beyond Vol. II*, Oxford: Oxford University Press, 2006, at para 15.11.

⁶⁹ See the definition of ‘TPM’ in section 3 of the CA 1987.

copyright infringement instead of physically and effectively prevents or limits copyright infringement.

6.4 The scope of the prohibited acts under section 36A

Section 36A of the CA 1987 prohibits mainly two types of acts, namely, direct circumvention of TPM and trafficking in circumvention devices of TPM. Section 36A(1) provides that no person shall circumvent, or cause or authorize any other person to circumvent the TPM applied to a copy of a copyright work⁷⁰ while section 36A(3) prohibits, *inter alia*, the manufacture, trafficking, selling of any technology, device or component which have the main function of circumventing TPMs.⁷¹ Unfortunately, section 36A does not expressly mention the types of TPMs it covers. As discussed in section 6.2, there are at least three types of TPMs, based on their function. Unlike the 17 USC,⁷² the CDPA⁷³ and the Australian CA 1968⁷⁴ which expressly specify access control and copy control TPMs, section 36A of the CA 1987 merely mentions ‘TPM’.⁷⁵ As such, it is

⁷⁰ The prohibition on circumvention of TPM in section 36A(1) is examined in section 6.5. It is noted that unlike section 36(1) which provides for copyright infringement when one *does* or *causes* any other person to do an act controlled by copyright, of which the scope of liability for ‘causing’ infringement is obscure as discussed in Chapter 3, section 36A(1) expressly prescribes liability for *causing* or *authorizing* copyright infringement.

⁷¹ The prohibition on trafficking activities relating to circumvention devices in section 36A(3) is analyzed in section 6.6.

⁷² Section 1201(a)(1)(A) of the 17 USC prohibits both circumvention of access control TPMs and trafficking in circumvention tools of access control TPMs while section 1201(b)(1) prohibits trafficking in circumvention tools of copy control TPMs.

⁷³ In brief, section 296 of the CDPA prohibits preparatory activities in relation to circumvention tools whose sole purpose is to circumvent technical devices applied to computer program. ‘Technical device’ in section 296 is defined as ‘any device intended to prevent or restrict acts that are not authorized by the copyright owner of that computer program and are restricted by copyright’ in section 296(6). As for technological measures applied to other than computer program, section 296ZA(1) prohibits circumvention of technological measures while section 296ZB(1) forbids preparatory activities and trafficking in circumvention tools of technological measures. ‘Technological measures’ is defined in section 296ZF(1) as ‘any technology, device or component which is designed, in the normal course of its operation, to protect a copyright work other than a computer program’. Section 296ZF(2) explains such technological measures are effective if the use of the copyright work is controlled by the copyright owner through either an access control or protection process or a copy control mechanism.

⁷⁴ Section 116AN(1) of the Australian CA 1968 prohibits circumvention of access control TPM applied to copyright works. One may be liable for trafficking in circumvention devices of TPMs under section 116AO and for providing services in relation thereto under section 116AP. ‘TPMs’ is defined in section 10(1) as (a) an access control technological protection measure; or (b) a device, product, technology or component (including a computer program) that: (i) is used in Australia or a qualifying country by, with the permission of, or on behalf of, the owner or the exclusive licensee of the copyright in a work or other subject matter; and (ii) in the normal course of its operation, prevents, inhibits or restricts the doing of an act comprised in the copyright.

⁷⁵ See section 6.3.1.

questionable whether the new provisions on TPMs encompass both access control and copy control TPMs.

The scope of the prohibited acts under section 36A(1) and (3) may vary, depending on how the definition of ‘TPM’ may be construed, that is, whether it covers both access control TPMs and copy control TPMs. If the definition of ‘TPM’ does not include access control TPMs, then neither the act of circumventing access control TPMs nor trafficking in circumvention devices of access control TPMs is prohibited under the CA 1987. This will render the scope of the prohibited acts under section 36A narrower than that of the prohibition imposed under the copyright law in other jurisdictions. The 17 USC as well as the Australian CA 1968 prohibit direct circumvention of only access control TPMs but not that of copy control TPMs. However, both legislations prohibit trafficking in circumvention devices of TPMs, be it access control or copy control TPM. By comparison, the UK CDPA prohibits both direct circumvention and trafficking in circumvention devices, regardless of the type of the TPM.

On the other hand, assuming ‘TPM’ is construed as covering both access control and copy control TPMs, the scope of the prohibited acts under the CA 1987 will then be broader than that of the 17 USC and the Australian CA 1968 since the latter two legislations prohibit circumvention of only access control TPMs, but not circumvention of copy control TPMs. The latter interpretation will put the CA 1987 on par with the CDPA in terms of the purview of the prohibited acts.

The scope of the prohibited acts under the CA 1987, as compared to other legislations, is summarized in the following table.

Prohibition Statute		Prohibition on <i>direct circumvention</i> of <i>access control TPM</i>	Prohibition on <i>direct circumvention</i> of <i>copy control TPM</i>	Prohibition on <i>trafficking in circumvention</i> devices of <i>access control TPM</i>	Prohibition on <i>trafficking in circumvention</i> devices of <i>copy control TPM</i>
The CA 1987	If access control TPMs excluded	No	Yes	No	Yes
	If access control TPMs included	Yes	Yes	Yes	Yes
The 17 USC		Yes	No	Yes	Yes
The CA 1968		Yes	No	Yes	Yes
The CDPA		Yes	Yes	Yes	Yes

As noted above, the 17 USC and the Australian CA 1968 prohibit direct circumvention only of access control TPMs but not of copy control TPMs though both legislations forbid trafficking in circumvention devices of TPMs irrespective of the type involved. The effect of the absence of prohibition on direct circumvention of copy control TPM was explained by the court in *The Chamberlain Group, Inc v Skylink Technologies, Inc.*⁷⁶ According to the court, copying of a work could be fair use in certain situations and, thus, section 1201(b) of the 17 USC does not prohibit direct circumvention of copy control TPM.⁷⁷

⁷⁶ 381 F3d 1178, at 1195.

⁷⁷ See also *RealNetworks, Inc v DVD Copy Control Association, Inc.*, *supra* n 45 at para 115, where the court expressed the same view on this matter and concluded that the absence of prohibition on direct circumvention of copy control TPMs in section 1201(b) was intended to allow copying of a work that qualifies for fair use under appropriate circumstances.

If the US, a developed country which is the main exporter of copyright works, abstains from prohibiting direct circumvention of copy control TPMs, it cannot be doubted that the need for developing countries like Malaysia to preserve the fair use or fair dealing exception to copyright is at least as great.⁷⁸ The impact is great considering the fact that both sub-sections (1) and (3) of section 36A create torts of strict liability. As held by the English High Court in *Sony Computer Entertainment Inc v Ball*,⁷⁹ the absence of knowledge and reasons to believe on the part of a defendant that the devices will be used to infringe copyright does not relieve the defendant from liability under section 296ZD of the CDPA, which is similar to section 36A(3) of the CA 1987.

Therefore, it is submitted that section 36A, in particular, sub-sections (1) and (3), should specify the types of TPM to which each of the prohibited acts thereunder applies. In addition, the problem with the prohibition in section 36A being provided with no regard to the types of TPM may also support the argument that ‘TPM’ should be interpreted to exclude access control TPMs. The scope of the prohibition in section 36A would be far-stretched if ‘TPM’ is otherwise construed. Such a broad scope of protection given to TPM is unfavourable to developing countries such as Malaysia. If ‘TPM’ under the CA 1987 includes access control TPMs, it may result in conferring a new exclusive right to control access and reading in the digital environment. This will shift the balance of copyright too far in favour of copyright owners.

⁷⁸ This is so despite the fact that such fair use may be nothing more than a fascinating illusion due to the fact that the acts qualifying for fair use may not possibly be carried out in the absence of having access to the relevant copyright works in the first place. Ordinary individuals do not have the technical knowledge or capability to circumvent copy control TPMs. In addition, if a copyright work is protected by access control TPMs the general public may still be denied fair use since direct circumvention of access control TPMs itself is prohibited.

⁷⁹ [2004] EWHC 1738, at paras 39–40.

6.5 The prohibition on circumvention in section 36A(1)

6.5.1 The meaning of ‘circumvent’

Section 36A(1) of the CA 1987 provides that no person shall circumvent, or cause or authorize any other person to circumvent, a TPM.⁸⁰ The CA 1987 does not define ‘circumvent’. Disputes may arise as to whether an act constitutes circumvention and, thus, prohibited under section 36A(1).

In contrast, section 1201(a)(3)(A) of the 17 USC defines ‘to circumvent a technological measure’ as ‘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’. The court in *I.M.S. Inquiry Management Systems, Ltd v Berkshire Information Systems, Inc.*⁸¹ explained that circumvention requires either descrambling, decrypting, avoiding, bypassing, removing, deactivating or impairing a TPM qua TPM.⁸² It was held in the case that unauthorized use by the defendant of passwords given by the plaintiff to a third party did not violate section 1201(a)(1) of the 17 USC which prohibits circumvention of an access control TPM. This was because the defendant did not surmount, puncture or evade any TPM but used a password issued by the plaintiff to another entity, which was not ‘circumvention’.⁸³

On the other hand, a different approach was adopted by the court in *321 Studios v MGM Studios, Inc.*⁸⁴ The plaintiff in this case marketed and sold software and instructions for copying DVD irrespective of whether they were encoded with CSS. One of the arguments raised by the plaintiff

⁸⁰ It is noted that unlike section 36(1) which provides for copyright infringement when one does or causes any other person to do an act controlled by copyright, of which the scope of liability for ‘causing’ infringement as discussed in Chapter 3 is obscure, section 36A(1) expressly prescribes liability for causing or authorizing copyright infringement.

⁸¹ 307 F. Supp. 2d 521 (SDNY 2004).

⁸² *Id* at 531.

⁸³ This case was followed in *R.C. Olmstead, Inc. v. CU Interface LLC*, 657 F. Supp. 2d 878 (N.D. Ohio 2009), *Egilman v. Keller & Heckman, LLP*, 401 F. Supp. 2d 105 (D.D.C. 2005), and *Navistar, Inc. v New Baltimore Garage, Incorp.* 2012 US Dist. LEXIS 134369.

⁸⁴ 307 F. Supp. 2d 1085 (N.D. Cal. 2004).

was that the software did not ‘circumvent’ encryption within the meaning under section 1201(a)(3)(A) of the 17 USC because by using the authorized key to decrypt the encryption, the software did not avoid, bypass, remove, deactivate, or otherwise impair a TPM. The court rejected the argument on the ground that the plaintiff did not have the authority to use the key and, thus, the software avoided and bypassed CSS.⁸⁵

The two approaches were subsequently considered by the court in *Actuate Corp. v International Business Machines Corp.*⁸⁶ This case involved the software developed by the plaintiff and the relevant licence keys which were required for the software installation. One of the issues raised was whether the unauthorized use of the licence keys amounted to ‘circumvention’. It was held that the two lines of cases discussed above cannot be reconciled and yielded contradictory outcomes. The court did not find the approach in *I.M.S. Inquiry Management Systems* persuasive because the court was of the view that there was no basis to distinguish between passwords issued by the plaintiff and other types of technologies that may be used for decryption. Accordingly, the court held that unauthorized use of a password may constitute ‘circumvention’ under the 17 USC.

It is observed that uncertainties arose with regard to the meaning of ‘circumvent’ even with a definition provided in the 17 USC. The absence of any explanation on circumvention under the Malaysian CA 1987 would confound the question further. It is submitted that ‘circumvent’ in section 36A(1) should be interpreted according to its natural and ordinary meaning, that is, to avoid or bypass. If ‘circumvent’ is construed as such, unauthorized use of passwords legitimately issued to a third party does not constitute circumvention of a TPM and, thus, it is not prohibited under section 36A(1) of the CA 1987. This is because such conduct does not actually bypass or avoid

⁸⁵ See also *Microsoft Corp. v. EEE Business Inc.* 555 F. Supp. 2d 1051 (N.D. Cal. 2008).

⁸⁶ 2010 US Dist. LEXIS 33095; Copy. L. Rep. (CCH) P29, 905.

the TPM since it provides the password legitimately issued by the relevant copyright owner expected or required by the TPM.

The real problem or unlawfulness lies in the absence of the authority to use the password. Unauthorized use of passwords as such may constitute an offence under section 3 of the Computer Crimes Act 1997,⁸⁷ that is, an offence of unauthorized access to computer material.⁸⁸ Copyright owners may have recourse to the Computer Crimes Act 1997 to take action against unauthorized use of passwords. In the event of a person infringing copyright after making unauthorized use of a password, copyright owners may sue for copyright infringement under section 36(1) of the CA 1987.⁸⁹ The existing laws, namely the Computer Crimes Act 1997 and the CA 1987, provide copyright owners adequate protection in dealing with the matters as such. Therefore, it is submitted that ‘circumvent’ under section 36A(1) of the CA 1987 should not be given an interpretation wider than its plain meaning.

6.5.2 The conditions in section 36A(1)

6.5.2.1 TPM applied to a copy of a work

Apart from fitting into the definition of ‘TPM’, a TPM, to fall within the purview of the CA 1987, must meet several conditions as contained in section 36A. It is noted that section 36A(1) provides that a TPM must be applied to ‘a copy of a work’ by or with the authorization of the copyright owner. Thus, the subject matter to which a TPM is applied must be a work eligible for copyright

⁸⁷ Act 563, an act to provide for offences relating to misuse of computers, which came into force on 1 June 2000.

⁸⁸ Section 3(1) of the Computer Crimes Act 1997 provides that a person shall be guilty of an offence if ‘(a) he causes a computer to perform any function with intent to secure access to any program or data held in any computer; (b) the access he intends to secure is unauthorized; and (c) he knows at the time when he causes the computer to perform the function that is the case’. Section 3(3) provides that a person guilty of such offence may be punished with a fine not exceeding RM50,000 or imprisonment for a maximum period of five years or both.

⁸⁹ Section 36(1) of the CA 1987 provides that ‘Copyright is infringed by any person who does, or causes any other person to do, without the licence of the owner of the copyright, an act the doing of which is controlled by copyright under this Act.’

protection. This excludes from its scope those TPMs that are applied to infringing copies of a work.⁹⁰ This will also deny legal protection to TPMs used to fence public domain works and prevent extension of copyright duration via technological means.⁹¹

The significance of the requirement that a TPM should be applied to a copy of copyright work was illustrated in *Lexmark International v (SCC) Static Control Components*.⁹² In this case, the appellant's printers and toner cartridges incorporated microchips which consisted of computer programs. An authentication sequence would run each time a toner cartridge was inserted into the appellant's printer; or when the printer was switched on or off. The printer and toner cartridge would not operate unless the authentication sequence was successfully performed between each printer and a microchip on each toner cartridge of the appellant. The appellee developed SMARTEK microchips which could replace the microchips in the appellant's cartridges. The appellee's SMARTEK chips by-passed the authentication sequence of the appellant's printer and thus allowed non-appellant's cartridges to function with the appellant's printers. The chips also contained an identical copy of the appellant's Toner Loading Program so that non-appellant's printers would be compatible with the appellant's.⁹³ The appellant claimed, *inter alia*, that the appellee's SMARTEK chips infringed its copyright in its Toner Loading Program.⁹⁴

⁹⁰ The phrase 'by or with the authorization of the owner of the copyright in the work...' in section 36A(1) also excludes from its scope TPMs applied without the copyright owner's authority.

⁹¹ Haque highlighted the problem, which is similar to the problem with regard to the contractual measures used by copyright owners to override copyright exceptions etc. See Haque, H., 'Monopoly Defeating Mechanisms: Will They Function in the Digital World?', *International Review of Law, Computers & Technology*, Vol. 22, No.3, November 2008, pp. 247-257.

⁹² 387 F.3d 522 (6th Cir. 2004).

⁹³ The appellee sold the chips to third-party cartridge remanufacturers who replaced the appellant's chip with the SMARTEK chip on refurbished cartridges, which were sold to customers at a price lower than the new toner cartridges of the appellant.

⁹⁴ The appellant also claimed that the appellee's chips violated the TPMs-related provisions in the 17 USC as the chips circumvented the technological measure which controlled access to the Toner Loading Program and the Printer Engine Program. The Toner Loading Program calculates toner level in the appellant's printers while the Printer Engine Program controls various printer functions on the appellant's printers such as paper feed and movement, and printer motor control.

The district court granted a preliminary injunction against the appellee,⁹⁵ which was later vacated by the US Court of Appeals for the Sixth Circuit. As regards the copyright infringement claim on the Toner Loading Program, the court found that the district court erred in holding the Toner Loading Program was protected by copyright due to the various ways in which it could be written, without considering whether ‘external factors such as compatibility requirements, industry standards, and efficiency’ constrained the number of forms that the Toner Loading Program could take. It went on to explain that in the context of interoperable devices,⁹⁶ component devices must contain either a certain code sequence or be able to respond appropriately to an authentication process in the primary devices for compatibility purposes.⁹⁷ To the extent that a particular code sequence to be inserted in the component device for compatibility purposes, the merger⁹⁸ and *scenes a faire*⁹⁹ doctrines generally preclude the code sequence from being protected by copyright.¹⁰⁰ It was concluded that pure compatibility requirements justified the appellee’s copying of the Toner Loading Program. Since the Toner Loading Program was not recognized as a copyright work, the appellant’s authentication sequence did not effectively control access to ‘a

⁹⁵ 253 F Supp 2d 943 (E. D. Ky. 2003). The district court held that the plaintiff’s (the appellant in the appeal later) Toner Loading Program was copyright protected as it could be written in various different ways. The district court disagreed with the defendant’s (the appellee in the appeal case) argument that the Toner Loading Program was a ‘lock-out code’ and thus unprotectable under copyright law because its elements were dictated by functional compatibility requirements. The fair use defence put forward by the defendant was denied in view of ‘the commercial purpose of the copying, the wholesale nature of the copying and the effect of the copying on the toner cartridge market.’ The district court also rejected the defendant’s argument that the plaintiff misused the copyright laws ‘to secure an exclusive right or limited monopoly not expressly granted by copyright law.’ The district court found that the authentication sequence was a technological measure which effectively control access to copyrighted works, i.e. the copyrighted Toner Loading Program and Printer Engine Program, within the meaning of section 1201(a)(3)(B) of the 17 USC. As such the defendant’s SMARTEK chips violated section 1201(a)(2) of the 17 USC (pp. 968-970). The defendant’s argument on the reverse engineering exception under section 1201(f) also failed as its chips cannot be considered independently created computer programs.

⁹⁶ Examples of interoperable devices include computers and software; game consoles and video games; printers and toner cartridges; or automobiles and replacement parts.

⁹⁷ The court observed that “‘lock-out’ codes fall on the functional-idea rather than the original-expression side of the copyright line.” *Supra* n 92 at 536.

⁹⁸ The merger doctrine applies to instances where the idea and expression are ‘merged’, such as if certain words are necessary to operating something and thus they are part of a ‘method of operation’; and if there is only one way or very limited ways of expressing an idea. Copyright protection will not be granted in these situations as it will in effect grant protection over unprotectable ideas of the work as well.

⁹⁹ The doctrine of scenes a faire applies where external factors restrict the choice of expression which may be made. Copyright protection is precluded for ‘scenes’, i.e. ‘that must be done’. This doctrine, when applied to computer-software, means that the elements of a program which are dictated by practical constraints such as hardware standards and mechanical specifications; software standards and compatibility requirements, will not be protected by copyright.

¹⁰⁰ *Supra* n 92 at 536, 540-541.

work protected under this title' under section 1201(a)(2)(A)-(C) of the 17 USC¹⁰¹ and thus the TPM claims failed.

It is submitted that the phrase 'a work protected under this title' in the 17 USC is similar to the phrase 'applied to a copy of a work' in section 36A(1) of the Malaysian CA 1987. Hence, section 36A of the CA 1987 should be interpreted in such a way as to protect protecting copyright works as it is intended and not beyond that. Copyright law has never protected functional elements. In fact, section 7(2A) of the CA 1987 explicitly states, 'Copyright protection shall not extend to any idea, procedure, method of operation or mathematical concept as such.' Section 36A offers a kind of armour for TPMs adopted by copyright owners in digital works with the ultimate aim of protecting copyright in the works. This condition plays a significant role in setting the right balance of interests under copyright law as it ensures that legal protection over TPMs is not abused by technology makers to expand protection to functional and otherwise uncopyrightable subject matters through the TPM-related provisions.¹⁰² The products over which they seek protection in such cases are more suitable to be covered by other areas of intellectual property including patent law or the law of confidence. If such attempt is permitted, it will result in the creation of 'paracopyright'¹⁰³ since it will in effect protect the functional elements of the products, and thus unduly enlarge the scope of copyright law.¹⁰⁴

¹⁰¹ Section 1201(a)(2) of the 17 USC provides, '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.'

¹⁰² Belsky, R., 'The Digital Millennium Copyright Act and You: A Framework for a Functional Future', 14 U. Balt. Intell. Prop. L. J. 1.

¹⁰³ 'Paracopyright' refers to an umbrella of legal protection above and beyond traditional copyright, which is sometimes called 'pseudocopyright' or 'metacopyright': Ballabh, A., 'Paracopyright', [2008] EIPR 138.

¹⁰⁴ It is a basic principle of copyright law that copyright protects expressions of ideas and not the underlying ideas or concepts. See *Nichols v Universal Pictures* 45 F 2d 119 (1930); *Designers Guild v Russell Williams* [2001] 1 All ER 700.

6.5.2.2 Section 36A(1)(a): in connection with the exercise of copyright owner's rights under the CA 1987

Pursuant to section 36A(1)(a), a TPM is to be used by the copyright owner in the exercise of his rights under the CA 1987.¹⁰⁵ In view of the fact that a copyright owner's rights under the CA 1987 has been expanded by the introduction of the prohibited acts under section 36A,¹⁰⁶ this phrase seems to confer broad powers on the copyright owner in making use of TPMs. However, it is submitted that the condition in section 36A(1)(a) should be construed together with the definition of 'TPM' as a measure that effectively restrains or restricts the doing of any act resulting in copyright infringement.¹⁰⁷

Furthermore, Tay observed that the phrase 'in connection with the exercise of his rights under this Act' in section 36A(1)(a) seems to suggest that TPM under the CA 1987 is confined to only those that prevent acts that will amount to copyright infringement.¹⁰⁸ This line of reasoning supports further the argument made earlier that the application of a TPM to a copy of copyright work should be intended to protect copyright in the work by preventing or limiting infringement.¹⁰⁹ Therefore, it is submitted that only circumvention of TPM for copyright-infringing purposes should be prohibited under section 36A(1) of the CA 1987.

¹⁰⁵ This is similar to the provision in Article 11 of the WCT.

¹⁰⁶ Section 37(1) of the CA 1987 expressly provides that the prohibited acts under sections 36A and 36B are actionable at the suit of the copyright owner.

¹⁰⁷ Section 3 of the CA 1987.

¹⁰⁸ Tay, P.S., *Intellectual Property Law in Malaysia*, Petaling Jaya: Sweet & Maxwell Asia, 2013, at 420.

¹⁰⁹ See the discussion in section 6.5.2.1.

6.5.2.3 Section 36A(1)(b): to restrict acts which are not authorized by the copyright owner or permitted by law

For section 36A to apply, section 36A(1)(b) requires that the TPM is used to restrict acts in respect of the work which are not authorized by the copyright owner or permitted by law. The word ‘or’ in section 36(1)(b) indicates a wider scope as compared to section 296ZF(3)(a) of the CDPA which explains protection of a work¹¹⁰ as ‘the prevention or restriction of acts that are not authorized by the copyright owner of that work *and* are restricted by copyright’.

In addition, the scope of acts that may be restricted by the use of TPM under the CA 1987 could be very broad as ‘law’ may refer to any law including, but not limited to, copyright law. In contrast, its counterpart, the CDPA refers specifically to acts that are restricted by copyright, instead of ‘law’. It is submitted that the word ‘law’ should be construed in the context with regard to the objective of section 36A as a whole, that is, to protect copyright in digital works.¹¹¹ This argument is supported further by the definition of ‘TPM’ in section 3 which expressly refers to its function of inhibiting or limiting copyright infringement. Based on these grounds, it is submitted that ‘law’ in section 36A(1)(b) of the CA 1987 should be interpreted as referring to copyright law.

Questions may arise with respect to whether there exists any difference between the scope of acts not authorized by copyright owners and that of acts that are not permitted by law, which is argued here to refer to copyright law. The presence of ‘or’ between the two in section 36A(1) of the CA 1987 confounds the uncertainty on this matter. To answer this question, the meaning of acts that ‘are not authorized’ by copyright owners has to be ascertained first. As mentioned earlier, a similar phrase is found in section 296ZF(3)(a) of the CDPA which explains protection of a work as

¹¹⁰ Section 296ZF(1) of the UK CDPA defines ‘technological measures’ while section 296ZF(2) explains the effectiveness of technological measures. Both sub-sections refer to protection of copyright works.

¹¹¹ See the earlier discussion in sections 6.5.2.1 and 6.5.2.2.

referring to the prevention or restriction of that are ‘not authorized’ by the copyright owner of that work and are restricted by copyright. This provision was considered by the English Court of Appeal in *R v Higgs*.¹¹² The court opined that ‘acts which are not authorized’ implicitly means acts that need authorization, ‘acts which are otherwise restricted’.¹¹³ The court continued, ‘To “authorize” a man to do something he is free to do anyway - something which needs no authority - is a meaningless concept.’¹¹⁴ In effect, the TPM-related provision does not give the copyright owner liberty to prohibit an act which copyright law allows.

The English court’s construction on ‘authorize’ above is a sensible one and it is submitted that it should likewise apply to section 36A(1)(b) of the CA 1987. As such, a copyright owner is not empowered to apply a TPM to the copyright work to limit acts that they wish to restrict but only which copyright law permits. It is acknowledged that such interpretation would render the phrase ‘permitted by law’, which is argued to refer to only copyright law, superfluous. However, it is foreseeable that balance of interests may be greatly shifted if such liberty should be vested in copyright owners to employ TPMs to control any use of copyright works at their will. Therefore, section 36A(1) of the CA 1987 should be confined to protect TPMs utilized by copyright owners to restrict only acts over which control is conferred upon them by copyright law and nothing more than that. The determining factor in respect of the usage and scope of protection of TPM should be dictated and governed by the existing rules of copyright law, not copyright owners’ intention.

¹¹² *Supra* n 51.

¹¹³ *Id* at para 32.

¹¹⁴ *Ibid*.

6.6 The prohibition on trafficking activities relating to circumvention devices in section 36A(3)

Section 36A(3) of the CA 1987 prohibits trafficking activities relating to circumvention devices. The prohibited activities include manufacturing for sale or hire, importation otherwise than for private and domestic use, having in possession or distributing in the course of a business, offer to the public or provide any service relating to any prohibited circumvention device.¹¹⁵ The prohibited circumvention device must be any technology, device or component which ‘(A) is promoted, advertised or marketed for the purpose of the circumvention of technological protection measure; (B) has only a limited commercially significant purpose or use other than to circumvent technological protection measure; or (C) is primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of technological protection measure.’¹¹⁶

It is observed that the prohibition under section 36A(3)(A) is concerned with the intent and conduct of the distributor or vendor in promoting, advertising, or marketing the circumvention device for the objective of circumventing TPMs. In this regard, the factors to be considered in determining liability for authorizing infringement in the UK and Australia or liability for inducement infringement in the US law as discussed in Chapter 3 may be of relevance.

The English case of *Nintendo Co Ltd v Console PC Com Ltd*¹¹⁷ provides an illustration of the activities prohibited under section 296ZD(1) of the CDPA, which is closely similar to section 36A(3)(A) of the CA 1987. In this case, the defendants had dealt in devices which circumvented

¹¹⁵ Section 36A(3) of the CA 1987 provides that ‘No person shall- (a) manufacture for sale or hire; (b) import otherwise than for his private and domestic use; or (c) in the course of a business-(i) sell or let for hire; (ii) offer or expose for sale or hire; advertise for sale or hire; (iv) possess; or (v) distribute; (d) distribute for purposes other than in the course of a business to such an extent as to affect prejudicially the owner of the copyright; or (e) offer to the public or provide any service in relation to’ any prohibited circumvention device.

¹¹⁶ Section 36A(3)(A)-(C) of the CA 1987.

¹¹⁷ [2011] EWHC 1458 (Ch).

copy protection technology applied by the claimants to protect their Nintendo DS handheld games consoles and the related games and storage media.¹¹⁸ The English High Court found that the defendants had advertised and marketed the game copiers for playing infringing copies of games. It was also held that the fact that the game copies may be used for non-infringing purposes was irrelevant because that could take place only after the TPMs have been circumvented.¹¹⁹ Therefore, it was held that the defendants had violated section 296ZD(1) of the CDPA.¹²⁰

As regards the type of circumvention devices under section 36A(3)(B), the notable feature lies in its primary purpose of circumventing TPMs and limited commercial significance for other use. In the case of *Agfa Monotype Corp. v Adobe Systems, Inc.*,¹²¹ the plaintiffs, the copyright owners of certain typeface fonts, sued the defendant for violation of section 1201(b)(1)(B) of the 17 USC¹²² which prohibits trafficking activities relating to circumvention devices which have only limited commercially significant purpose other than circumvention of TPMs. The defendant produced Acrobat 5.0 which was used to create portable electronic documents in the Portable Document Format (PDF). By using Acrobat 5.0, a user could create and send PDF documents while the document recipient could view the documents in the same format. To do so, Acrobat 5.0 kept a copy of the font data in the document delivered through embedding bits. A font was copied when it was embedded while a font's embedding bits indicated to other programs reading it, including

¹¹⁸ The claimants' TPMs included the boot-up software stored on Nintendo DS which checked for the existence of any inserted card of the Nintendo Logo Data File. Nintendo Logo Data File stored on game cards were issued with the authority of the claimants. The claimants also used shared key encryption technology and scrambling by which the Nintendo consoles could verify if the game cards were original. The claimants alleged that the defendants had imported several types of devices that permitted Nintendo DS users to play infringing copies of Nintendo DS games downloaded from the internet.

¹¹⁹ *Supra* n 117 at para 26.

¹²⁰ *Id* at para 27. Section 296ZD(1) of the CDPA provides that 'where – (a) effective technological measures have been applied to a copyright work other than a computer program; and (b) a person (C) manufactures, imports, distributes, sells or lets for hire, offers or exposes for sale or hire, advertises for sale or hire, or has in his possession for commercial purposes any device, product or component, or provides services which – (i) are promoted, advertised or marketed for the purposes of the circumvention of, or (ii) have only a limited commercially significant purpose or use other than to circumvent, or (iii) are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of, those measures.'

¹²¹ 404 F. Supp. 2d 1030 (N.D. Ill. 2005).

¹²² Section 1201(b)(1)(B) of the 17 USC provides, 'No person shall manufacture, import, offer to the public, provide, or otherwise traffic, in any technology, product, service, device, component, or part thereof, that-... has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof.'

Adobe Acrobat, the font's licensing rights granted by the font vendor. For instance, the embedding bits of 'Editable' would allow the copying of a font.¹²³ The plaintiffs alleged that two features in the defendant's Acrobat 5.0, namely, the Form tool and the FreeText tool, violated the TPM-related provisions because they enabled copying of the plaintiffs' font even if the embedding bit was not set as 'Editable'.

On the issue of whether the defendant's Acrobat 5.0 had only limited commercial significant purpose or use other than to circumvent TPMs, the court noted that the primary commercial purpose of the Form tool was to allow recipients to fill up electronic forms and to return the completed form to the document creator. As for the FreeText tool, its main commercial purpose was to enable recipients to insert comments into the document in the PDF format readable by the creator when it was returned.¹²⁴ Accordingly, it was held that the defendant's Adobe 5.0 had many commercially significant purposes other than to circumvent the plaintiff's font embedding bits.¹²⁵

Section 36A(3)(C) of the CA 1987, on the other hand, targets circumvention devices which are primarily designed, produced, and adapted to enable or facilitate the circumvention of TPMs. Section 1201(b)(1)(A) of the 17 USC,¹²⁶ which is in *pari materia* with section 36A(3)(C), was also considered in *Agfa Monotype Corp. v Adobe Systems, Inc.*¹²⁷ as discussed earlier. The Form and the FreeText tools of the defendant's Acrobat 5.0 were designed and produced to enable users to complete electronic forms and insert free text annotations. The court observed that knowledge of a possibility that a product may be used to circumvent a TPM does not mean that the product was

¹²³ Embedding bits could not be read by a program until the program has accessed the font data file.

¹²⁴ *Supra* n 121 at 1033.

¹²⁵ *Id* at 1040.

¹²⁶ Section 1201(b)(1)(A) of the 17 USC provides, 'No person shall manufacture, import, offer to the public, provide, or otherwise traffic, in any technology, product, service, device, component, or part thereof, that is primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof.'

¹²⁷ *Id.*

primarily designed or produced for circumvention.¹²⁸ Thus, it was held that the defendant's Acrobat 5.0 was not *primarily* designed or produced to circumvent TPMs.¹²⁹

There are circumstances where copyright owners apply TPMs which operate as market segmentation tools, in addition to protect their copyright works. Questions may thus arise as to whether circumvention devices of such TPMs are primarily designed or produced to circumvent TPMs. It may be argued that the circumvention devices are mainly designed or produced to defeat abuse of monopoly instead. The Italian case of *PlayStation Computer Console*¹³⁰ which involved modchips used to circumvent the TPM in Sony's PlayStation consoles and, thus, enabled the playing of CDs and DVDs other than those authorized by Sony.¹³¹ Question arose as to whether the modchips may be treated as being mainly intended to circumvent the TPM applied to videogames. The Tribunal of Bolzano, Italy held that the modchips' principal function was to frustrate 'abuse of monopoly and to facilitate better use of the PlayStation', instead of enabling the use of unauthorized copies.¹³² This was so because the modchips allowed the reading of imported discs from other regions which did not involve copyright infringement. The modchips also enabled the playing of games developed by third parties, as well as the making of software backup copy which was allowed by the Italian law.¹³³

¹²⁸ *Id* at 1039-1040.

¹²⁹ *Id* at 1040.

¹³⁰ [2006] ECDR 18.

¹³¹ A search and seizure warrant was issued against the petitioner by the Public Prosecutor on the assumption that commercialisation of modified PlayStation consoles was criminal. The petitioner then applied to the Tribunal of Bolzano for a declaration that the seizure was unlawful. The Tribunal of Bolzano noted that the TPM embedded in the PlayStations was intended to allow the playing of only games developed by Sony, besides its use for the purpose of segmenting markets. Section 171 of the Italian Law of 22 April 1933 provides that it is a criminal offence if 'whosoever manufactures, imports, distributes, sells, rents, gives someone else in any way, advertises for sale or hire, or possesses for commercial purposes, tools, products or components, or provides services which are *mainly intended or put into commercial use for circumventing the effective technological measures* as mentioned in s 102 *quater*, or if *mainly designed, adapted or manufactured with the end of making it possible or easier to circumvent the above mentioned measures*.' The Tribunal observed that copyright law does not address 'the extent to which a machine seller may forbid the modifications which allow a use different to those which he wishes.'

¹³² *Supra* n 130 at para 22.

¹³³ *Ibid*. This approach differs from that adopted by the English High court in *Nintendo Company Ltd v Playables Ltd*, *supra* n 48.

It is submitted that if a similar case occurs in Malaysia, the legal position relies largely on whether the circumvention device is ‘primarily’ designed, produced, adapted, or performed to enable or facilitate the circumvention of TPM under section 36A(3)(C) of the CA 1987. It may be argued that the TPM is used mainly to segregate markets and, thus, the circumvention device is not primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of the TPM.¹³⁴ It may also be argued that the circumvention device has its commercially significant purpose or use to defeat a market segregation tool, rather than to circumvent TPM used to protect copyright.

It is submitted that the scope of the circumvention devices prohibited under section 36A(3) is rather wide and it may be enlarged further by a lenient interpretation by the courts. The UK court in *Nintendo Co Ltd v Playables Ltd*,¹³⁵ for instance, was of the view that the fact that a circumvention device might have a non-infringing use was irrelevant as long as it fell under the scope of the prohibited circumvention device. The problem is worsened by the uncertainty with regard to the scope of the prohibited acts in section 36A generally, which is discussed earlier in section 6.4; as well as the absence of any exceptions to the prohibited trafficking in circumvention devices under the CA 1987 which is discussed in the next section.

6.7 Exceptions to the prohibited acts relating to TPMs

A few questions may arise with regard to the position of exceptions to the prohibited acts in section 36A of the CA 1987. One of them is whether the exceptions in section 13(2) are applicable to section 36A since section 36A(1)(a) confines the employment of TPM to instances where it is done

¹³⁴ Section 36A(3)(C) of the CA 1987.

¹³⁵ *Supra* n 48 at paras 19-21.

in connection with the exercise of the copyright owners' rights under the CA 1987. In other words, what is the position of a prohibited act referred to under section 36A which is carried out for a purpose that falls within the exceptions to copyright under section 13(2)? Although section 36A(2) lists the situations in which section 36A(1) does not apply,¹³⁶ question may arise as to whether section 36A(2) is exhaustive of the instances in which section 36A(1) is inapplicable. It is noted that all of the exceptions in section 36A(2) are confined to circumstances where the circumvention is performed for 'the sole purpose' of the objectives prescribed in each exception. Furthermore, it is noted that no exception is prescribed for the trafficking activities in relation to TPM circumvention devices, which are prohibited under section 36A(3).

In *Universal City Studios, Inc v Reimerdes*,¹³⁷ the defendants argued that those who intended to get access to copyright works for fair use as stated in section 107 of the 17 USC needed the means, DeCSS in the case, to do so. Therefore, the TPM-related provisions should not be interpreted as such to hold the defendants liable for posting DeCSS. Kaplan J referred to section 107 of the 17 USC which exempted some uses of copyright works from copyright infringements¹³⁸ and observed that the defendants were not sued for copyright infringement, but for offering and providing devices designed to circumvent TPM under section 1201(a)(2) of the 17 USC.¹³⁹ In holding that section 107 of the 17 USC did not apply to the offering of devices designed to circumvent TPMs, the judge stated that 'If the Congress had meant the fair use defence to apply to such actions, it

¹³⁶ In essence, section 36A(2) of the CA 1987 provides exceptions to section 36A(1) for the purposes of programs interoperability; research on encryption technology; computer or system or network security; protection of personal data; law enforcement, national security or performance of statutory functions; library, archive or educational institution's act in deciding on acquisition of copyright works.

¹³⁷ *Supra* n 37.

¹³⁸ *Id* at 322.

¹³⁹ Section 1201(a)(2) of the 17 USC provides for trafficking activities in relation to circumvention tools of TPMS, which is similar to section 36A(3) of the CA 1987.

would have said so.’¹⁴⁰ The court also noted that a list of exceptions to section 1201(a) was provided including reverse engineering and security testing.¹⁴¹

The defendants appealed against the decision of *Universal City Studios, Inc v Reimerdes* to the United States Court of Appeals for the Second Circuit in *Universal City Studios, Inc & Ors v Eric Corley*.¹⁴² The defendants argued that section 1201(c)(1) of the 17 USC, which states that ‘nothing in this section shall affect rights, remedies, limitations or defences to copyright infringement, including fair use, under this title’, should apply to exclude the circumvention of TPM from liability if the copyright work would be put to ‘fair use’. The court disagreed and was of the view that section 1201(c)(1) merely clarified that the provisions targeted the circumvention of TPM used in copyright works and trafficking in circumvention devices, and not concerned with the use of the materials after circumvention had taken place.¹⁴³ The purpose of section 1201(c)(1) is to highlight the fact that the TPM-related provisions should not be construed in such a manner as to disallow fair use of copyright works simply because access to the works was obtained by unlawful means as contemplated by the provisions.¹⁴⁴

In *RealNetworks, Inc v DVD Copy Control Association, Inc.*,¹⁴⁵ the plaintiff brought the action against the defendants¹⁴⁶ seeking a declaration that the plaintiff did not violate the TPM-related provisions by manufacturing and distributing ‘RealDVD’ product. The plaintiff’s product allowed customers to backup DVDs. The plaintiff argued that making a personal backup copy of a purchased DVD was a fair use, relying on *Sony Corp. of Am. v Universal City Studios*.¹⁴⁷ It follows

¹⁴⁰ *Supra* n 37 at 322.

¹⁴¹ Section 1201(d), (f), (g), (j) of the 17 USC.

¹⁴² *Supra* n 36.

¹⁴³ *Supra* n 36 at 444.

¹⁴⁴ *Ibid.*

¹⁴⁵ *Supra* n 45.

¹⁴⁶ The defendants were several motion picture studios and DVD Copy Control Association (DVD CCA), an association consisting of companies in the motion picture, consumer electronics and computer industries. The main objective of DVD CCA was to license Content Scramble System (CSS) technology to manufacturers of devices and software for DVD under a standard licence agreement.

¹⁴⁷ 464 US 417.

that the copyright owners' rights under the TPM-related provisions are limited and should not be extended to restrict fair use in contrary to section 1201(c)(1) of the 17 USC.

The court noted that *Sony Corp. of Am. v Universal City Studios*¹⁴⁸ was decided before the enactment of the TPM-related provisions and, thus, the case was superseded to the extent that the TPM-related provisions expanded the rights of copyright owners.¹⁴⁹ It was held that section 1201(c) did not create new exceptions, neither did it exclude from liability circumvention devices which were otherwise illegal under the TPM-related provisions. As such, fair use doctrine did not apply to exempt liability under the said provisions. The court held that the 'substantial non-infringing use' rationale in *Sony Corp. of Am. v Universal City Studios* was inapplicable to claims made under the TPM-related provisions¹⁵⁰ since the US Congress in enacting the TPM-related provisions had made it clear that section 1201 did not include the reasoning in *Sony Corp. of Am. v Universal City Studios*.¹⁵¹

As regards the defendants' contention that fair use was never a defence to the TPM-related provisions, the court ruled that although fair use is not a defence to the trafficking bans on devices used to circumvent TPMs under section 1201(a) or (b) of the 17 USC,¹⁵² fair use is present in the context of the act of circumvention itself. Section 1201(a) of the 17 USC prohibits both direct circumvention of access control TPMs and trafficking activities in circumvention devices of access control TPMs. In contrary, section 1201(b) is phrased narrowly to impose a prohibition on the trafficking in devices which circumvent copy control TPMs without prohibiting the act of

¹⁴⁸ *Id.*

¹⁴⁹ The court referred to *Universal City Studios, Inc v Reimerdes*, *supra* n 37 at 323 where the court observed that Sony involved an interpretation of the 17 USC which was overruled by the introduction of the TPM-related provisions 'to the extent of any inconsistency between Sony and the new statute.'

¹⁵⁰ Reference was made to *RealNetworks, Inc. v. Streambox, Inc.* 2000 U.S. Dist. LEXIS 1889 (W.D. Wash. Jan. 18, 2000). It was held in *RealNetworks, Inc. v. Streambox, Inc.* that, 'For this reason, Streambox's VCR is not entitled to the same "fair use" protections the Supreme Court afforded to video cassette recorders used for "time-shifting" in [Sony].'

¹⁵¹ *Supra* n 45 at para 114.

¹⁵² *Id* at para 115.

circumventing a copy control TPMs.¹⁵³ The court concluded that this was intended to allow copying of a work which qualified for fair use under appropriate circumstances.¹⁵⁴ Thus, fair use is preserved as section 1201(b) does not prohibit direct circumvention of copy control TPMs.¹⁵⁵

Despite the fact that the act of making a backup copy of a DVD for personal use after circumventing a copy control TPM may constitute a fair use under the US copyright law, the TPM-related provisions prohibit the manufacture or trafficking in circumvention devices that enable the copying, to which fair use is not applicable.¹⁵⁶ This is because trafficking activities in respect of circumvention devices of copy control TPMs are prohibited. In the absence of a lawful means to acquire such circumvention devices, the public in general by themselves are incapable of circumventing copy control TPM in order to conduct fair use of the relevant copyright works. In other words, section 1201(c) of the 17 USC is otiose in most circumstances.

The position of the applicability of traditional exceptions to copyright infringement to TPM-related provisions is the same in the UK. As held in *Nintendo Co Ltd v Console PC Com Ltd*,¹⁵⁷ which was discussed earlier,¹⁵⁸ the defendants had advertised and marketed their game copiers for playing unauthorized copies of games and, thus, violated section 296ZD of the CDPA, which is similar to section 36A(3) of the CA 1987. According to the court, the fact that the game copiers may be used for non-infringing purposes was irrelevant as they could be used for such purposes only after the claimants' TPMs have been circumvented. It follows that a trafficking activity is prohibited despite

¹⁵³ As noted in *The Chamberlain Group, Inc v Skylink Technologies, Inc.*, *supra* n 76 at 1195, section 1201(b) 'prohibits trafficking in devices that circumvent technological measures tailored narrowly to protect an individual right of the copyright owner while nevertheless allowing access to the protected work. Though section 1201(b) parallels the anti-trafficking ban of section 1201(a)(2), there is no narrowly tailored ban on direct circumvention to parallel section 1201(a)(1). This omission was intentional.' It is so because copying of a work could be fair use in certain situations and thus section 1201 does not disallow direct circumvention of copy control TPMs. See *supra* n 45 at para 115.

¹⁵⁴ *Supra* n 45 at para 115.

¹⁵⁵ 'Congress did not intend to regulate the conduct of individual users with authorized access to copyrighted works, since their liability was controlled by the existing law of copyright infringement and fair use. In this sense, there is a "user exemption" implicitly recognized...' *Ibid.*

¹⁵⁶ *Supra* n 45 at paras 116-118.

¹⁵⁷ See Chapter 3.

¹⁵⁸ See section 6.6.

the objective of circumventing a TPM is for purposes which do not infringe copyright in the relevant works.

In the context of the CA 1987, it is very likely that the position of the issue is similar to that in the UK. The limited scope of fair use to TPM-related provisions in the US, which exists in the absence of prohibition on circumvention of copy control TPMs as discussed earlier, does not exist at all since section 36A(1) prohibits circumvention of TPMs regardless of the type involved. It may be argued that the exceptions in section 13(2) are inapplicable to the prohibited acts for some reasons. First of all, section 36A(2) lists down six specific instances as the exceptions to the prohibited act in sub-section (1), distinct from section 13(2). Second, the wording in section 36A(2), especially the phrase ‘Sub-section (1) does not apply if the circumvention of technological protection measure is ...’ followed by paragraphs (a) to (f), appears to suggest that it is exhaustive in terms of the exceptions to section 36A(1). It follows that the protection given in connection with circumvention of TPMs has shrunk the applicability of the exceptions in section 13(2) when it involves digital works to which TPM is applied.

The scope of the exceptions in section 36A(2) is rather narrow in view of the limit imposed by the phrase ‘for the sole purpose’ which exists in each paragraph of section 36A(2). This means that a defendant is required to show that the circumvention of a TPM was done solely for any one of the purposes listed therein. In addition, section 36A(2) provides exceptions in specific instances where the circumvention is done. The specific instances are for achieving interoperability of programs; developing encryption technology; improving the security of computer, computer system or computer network; collecting personal data about a natural person’s online activities; law enforcement, national security, or performance of statutory function; or a library, an archive, or

educational institution to decide on acquisition of a work.¹⁵⁹ For instance, a person who circumvents a TPM in the process of researching and developing a new product may not be entitled to any of the exceptions in section 36A(2) because he does not do so for any of the specified purposes. Clearly, the exceptions are very limited.

This may deter competition in the industry and slow down the process of developing more new products. As Haynes observed, ‘If an inventor must start from scratch every time a new product is developed, unable to study and learn from the work of others, it is very likely the inventor will not be using the optimal approach, since he can’t learn from others what is optimal. This taps intellectual resources, and slows down development of art.’¹⁶⁰ As such, the narrow scope of the exceptions in section 36A(2) tilts the balance of interests in favour of copyright owners at the expense of public interest.

The absence of any exception to the prohibited trafficking activities in circumvention devices in section 36A(3) is even more perplexing. It is noted that the 17 USC does provide for certain exceptions which are also applicable to the trafficking activities in respect of circumvention devices. For instance, section 1201(e) of the 17 USC deals with the exception for law enforcement, intelligence and other governmental activities, which is applicable to all prohibited acts under section 1201. Section 116AO(2)-(6) of the Australian CA 1968, on the other hand, prescribes the circumstances in which the trafficking activities relating to circumvention devices prohibited under section 116AO(1) are inapplicable, such as interoperability, encryption research, computer security testing. Likewise, section 296ZB(3) of the UK CDPA provides law enforcement in the

¹⁵⁹ Section 36A(2)(a)-(f) of the CA 1987.

¹⁶⁰ Haynes, M. A., ‘Commentary: Black Holes of Innovation in the Software Arts’, 14 Berkeley Tech. L. J. 567 (1999).

interest of national security as an exception to the trafficking activities prohibited under section 296ZB(1) and (2).

The absence of any exception to the prohibited trafficking activities may produce a weird and unfair outcome. For instance, in situations like *Lexmark International v (SCC) Static Control Components*¹⁶¹ as discussed earlier, the exception in section 36A(2)(a) may apply if the circumvention of TPM is ‘for the sole purpose of achieving interoperability of an independently created computer program with the original program or any other programs’. However, the manufacturers of the relevant circumvention devices would not be able to rely on the same exception despite the fact that the circumvention devices they manufacture and sell enable circumvention of TPM for the same purpose. The question that arises is as follows: how may the public carry out the circumvention of TPM for the purposes allowed under section 36A(2) when the circumvention devices are prohibited from being manufactured or sold in the first place? It follows that the absence of any exception to the trafficking activities under the CA 1987 undermines the practical use of the exceptions in section 36A(2).

It is noticed that section 36A(4) of the CA 1987 allows the Minister to prescribe any technology, device or component that may function as a TPM to be exempted from the application of section 36A. Arguably, the Minister may exempt a TPM and thus indirectly exclude the liability under section 36A, in particular section 36A(3) with respect to the TPM. It is foreseeable that the situations where the Minister would exercise the power in section 36A(4) are extremely rare. The absence of any exception to the prohibited acts in section 36A(3) indisputably widens the copyright owners’ rights at the expense of the public in general.

¹⁶¹ *Supra* n 92.

6.8 Conclusion

There is lack of clarity and certainty as to the scope of ‘TPM’ under the CA 1987, which in turn renders the scope of the prohibited acts under section 36A ambiguous. As discussed earlier, the question whether ‘TPM’ under the CA 1987 includes access control TPMs is the determining factor as regards the scope of the prohibited circumvention of TPMs as well as that of the prohibited trafficking activities in circumvention devices.

It is submitted that ‘effectively’ in the definition of ‘TPM’ should not be interpreted as ‘circumvention-proof’ so as to guarantee adequate protection over TPMs used by copyright owners, which is necessary to protect their works against unauthorized copying in the digital environment. On the other hand, it is submitted that ‘circumvent’ should be construed as using another means to defeat the TPMs applied by copyright owners, instead of using the authorized password or code issued by copyright owners to third parties. As discussed earlier, such conduct would fall under the criminal offences prescribed under the Computer Crimes Act 1997 and, thus, there is no need of extending ‘circumvention’ under the CA 1987 beyond that which is necessary and proper.

It is found that the conditions in section 36A(1) of the CA 1987 ensure that TPMs would be protected only if they are applied to protect copyright in the relevant works and in accordance with the rights that copyright owners enjoy. A strict compliance with the conditions would prevent misuse of TPMs by copyright owners to assert monopoly over activities which are beyond their exclusive rights to control. It follows that there appears to be sufficient safeguard in section 36A(1) of the CA 1987 against improper control over digital copyright works by copyright owners, which would adversely affect the interests of the public. Regrettably, the scope of the exceptions to the prohibited circumvention of TPMs under section 36A(2) is extremely narrow. This definitely

undermines the balance of interests between copyright owners and the public. The problem is worsened by the inapplicability of the traditional exceptions to copyright infringement in section 13(2) to the prohibited acts in section 36A. A person may be left without any defence when he is sued for the prohibited act in section 36A(1) even where he may have done the circumvention in order to carry out a fair dealing.

The prohibited trafficking activities in circumvention devices under section 36A(3) of the CA 1987 is wrapped up in bigger problems. It is found that section 36A(3) tilts greatly in favour of copyright owners in view of the broad scope of the prohibited circumvention devices which may be able to catch all kinds of circumvention devices, despite that they could be used for non-infringing purposes. The problem is exacerbated by the absence of any exceptions to the prohibited trafficking activities.

CHAPTER 7

CONCLUSIONS & RECOMMENDATIONS

7.1 Introduction

This research examines how Malaysian copyright law addresses issues arising in the digital environment and whether a balance of interests between copyright owners and the public is maintained under Malaysian copyright law in its application in the digital environment. Chapters 2, 3 and 4 examined how the traditional rules and principles of copyright law operate to address selected copyright issues arising consequent to the development of digital technologies. Chapters 5 and 6 scrutinized the application of new copyright rules which were introduced to accommodate the interests of the concerned stakeholders in the digital environment. The purpose of this Chapter is to present the findings derived from the study conducted in all of the abovementioned Chapters and discuss the conclusions drawn from the research. Based on the findings and conclusions, recommendations will be proposed as to how Malaysian copyright law may be improved in order to aptly overcome the challenges raised by the advent of digital technologies as well as to maintain a fair balance of interests of the relevant parties.

7.2 The exclusive rights of copyright owners

7.2.1 The potential to control digital reading

Almost every usage of copyright works in the digital environment involves an act of copying. The fundamental act of browsing the Web, for instance, could not be performed without the making of temporary copies. Similarly, copies are made and stored on a computer's random access memory

(RAM)¹ whenever the computer reads any file, material or work in digital form.² Thus, the reproduction right under the control of copyright owners as provided in section 13(1)(a) of the Copyright Act 1987 (hereinafter referred to as ‘the CA 1987’)³ becomes particularly prevalent in the digital environment and the ambit of this right bears great impact on the balance of interests of copyright owners on one hand, and the public on the other. If the temporary copies made during the process of browsing the Web⁴ as well as RAM copies in general are equivalent to reproduction, it may in effect confer on copyright owners the right to control reading in the digital world.

As regards the temporary copies made during the process of browsing, namely, those copies made in the course of transmission in the internet routers and proxy servers, as well as the copies stored on the random access memory (RAM) of the user’s computer, the new exception in section 13(2)(q) of the CA 1987 has made it clear that such copies do not constitute copyright infringement.⁵ However, RAM copies are made whenever a computer reads anything in digital format, regardless of whether the relevant material is made available on a network. In sum, while section 13(2)(q) of the CA 1987 may exclude all temporary copies, including RAM copies, which are made during the process of browsing from the copyright owners’ control,⁶ RAM copies in other instances are not likewise expressly exempted.

¹ The US district court in *Apple Computer, Inc. v. Formula Int’l, Inc.*, 594 F. Supp. 617 (C.D.Cal. 1984) explained at 622, ‘RAM can be simply defined as a computer component in which data and computer programs can be temporarily recorded. Thus, the purchaser of [software] desiring to utilize all of the programs on the diskette could arrange to copy [the software] into RAM. This would only be a temporary fixation. It is a property of RAM that when the computer is turned off, the copy of the program recorded in RAM is lost.’

² Perzanowski explained, ‘for digital works to be displayed, performed, or manipulated by a computing device, they must be rendered in memory. ... Every commonplace interaction with digital information depends on that information being loaded into RAM.’ See Perzanowski, A., ‘Fixing RAM Copies’, *Northwestern University Law Review*, Vol. 104, No. 3 (2010), at 1070. See also, Bender, D., *Computer Law* §4.0[4] (2004) as quoted in Band, J. & Marcinko, J., ‘A New Perspective on Temporary Copies: The Fourth Circuit’s Opinion in *CoStar v LoopNet*’, 2005 *Stand. Tech. L. Rev.*, 2005, at 2-3.

³ See the definitions of ‘reproduction’, ‘copy’, and ‘material form’ in section 3 of the CA 1987.

⁴ The English Supreme Court elaborated on temporary copies in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors* [2013] UKSC 18, which was discussed in section 4.3.2 of Chapter 4.

⁵ Section 13(2)(q) of the CA 1987 provides that copyright owners have no right to control the making of transient and incidental electronic copies of works made available on a network if the making of such copies is necessary for the viewing, listening or utilization of the said works. The English Supreme Court observed in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors* [2013] UKSC 18 at para 28 that part of the purpose of Article 5 of the Information Society Directive, which is similar to section 13(2)(q) of the CA 1987, is to allow users to view copyright works on the internet. See section 4.3.2.2 of Chapter 4.

⁶ The English Supreme Court opined in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors* [2013] UKSC 18 at para 36 that Article 5 of the Information Society Directive, which is similar to section 13(2)(q) of the CA 1987, treats the viewing

As discussed in Chapter 4, the question as to whether RAM copies constitute ‘reproduction’ under the CA 1987 depends largely on the interpretation of the phrase ‘material form’ which, like the then definition of ‘material form’ in the Australian Copyright Act 1968 (hereinafter referred to as ‘the CA 1968’), refers to a form of storage from which a copyright work can be reproduced.⁷ The Australian High Court held in *Stevens v Kabushiki Kaisha Sony Computer Entertainment & Ors*⁸ that RAM copies of a game in the game console were temporary and incapable of being reproduced without additional hardware. Hence, the game was not reproduced in a ‘material form’.⁹

In view of the similarity between the definition of ‘material form’ in the Malaysian CA 1987 and the then definition in the Australian CA 1968, it may be argued that RAM copies should not be regarded as reproduction in material form in Malaysia too. At the same time, it is acknowledged that the definitions of ‘copy’, ‘material form’ and ‘reproduction’ in the CA 1987 do not expressly exclude ephemeral copies.¹⁰ However, to date, there has been no local case law on this issue.

If the Malaysian courts regard RAM copies as reproduction, it may then be relevant to consider whether RAM copies may be exempted under section 13(2)(a) of the CA 1987, which in and of itself is fraught with uncertainty.¹¹ It may be concluded that if RAM copies constitute reproduction under the CA 1987, control over reading digital works, other than that carried out during the process of browsing which is excused under section 13(2)(q), would be virtually in the hands of

of copyright works on the internet as equivalent to the viewing of copyright works in physical form despite the fact that the technical process involved incidentally include the making of temporary copies. See section 4.3.2.2 of Chapter 4.

⁷ See section 4.3.2.1 of Chapter 4.

⁸ See section 4.3.2.1 of Chapter 4.

⁹ The US court held that RAM copies were ‘copies’ in *MAI Systems Corp v Peak Computers, Inc.* 991 F.2d 511 (9th Cir. 1993), *cert. dismissed*, 114 S. Ct 671 (1994). This is so despite the definition of ‘copies’ in section 101 of Title 17 of the US Code (‘the 17 USC’) which expressly imposes the duration requirement, namely a copy should be embodied or fixed for a period more than transitory duration: *Cartoon Network LP, LLLP v CSC Holdings, Inc.* 536 F.3d 121 (2d Cir. 2008). On the other hand, section 17(6) of the UK Copyright, Designs and Patents Act 1988 (‘the CDPA’) expressly provides that copying includes the making of transient or incidental copies: see *Kabushiki Kaisha Sony Computer Entertainment Inc & Ors v Ball & Ors* [2004] All ER (D) 334 (Jul). See section 4.3.2.1 of Chapter 4.

¹⁰ See section 4.3.2.1 of Chapter 4.

¹¹ See section 2.4 of Chapter 2.

copyright owners. This would in effect confer on copyright owners a new right which was never enjoyed by them under copyright law.

It may thus be concluded that the current definition of ‘reproduction’ in section 3 of the CA 1987 may possibly result in every instance of copying, permanent or temporary, constitutes ‘reproduction’ and hence falls within the copyright owners’ right to control under section 13(1)(a) of the CA 1987. While temporary copies made during the process of browsing could be exempted from liability for copyright infringement by virtue of section 13(2)(q) of the CA 1987, the making of RAM copies in the offline circumstances would nonetheless constitute ‘reproduction’.

It is therefore submitted that the definition of ‘reproduction’ should be amended by expressly excluding temporary and transient copies. The exclusion of temporary copies from the scope of ‘reproduction’ would ensure that copyright owners’ reproduction right would not be stretched to cover technical reproduction, which is necessary and inevitable for any activity to take place in the digital world. It would thus prevent digital reading, including those performed in the offline scenario, from becoming the matter over which copyright owners have control.

7.2.2 ‘Reproduction’ may not always be exploitation

The technical way in which ‘reproduction’ is defined and understood under copyright law¹² is evidently at odds with how digital technologies operate as well as how online activities take place, both of which are essentially premised on the act of copying. Google Books project, for example, involves copying of the books in entirety.¹³ However, the act of copying enables an innovative and

¹² See section 4.3.2.1 of Chapter 4.

¹³ See *The Authors Guild, Inc. v Google, Inc.* 05 Civ. 8136 as discussed in section 2.2.3 of Chapter 2.

useful way for the public to search and locate books of interest worldwide, while Google does not derive profit from the mere act of copying itself.¹⁴

A similar observation may be made in respect of cached links provided by search engines. Search engines store cached copies of webpages in their database by the automated programs sent to crawl on the internet. The webpages have to be copied in their entirety in order to facilitate efficient search.¹⁵ In addition, cached links provided by search engines offer some advantages, including internet archival and research purposes.¹⁶ Obviously, the act of copying involved in the provision of cached links by search engines is tantamount to reproduction of the whole of webpages. Nonetheless, the act of copying itself is neither the main objective nor ultimate end of search engines. On the contrary, copying is inevitable so that search engines may serve their function expeditiously in referring users to items that they are looking for. More importantly, copyright owners do not suffer loss in terms of the ability to make profit from their copyright works and be justly rewarded for their effort in creating copyright works.

Both Google Books project and cached links by search engines illustrate circumstances in which copying is necessary in order to allow groundbreaking utilization of copyright works for the benefit of the public and the act of copying itself is not detrimental to the interests of copyright owners. However, a technical interpretation and application of the traditional reproduction right would treat the act of copying involved in the said two examples as infringing.¹⁷ This is so despite the fact that the objective of such copying is not to provide substitutes for the original copyright works. The

¹⁴ See Hanratty, E., 'Google Library: Beyond Fair Use?' 2005 Duke L. & Tech. Rev. 0010, at 659-665.

¹⁵ See *Field v Google, Inc.* 412 F. Supp. 2d 1106 (D. Nev. 2006), at 1110-1111 and *Perfect 10, Inc. v Amazon.com, Inc.* 487 F.3d 701 at paras 9-10. Also, see section 4.3.3 of Chapter 4.

¹⁶ As was found by the US court in *Field v Google, Inc.* 412 F. Supp. 2d 1106 (D. Nev. 2006), discussed in section 4.3.3 of Chapter 4.

¹⁷ Although the defendants in the two instances may defend themselves by relying on exceptions to copyright infringement, as rightly pointed out, those who argue for fair use or fair dealing are casted with unduly onerous duty because 'fair use is cast as an "affirmative defence" to be forwarded by the defendant, rather than as a limitation on the plaintiff's rights.' See Hannibal, T., 'Google Book Search and Fair Use: iTunes for Authors, or Napster for Books?' University of Miami Law Review, Vol. 61, 601-681, 2006.

traditional understanding and application of the reproduction right, in this way, greatly favour copyright owners at the public's expense.

In view of the birth of new ways of making use of copyright works, enabled by digital technologies which offer substantial benefits to the public, it is high time to reconsider the scope of the reproduction right. As illustrated in Google Books project and search engines, reproduction of the whole of copyright works is a requisite for the relevant entities to perform their very essential function, namely to enable efficient search on the concerned books or websites. However, such copying obviously falls within the scope of 'reproduction'. This is so despite the fact that Google and search engines in general merely display a tiny part of the copyright works.

Traditionally, the right of reproduction encompasses acts of copying regardless of whether or not such acts amount to exploitation of the copyright work from which the defendant derives profit. In light of the fact that every activity in the digital environment necessarily involves reproduction, the way in which reproduction is perceived and understood should be reviewed and, if possible, be revised. In determining whether an act constitutes reproduction, one should take into account whether the act is exploitative. In doing so, factors such as whether the act of copying is the ultimate end of the defendant or merely a means utilised by the defendant to allow a greater use of copyright works should be considered.

7.2.3 Expansion of the communication to the public right

As discussed in Chapter 4,¹⁸ the tendency of the court in European Union is to interpret the exclusive right of communication to the public broadly. The consequence of this is to render such

¹⁸ See section 4.3.1.1 of Chapter 4.

right applicable to many activities that take place in the digital environment. However, it is submitted that such a position is undesirable. For instance, in instances of the setting of links to websites onto which someone else has uploaded copies of copyright works, the act of providing such links simply informs others of the location where a particular material may be found. By setting a link as such, the person does not upload or make available any copyright works on the relevant website. It follows that the setting of links per se should not infringe any exclusive rights enjoyed by copyright owners.¹⁹ Nevertheless, the European Court of Justice in *Svensson v Retriever Svergie AB*²⁰ for instance, had held that the setting of clickable links to websites was an act of making available copyright works and, thus, an act of communication to the public.

It is noted that the court in *Svensson v Retriever Svergie AB*²¹ went on to hold that since the communication involves the same works covered by the initial communication during which the works were uploaded, the setting of links was not communication to the *new* public.²² However, the approach of construing ‘communication to the public’ in *Svensson v Retriever Svergie AB*²³ inappropriately enlarges the said exclusive right. In circumstances where an act is addressed to ‘the new public’, it may be regarded as ‘communication to the public’ despite the fact that such act may in reality merely inform one of where the work is made available. It is submitted that the act of setting links to websites should not be regarded as communication to the public of copyright works since copies of copyright works are not made available by the setting of links.

¹⁹ See section 4.3.1.1 of Chapter 4.

²⁰ Ref. C-466/12, Court of Justice of the EU (Fourth Chamber), dated 13 February 2014, as discussed in section 4.3.1.1 of Chapter 4.

²¹ *Id.*

²² In the US, the same conduct was argued to be an infringement of the distribution right in *Perfect 10, Inc. v Amazon.com, Inc.* 508 F. 3d 1146 (9th Cir. 2007). The district court held that the plaintiff was unlikely to succeed on that claim due to the fact that the defendant did not distribute the relevant copyright works. This was affirmed by the US Court of Appeals for the Ninth Circuit in *Perfect 10, Inc. v Google, Inc.* 416 F. Supp. 2d 828, at 844-845. See section 4.3.1.1 of Chapter 4.

²³ Ref. C-466/12, Court of Justice of the EU (Fourth Chamber), dated 13 February 2014, as discussed in section 4.3.1.1 of Chapter 4.

It is respectfully submitted that the communication to the public right should not be unduly expanded to apply to the act of setting links to websites. In determining whether the communication to the public right has been infringed, the nature of the act of setting links to websites should be understood and borne in mind. An analogy may be drawn between the act of setting links to websites, and verbally informing others the location of a copy of a copyright work or using a library's card index to find reference to certain items in a faster and more efficient manner.²⁴ In all of these circumstances, no copying of copyright works is involved. The communication to the public right is relevant only where a party uploads a copy of copyright works onto the network and thereby makes it available to the public. When another person merely informs the public where the copyright works are available via the provision of links, be it a normal hyperlink, an inline link or a frame link,²⁵ such subsequent act is not tantamount to communication to the public of the copyright works.

In the online environment, the provision of links serves an extremely important function in guaranteeing fast, accurate and efficient way of locating information. To treat the act of setting a link per se as an activity over which copyright owners have the rights to control would shift the balance of interests in favour of copyright owners and, thus, greatly unfair to the public at large.

7.2.4 The overlapping of the exclusive rights

Copyright owners' exclusive rights apply to govern different types of activities in relation to copyright works and it may be said that they work well with respect to works in analogue or physical forms. However, it is observed that the traditionally separate and distinct exclusive rights

²⁴ As per Harry L. Hupp J in *Ticketmaster Corp., et al v Tickets.com, Inc.* 2000 US Dist. LEXIS 4553.

²⁵ See section 4.5 of Chapter 4.

overlap with each other greatly in the digital environment. This may result in the redundancy of the other exclusive rights. It is fair to comment that no single activity in the digital environment may be able to escape the reach of copyright owners' exclusive rights.

In P2P file sharing context as discussed in Chapter 3, the act of uploading copyright works by individual users infringe the reproduction right.²⁶ At the same time, by making copyright works available and accessible by others, users also infringe the communication to the public right.²⁷ The same conduct may arguably infringe the distribution right too.²⁸ The manner in which the communication to the public right and the distribution right are provided and defined under the CA 1987 does not clearly prescribe the limits of each right.²⁹ As such, there is nothing to prevent the same conduct from being subject to either the reproduction right, the communication to the public right or the distribution right.

The conduct of individual users in uploading copyright works via P2P file sharing demonstrates how the same activity may call for the application of more than one of the copyright owners' exclusive rights. It shows that the limits of the exclusive rights, which do not overlap with each other as applied to analogue works, have become almost non-existent and meaningless in the digital sphere. In view of the overlapping of the exclusive rights of copyright owners in the digital environment, the current definitions of the various exclusive rights may be prescribed with precision so that they would apply to govern different activities, similar to the manner in which

²⁶ As it was held by the US court in *A & M Records, Inc. v Napster, Inc.* 239 F3d 1004 (9th Cir. 2011) and the English court in *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd & Ors* [2012] EWHC 268 (Ch), as discussed in section 3.3.1 of Chapter 3.

²⁷ As it was held by the the English court in *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd & Ors* [2012] EWHC 268 (Ch). See section 3.3.1 of Chapter 3.

²⁸ As discussed in section 3.3.1 of Chapter 3, the US court held in *A & M Records, Inc. v Napster, Inc.* 239 F.3d 1004 (9th Cir. 2011) that it was also an infringement of the distribution right when users uploaded copies of sound recordings which were thus made available to others. This is probably because the 17 USC does not prescribe the communication to the public right.

²⁹ See section 13(1)(e) of the CA 1987 on the distribution right, as well as the definitions of 'copy' and 'material form' in section 3 of the CA 1987. Cf the agreed statements on Article 6(1) of the WIPO Copyright Treaty ('the WCT') and Articles 8(1) and 12(1) of the WIPO Performances and Phonograms Treaty ('the WPPT'), providing for the distribution right over copies of copyright works; and copies of phonograms and copies of performances fixed in phonograms respectively, explain that 'copies' and 'original copies' in the Articles mean only those fixed copies which could be circulated as tangible objects.

how they are clearly delineated when applied to analogue works. The distribution right should be confined to control circulation of tangible copies of copyright works, while the making available of digital copies should be subject to the communication to the public right.

In addition, it is submitted that the communication to the public right should be sufficient to regulate the making available of digital copies of copyright works on the internet. It follows, therefore, when the communication to the public right applies, other rights such as the public performance or showing to the public right should not be in question. There is no reason and need to subject the very same activity to more than one exclusive right enjoyed by copyright owners. When some or all of the exclusive rights apply to govern the same activity, it suggests that there is no real distinction between the exclusive rights. It follows that the distinction between the exclusive rights when applied in the digital environment would be a mere redundancy. The overlapping exclusive rights of copyright owners as such evidences the fact that every activity in the digital environment is inescapably subject to copyright owners' rights to control and may in effect make it a *prima facie* case of copyright infringement whenever an act taking place in the digital environment involves copyright works without getting the licence or consent from copyright owners.

7.3 Liability for copyright infringement

7.3.1 Duty to obtain consent

As discussed in Chapter 4,³⁰ defences such as consent and estoppel may be relied on in respect of the provision of cached links in which search engines store copies of websites on their database.³¹

The US court in *Field v Google, Inc.*,³² for instance, held that the defence of estoppel applied to the act of linking to websites where copyright works are lawfully published. However, the application of such defences in the said scenario would have the effect of imposing duty on website owners to make use of the 'No Archive' meta-tag which gives instructions to search engines' robots not to cache their websites.³³ This apparently departs from the traditional norm in which copyright owners enjoy the exclusive rights to control certain activities and any person who wishes to carry out any of the activities is obliged to seek permission from copyright owners.³⁴

Nevertheless, in view of the vast amount of websites and webpages, it does not seem practical to apply the traditional practice in which the duty of obtaining copyright owners' consent is placed on the party seeking to make use of the copyright works. In the case of cached links as mentioned above, it would be too heavy an obligation on search engines to get permission from each and every website owner to cache the websites and this would ultimately tilt the balance of interests greatly against the public.

In the digital environment, due to the nature of some activities and practices, it may not be feasible and practical to apply the traditional rules of copyright law in the same manner. In consideration

³⁰ See section 4.3.1.2 of Chapter 4.

³¹ On the application of defences including acquiescence, implied consent and estoppel in copyright suits generally in Malaysia, see *Creative Purpose Sdn Bhd & Anor v Integrated Trans Corp Sdn Bhd & Ors* [1997] 2 MLJ 429, as discussed in section 4.3.1.2 of Chapter 4.

³² 412 F. Supp. 2d 1106, as discussed in section 4.3.1.2 of Chapter 4.

³³ See section 4.3.1.2 of Chapter 4.

³⁴ See section 36(1) of the CA 1987, as discussed in section 4.3.1.2 of Chapter 4.

of the significance of efficient service from search engines, for instance, the duty placed on any person or body who wishes to use a copyright work to get the consent from copyright owners under copyright law may be reversed in its operation by Parliament. In other words, the law may oblige website copyright owners to expressly exclude their websites from being cached if they do not wish so, in view of the extreme impracticability and difficulties which would be encountered if the general principle is applied. Section 36(1) of the CA 1987, which deals with copyright infringement,³⁵ may be amended by inserting provisions prescribing that the licence of the copyright owner may be presumed if the circumstances are fair if it is in line with industry practices. The act of caching by search engines should be named as one of those circumstances.

To meet the legitimate needs which may arise in future with the advent of new means of digital appropriation, the provision on presumed licence should be phrased in an open and flexible manner which would permit such licence to be presumed. By expressly imposing the fairness requirement, the law would thus enable judges to exercise their discretion and weigh the interests involved in situations not expressly listed, but where it may be likewise fair to imply such licence, in deciding the matters.

7.3.2 Relevancy of ‘substantiality’

Digital technologies have enabled new and flexible ways of appropriating pre-existing works which result in the production of more creative works. Digital sampling, which makes use of pre-existing sound recordings, is an example of the commonly practised digital appropriation. The US

³⁵ Section 36(1) of the CA 1987 provides that copyright is infringed by a person who does, or causes any other person to do, without the licence of the copyright owner, an act the doing of which is controlled by copyright.

Court of Appeals for the Sixth Circuit in *Bridgeport Music, Inc. v Dimension Films*³⁶ held that digital sampling infringed the right of the sound recording copyright owner to make derivative works even though the part used was insubstantial.³⁷

The effect of such holding renders the substantiality requirement, which has always been considered in cases where the use involves only a part of the copyright work, irrelevant in deciding copyright infringement in relation to sound recordings. It is submitted that the exclusion of the substantiality requirement in relation to neighbouring rights, including sound recordings, is regrettable since the substantiality requirement serves as an important mechanism of balancing the interests of copyright owners and the public. It is fortunate that section 13(1) of the Malaysian CA 1987 which provides for the copyright owners' exclusive rights incorporates the phrase 'or a substantial part thereof', thereby expressly incorporating the substantiality requirement in relation to all copyright works including sound recordings. The substantiality requirement is one of the mechanisms to strike a fair balance of rights between the involved stakeholders. Therefore, the application of the substantiality requirement to all types of copyright works under the CA 1987 is highly commendable because without the substantiality requirement, copyright law would confer on copyright owners a stronger right to control the reproduction of their works, including in derivative forms.³⁸

³⁶ See section 4.5.1 of Chapter 4.

³⁷ See section 2.4.1 of Chapter 2.

³⁸ Somoano, with reference to the approach adopted by the US court in *Bridgeport Music, Inc. v Dimension Films* 410 F. 3d 792 (6th Cir. 2005), commented that 'In essence, by excluding the use of *de minimis* doctrine, and by characterizing the alleged infringing work in sound recording sampling cases as a derivative work, the Birdgeport court grants to sound recording copyright owners a stronger right to prepare derivative works than it does to musical composition copyright owners. The court does not provide any justification for these disparate levels of protection, stating only that a digital sample fits the definition of a derivative work for a sound recording, "a rearranged, remixed, or otherwise altered in sequence or quality".' Somoano, M. L., 'Note: Bridgeport Music, Inc. v Dimension Films: Has Unlicensed Digital Sampling of Copyrighted Sound Recordings Come to an End?', 21 Berkeley Tech. L. J. 289 at 304. The *de minimis* doctrine reflects the legal maxim *de minimis non curat lex*, namely, the law does not concern itself with trifles, and the substantiality requirement are 'inextricably linked and often overlap', see Evans, T. M., 'Sampling, Looping, and Mashing ... Oh My! How Hip Hop Music is Stretching More than the Surface of Copyright Law', Fordham Intellectual Property, Media & Entertainment Law Journal, Vol. 21, 843 (2011) at 875.

However, as discussed in Chapter 2,³⁹ the substantiality requirement is inapplicable to the copying made by Google Books since the books are copied in their entirety. This is so despite the fact that the copying *in toto* takes place behind the scenes with only limited snippets of the books are displayed by Google Books. As discussed in section 7.2.2 above, Google Books project allows a novel and beneficial method for the public to find and locate books of interest worldwide. The inapplicability of the substantiality requirement to Google Books project and the like highlights the pressing need to reconsider the way copyright law defines and perceives reproduction which may tilt the balance of interests in favour of copyright owners in the digital environment.⁴⁰

In addition, it is observed that the traditional approach of determining substantiality may yield undesirable results when it is applied to certain practices in the digital environment. The question of whether a part copied or used amounts to a substantial part of the copyright work is one of fact and degree. In determining substantiality, factors such as the originality of the relevant part taken may be considered.⁴¹ However, emphasis on originality may be inappropriate in certain practices or activities in the online environment. As discussed in Chapter 2, Google Books search engines display search results, including a few snippets from the relevant books, in response to the search terms entered by a user.⁴² As was held by the European Court of Justice in *Newspaper Licensing Agency Ltd & Other Companies v Meltwater Holding BV & Other Companies*,⁴³ some of the snippets could constitute a substantial part of the copyright works and hence *prima facie* copyright

³⁹ See section 2.3.2 of Chapter 2.

⁴⁰ See section 7.2.2 above.

⁴¹ In *Longman Malaysia Sdn Bhd v Pustaka Delta Pelajaran Sdn Bhd* [1987] 2 MLJ 359, the Malaysian court applied the three factors suggested by Ricketson in *The Law of Intellectual Property*: Ricketson. *The Law of Intellectual Property*. Sydney: Law Books, 1984, paras 9.10-9.14. The three factors are the originality of the part taken, the purpose of the defendant in taking the relevant part, and the effect of the defendant's use on the sale of original works. See section 2.3 of Chapter 2.

⁴² See section 2.3.2 of Chapter 2.

⁴³ [2010] All ER (D) 306 (Nov).

infringement. This is so despite the defendant's argument that the purpose of the snippets was to provide readers an overall idea about the article or book.⁴⁴

The court's approach in determining substantiality of the snippets displayed in Google Books search results may not be appropriate for the subject matter under consideration. In order to provide readers a general idea of the contents of a book or material, which will in turn help readers in deciding the relevancy of the material or book, the snippets should contain the gist of the material or book. Oftentimes, the gist itself may comprise the original parts of the material or book. The same observation may also be made with respect to snippets displayed by search engines in their search results in general.

It is thus submitted that the traditional concept in determining 'substantiality' may conflict with some new ways of enabling beneficial uses of copyright works. The snippets displayed in search results help users to determine the relevancy of a particular material and, thus, enhances efficiency of search engines remarkably. The need to consider originality when determining substantiality runs counter to the very purpose and function of the snippets in search results. If search engines are required to omit the original parts of copyright works from the snippets they show, this will certainly defeat the very purpose of providing the snippets. It will eventually result in a great loss to the public who will be deprived of a better and more capable service from search engines.

It is therefore suggested that in deciding the substantiality question in relation to the new practices in the digital environment, the objective of the use made of the copyright works should be taken into account. The consideration with regard to the originality of the part taken should be played

⁴⁴ See section 2.3.2 of Chapter 2.

down, while the consideration on quantity should be emphasized. In sum, the determination of substantiality should consider the nature of the use as a whole with practicality concerns in mind.

7.3.3 Uncertainty and inadequacy of the law on secondary liability for copyright infringement

As discussed in Chapter 3, secondary liability for copyright infringement in Malaysia is governed under section 36(1) of the CA 1987 which holds a person liable if he ‘causes’ another person to do an act controlled by copyright without the copyright owner’s consent.⁴⁵ The court in *Dunia Muzik WEA Sdn Bhd & Anor v Koh Tay Eng*,⁴⁶ by holding the defendant who sold infringing copies of musical works liable for ‘causing’ others to infringe the reproduction right, seemed to have construed ‘causes’ as meaning bringing about an effect or result. Such approach obviously gives too broad a meaning to ‘causes’ in section 36(1) of the CA 1987 and, thus, unduly enlarging the scope of secondary liability for copyright infringement.⁴⁷

On the other hand, a study on the old English case law which considered liability for causing infringement, before the replacement of the word ‘causes’ with ‘authorizes’ in the copyright statute, indicates that liability for causing infringement is very narrow, in contrast to liability for authorizing infringement.⁴⁸ Liability for causing infringement may be established only if the primary infringer is the defendant’s servant or agent or where the defendant has actively participated in or control over the primary infringement.⁴⁹

⁴⁵ See section 3.5.1 of Chapter 3.

⁴⁶ [1989] 2 MLJ 356, as discussed in section 3.5.1 of Chapter 3.

⁴⁷ See section 3.5.1 of Chapter 3.

⁴⁸ See *Russell v Briant* (1849) 8 C. B. 836, *Lyon v Knowles* 3 B. & S. 556, *Karno v Path Frerers* (1909) 100 L. T. 260, *Kelly’s Directories, Ltd v Gavin & Lloyds* [1902] 1 Ch 631, all discussed in section 3.5.1 of Chapter 3.

⁴⁹ See section 3.5.1 of Chapter 3.

If ‘causes’ in section 36(1) of the CA 1987 is literally interpreted, which may be supported mainly by the express choice to use the word ‘causes’ in the CA 1987, it is very unlikely for P2P operators to be liable for copyright infringement committed by their users in view of the remote relationship between P2P operators and users. It would be extremely difficult for copyright owners to show that P2P operators had any ability to control users’ infringing conduct.⁵⁰ Likewise, a literal interpretation of ‘causes’ would also make it unlikely to hold link providers who set and compile links to infringing websites secondarily liable.⁵¹ A literal approach in interpreting ‘causes’ would thus be greatly prejudicial to copyright owners having regard to the unlikelihood of subjecting entities to secondary liability for infringement, despite the fact that they are manifestly culpable in promoting or encouraging copyright infringement at a mass scale. It may be rightly commented that section 36(1) of the CA 1987, by the usage of ‘causes’, is unable to keep pace with technological developments and therefore fails to ensure adequate protection of copyright owners’ interests.

By virtue of the word ‘causes’ in section 36(1), it is submitted that the scope of secondary liability for copyright infringement under the CA 1987 is too narrow. The limited scope of secondary liability would not be able to accommodate the needs and changes brought by the digital technologies. The same would pose great obstacles to copyright owners in exercising their rights in the digital environment where the relationship between the supplier of service or products becomes more remote and fluid while the subject matter in dispute gets less tangible. However, to interpret ‘causes’ under section 36(1) of the CA 1987 as meaning ‘authorizes’ would require one to turn a blind eye to the different meanings carried by the said two words. It is thus proposed that

⁵⁰ See section 3.5.3 of Chapter 3.

⁵¹ See section 4.3.4 of Chapter 4.

section 36(1) of the CA 1987 should be amended by substituting the word ‘causes’ with ‘authorizes’.

It is suggested that judges, in deciding issues on liability for causing infringement, should adopt a purposive approach in construing section 36(1) of the CA 1987 so as to keep pace with developments in other jurisdictions such as Australia, the UK and the US. Factors, such as the inevitability of the technology or product being used to infringe and the potential benefits offered by the technology or product, should be given due consideration. Regard should also be given to the potential benefits that the technology or product may bring in the future, and not be confined to the current state of technology.⁵² Copyright law should focus on the manner in which the technology is used, rather than the design and functions of the technology or product per se, so as to ensure that technology innovation would not be improperly hampered.⁵³

At the same time, a purposive approach in construing section 36(1) of the CA 1987 would be able to ensure that unscrupulous persons or bodies would be held liable for encouraging or promoting copyright infringement by compiling links to infringing websites. As discussed in Chapter 4, the act of offering a list of links or systematically compiling links to infringing websites which is done with knowledge of the infringing nature as well as with the intent to induce infringement should be distinguished from the mere act of setting a link.⁵⁴

The scope of secondary liability for copyright infringement may turn out to be one of the most crucial and contentious copyright issues in the digital environment. It will determine whether

⁵² As Yen commented, ‘History teaches us that society rarely appreciates the full benefits of new technologies immediately upon their invention.’ See Yen, A. C., ‘Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer’, 55 Case W. Res. 815.

⁵³ See Douglas, G., ‘Copyright and Peer-to-Peer Music File Sharing: The Napster Case and the Argument Against Legislative Reform’, Murdoch University Electronic Journal of Law, Vol. 11, No. 1 (March 2004), and Ginsburg, J. C. & Ricketson, S., ‘Inducers and Authorizers: A Comparison of the US Supreme Court’s Grokster decision and the Australian Federal Court’s Kazaa Ruling’, (2006) 11 Media & Arts Law Review 1.

⁵⁴ See section 4.3.4 of Chapter 4.

copyright law provides a balance in reconciling interests in promoting creative pursuit on one hand and encouraging innovation in new communication technologies on the other hand, as illustrated in the case of P2P file sharing. It will also decide whether copyright law maintains a balance of interests between adequately protecting copyright owners and ensuring public access to information, as demonstrated in the case of linking to infringing websites. It is acknowledged that tortious liability may be relied on as an alternative to overcome the problems relating to section 36(1) of the CA 1987.⁵⁵ However, this may lead to the undesired consequence of disturbing the balance of interests which copyright law seeks to maintain. Hence, it is vital for the CA 1987, particularly section 36(1), to be updated so as to be able to strike a fair balance of interests under copyright law in addressing the challenges brought by digital technologies.

7.4 The exceptions to copyright infringement

7.4.1 Rigidity of the fair dealing exception

As pointed out above, the reproduction right plays a prevalent role in the digital environment.⁵⁶ There is also the problem of overlapping and overarching exclusive rights enjoyed by copyright owners due to the manner in which digital technologies work.⁵⁷ The extensive reach of the copyright owners' exclusive rights, together with the rigidity of a closed system of exceptions to copyright infringement, threatens to shrink the ambit of public use remarkably. This was illustrated in the Belgian case of *Copiepresse SCRL v Google, Inc.*⁵⁸ in which a search engine was held liable

⁵⁵ See section 3.6 of Chapter 3.

⁵⁶ See sections 7.2.1 and 7.2.2 above.

⁵⁷ See section 7.2.4 above.

⁵⁸ [2007] E.C.D.R 5, as discussed in section 4.3.3 of Chapter 4.

for the reproduction it was engaged in as none of the exceptions was applicable to the search engine under the Belgian copyright law.

Arguably, the Copyright (Amendment) Act 2012 has converted the fair dealing in section 13(2)(a) of the CA 1987 into an open exception, closely resembling the fair use doctrine of the US,⁵⁹ mainly due to the insertion of the word ‘including’ before the specified purposes of a dealing.⁶⁰ In addition, a new subsection (2A), which corresponds to section 107 of Title 17 of the US Code (hereinafter referred to as ‘the 17 USC’), was included listing the factors to be considered in deciding fairness of a dealing.⁶¹

Nevertheless, it remains to be seen as to how broad the fair dealing exception would be interpreted by Malaysian courts. On the one hand, section 13(2)(a) of the CA 1987 may be construed and given effect in the same manner as that of the US fair use doctrine. On the other hand, the courts may also employ the *ejusdem generis* rule in interpreting the fair dealing exception. It follows that any purpose of a dealing, to fall within section 13(2)(a), should possess the same general nature of the listed purpose.⁶² If the courts choose to adopt the latter approach, which is stricter, in construing the new section 13(2)(a) of the CA 1987, it is submitted that a certain degree of rigidity of the closed system of exceptions would therefore persist.

If the courts apply the *ejusdem generis* rule in construing section 13(2)(a), it may be difficult for some common practices such as digital sampling to fall within the sub-section because of the different nature of the purpose as compared to the listed purpose such as research, private study, criticism, review or the reporting of news or current events.⁶³ It may be argued that digital sampling

⁵⁹ Section 107 of the 17 USC.

⁶⁰ As to the scope of section 13(2)(a) before the 2012 amendment, see *MediaCorp News Pte Ltd & Ors v MediaBanc (JB) Sdn Bhd & Ors* [2010] 5 MLJ 562, as discussed in section 2.4.1 of Chapter 2.

⁶¹ See section 2.4.1 of Chapter 2.

⁶² See section 2.4.1 of Chapter 2.

⁶³ See section 2.4.2 of Chapter 2.

serves the purpose of promoting freedom of expression and creativity, which in turn furthers learning and public access to information, which are covered by the specified purposes in section 13(2)(a). However, if a restrictive approach in interpreting section 13(2)(a) of the CA 1987 is employed, it would be difficult for digital sampling to qualify for the fair dealing exception.

Even where a dealing serves a purpose similar to research, private study, criticism, review or the reporting of news or current events, the dealing must still meet the fairness requirement. In determining the fairness of a dealing, the factors including those specified in section 13(2A) are relevant. Google Books project, for instance, may have no difficulty to fall within the permitted purposes under section 13(2)(a) of the CA 1987.⁶⁴ However, it remains unclear as to whether Google Books project would meet the fairness requirement. One of the factors to be taken into account is the purpose and character of a dealing, such as whether it is of a commercial nature. The commercial nature of Google Books project may operate against it in view of the fact that Google derives advertising revenue from the project.

A similar observation may be made with respect to the applicability of the fair dealing exception to search engines' cached links.⁶⁵ The provision of cached links by search engines serves a purpose which is arguably of a similar nature to the specified purposes in section 13(2)(a) of the CA 1987.⁶⁶ However, to be exempted from copyright infringement, search engines are expected to also prove that the provision of cached links meets the fairness requirement, which is a question heavily dependent on the facts and circumstances.

Regardless of the approach which the court will adopt in interpreting section 13(2)(a) of the CA 1987, the ambit of the section has surely been broadened, which is most welcome especially in

⁶⁴ See section 2.4.3 of Chapter 2.

⁶⁵ See section 4.3.3 of Chapter 4.

⁶⁶ See section 4.3.3. of Chapter 4.

view of the new and variable ways of appropriating works enabled by digital technologies. However, it remains to be seen as to how the courts would interpret the scope of the permitted purposes of fair dealings under section 13(2)(a) of the CA 1987.

Leaving uncertainty on the permitted purposes aside, the US law on fair use doctrine is now pertinent, at least in respect of deciding fairness of a dealing. Section 13(2A), *in pari materia* with section 107 of the 17 USC, lists the factors to be considered in determining fairness of a dealing. One of the factors is the purpose and character of the dealing, to which the degree of transformation by the defendant in using the copyright is crucial. The US courts have been liberal in addressing this issue by accepting that newness and novelty in the way of utilizing works may satisfy the transformation requirement, even where the copyright work itself has not been altered or otherwise transformed.⁶⁷ Such approach has the advantage of taking into consideration the societal benefits enabled by digital technologies. It is submitted that Malaysian judges may adopt a similar approach in considering the purpose and character of a dealing.

Another factor to be taken into account in deciding fairness of a dealing is the effect of the dealing on the potential market for or value of the copyright work. This factor considers whether the dealing exploits the copyright work at the expense of copyright owners. The manner in which ‘exploitation’ is perceived would therefore be of great significance. A technical interpretation of copyright owners’ exclusive rights, as discussed above,⁶⁸ may very likely result in every dealing being viewed as exploitative as long as it falls within the ambit of the exclusive rights. This factor should be weighed against the potential benefits presented by the defendant’s act.

⁶⁷ See, for instance, the cases of *Sony v Universal City Studios Inc.* 464 US 417, *Kelly v Arriba Soft Corp.* 336 F.3d 811 (9th Cir. 2003), *Perfect 10, Inc. v Amazon.com, Inc.* 508 F.3d 1146 (9th Cir. 2007), and *The Authors Guild, Inc. v Google, Inc.* 1:05 Civ. 8136 (DC) as discussed in section 2.5.3 of Chapter 2.

⁶⁸ See section 7.1.1.2 above.

It is submitted that a liberal approach in interpreting the purposes of a dealing under section 13(2)(a) would help to reduce the rigidity of the exceptions to copyright infringement. The scope of the fair dealing exception would not be unduly expanded by a liberal approach in construing the permitted purposes, since consideration of the factors including those listed in section 13(2A) would help to ensure that the scope of the fair dealing is available only in situations which meet the fairness requirement.

A liberal approach in construing the purposes of a dealing under section 13(2)(a) would help counter the overarching exclusive rights of copyright owners in the digital environment and, thus, maintain a balance of interests between copyright owners and the public. The public should not be deprived of the advantages offered by practices such as that engaged by Google in its Google Books project and search engines in general, including the cached links they provide. The public should not be denied the freedom to engage in practices such as digital sampling where use of the pre-existing works is minimal and, thus, the benefit of appreciating and enjoying more creative works that result from such practices.

7.4.2 The narrow temporary copy exception

Temporary copies made during the process of browsing the Web may constitute ‘copies’ and, thus, infringe the reproduction right.⁶⁹ Section 13(2)(q) of the CA 1987⁷⁰ may, however, apply to exempt such temporary copies from copyright infringement because they are transient and incidental copies of copyright works made available on a network and the making of such copies is required

⁶⁹ See section 7.2.1 above.

⁷⁰ Section 13(2)(q) of the CA 1987 is similar, in essence, to Article 5 of the Information Society Directive which is implemented under section 28A of the UK CDPA.

for the viewing, listening or utilization of the copyright works.⁷¹ The introduction of the new exception in section 13(2)(q) of the CA 1987 for temporary copies made during the process of browsing is most welcome in view of the fact that browsing is the fundamental activity in the online environment. Its absence would place the right to control digital reading in the hands of copyright owners.

Nevertheless, section 13(2)(q) of the CA 1987 is evidently of a narrow scope since it deals with only temporary copies of works which are made available on a network. In other words, section 13(2)(q) is confined to the making of temporary copies in the process of browsing.⁷² However, it should be noted that RAM copies are made whenever a computer reads anything, either online or offline.⁷³ RAM copies could constitute ‘copies’ and, thus, infringe the reproduction right.⁷⁴ Unfortunately, section 13(2)(q) is inapplicable to RAM copies made of works in the offline scenario.

The limited scope of section 13(2)(q) of the CA 1987, therefore, leaves RAM copies in the offline scenario to be potentially infringing. Hence, to avoid liability for copyright infringement, one has to argue that the making of RAM copies is a fair dealing under section 13(2)(a), which itself is fraught with uncertainty and possibly rigidity.⁷⁵ It follows that the making of RAM copies in the offline scenario is left in limbo. The absence of a clear exception for RAM copies may be considered as allowing copyright owners to take control of digital reading, at least in the offline instances, which is unfavourable to public interest.

⁷¹ See section 4.3.2.2 of Chapter 4.

⁷² See *Infopaq International A/S v Danske Dagblades Forening* [2009] All ER (D) 212 (Aug), *Newspaper Licensing Agency Ltd & Other Companies v Meltwater Holding BV & Other Companies* [2010] EWHC 3099 (Ch), *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd & Ors* [2013] UKSC 18, as discussed in section 4.3.2.2 of Chapter 4.

⁷³ See section 7.2.1 above.

⁷⁴ See the reproduction right provided under section 13(1)(a) of the CA 1987, as well as the definitions of ‘reproduction’, ‘copy’ and ‘material form’ in section 3 of the CA 1987. Also, see section 7.2.1 above.

⁷⁵ See section 7.4.1 above.

It is submitted that extending section 13(2)(q) to cover RAM copies in offline instances would have the effect of denying copyright owners the ability to control digital reading. The act of reading has never been subject to copyright owners' control, probably because reading is the basic way of appreciating creative works which does not unfairly deprive copyright owners of the reward they deserve. An exception which is broad enough to extend to temporary copies of works, either made available on networks or in the offline instances, would ensure that the copyright owner does not have any monopoly over digital reading.

7.5 Moral rights of authors

As discussed above,⁷⁶ the setting of a link per se should not be treated as an act over which copyright owners have the rights to control. This is so even where it involves an inline link or a frame link.⁷⁷ The issue at stake is whether an inline link or frame link infringes authors' moral rights instead. It is observed that authors' identification and integrity rights under section 25(2) of the CA 1987 may operate as an efficient mechanism of balancing the interests between ensuring public access to information through the setting of inline or frame links on one hand; and promoting creative pursuits through protecting the authors' rights to be acknowledged as the author of their works and to prevent significant distortion, mutilation or modification to their works which may adversely affect their honour or reputation.

⁷⁶ See section 7.2.3 above.

⁷⁷ See section 4.5 of Chapter 4.

7.6 Part VIB on limitation of liabilities of service providers

7.6.1 Uncertainty on the scope of allowed injunctive relief

Part VIB introduced new provisions into the CA 1987 with the objective of prescribing limitation of liabilities of eligible service providers (hereinafter referred to as ‘SPs’). It is modelled on the US safe harbour provisions which were intended to strike a fair balance of interests between copyright owners and SPs by offering legal certainty so as to promote investment by SPs, subject to the requirement of cooperating with copyright owners to detect and address copyright infringement in the online world.⁷⁸ Hence, the US safe harbour provisions disallow monetary relief, but allow injunctive relief of a certain scope against eligible SPs. The same position is observed under the copyright statute of the UK and Australia.⁷⁹

Unlike its counterpart in the US, UK and Australia, Part VIB does not expressly specify the scope of relief which may be obtained against eligible SPs. With its general and vague language, Part VIB is ambiguous as regards the scope of injunctive relief which may be granted against SPs in Malaysia.⁸⁰ Section 43C expressly provides that the court may order mere conduit SPs to take reasonable steps to prevent access to an online location or to terminate a specified account.⁸¹ It is however far from certain whether the court may make such orders other than those specified in section 43C. In light of the word ‘may’ in section 43C, it is debatable whether section 43C is exhaustive in terms of the orders that the court may make.⁸² Unlike section 43C, the other

⁷⁸ H. Rep. 105-796, 105th Cong., 2d Sess. 72 (1998), *In re Verizon Internet Services, Inc.*, 240 F. Supp. 2d 24, 37 (D.D.C.), rev’d sub nom. *Recording Industry Association of America v Verizon Internet Services* 351 F. 3d 1229. See section 5.2 of Chapter 5.

⁷⁹ See section 116 AG(2), (3) and (4) of the Australian Copyright Act 1968 (‘the CA 1968’), Articles 12(3), 13(2) and 14(3) of the European Union E-Commerce Directive 2000/31, regulations 20(1)(b) and 20(2) of the UK Electronic Commerce Directive Regulations 2002.

⁸⁰ Cf Sections 512(j)(1)(A) and (B) of the 17 USC, sections 116AG(3) and (4) of the CA 1968, and section 97A of the UK CDPA. See section 5.2 of Chapter 5.

⁸¹ Section 43C(2) of the CA1987, as discussed in section 5.2 of Chapter 5.

⁸² See section 5.2 of Chapter 5.

provisions in relation to SPs engaged in system caching or SPs who provide storage at a user's direction or information location tools do not mention the injunctive relief at all.

In contrast, the copyright legislations in the US and Australia prescribe limitation on the order which the court may grant against SPs,⁸³ as well as the factors which the court shall take into consideration.⁸⁴ The UK legislation, on the other hand, allows the court to grant orders against SPs only in circumstances where the SPs have actual knowledge of users using their service to infringe copyright.⁸⁵

By way of comparison, Part VIB of the CA 1987 is equivocal as to the scope of injunctive relief which the court may grant against eligible SPs as well as any requirement or factor to be taken into account in granting injunctive relief. Such state of ambiguity is undesirable since the extent of injunctive relief against SPs plays a crucial role in delineating the borders of interests of copyright owners on the one hand, and that of SPs on the other hand.

It is proposed that Part VIB of the CA 1987 be amended to expressly specify the extent of limitation of liabilities for eligible SPs. The scope of injunctive relief which may be obtained against all eligible SPs should also be clearly specified in Part VIB. Sections 43D and 43E should be amended by adding provisions which distinctly prescribe the orders that the court may grant against SPs engaged in system caching or which provide storage and information location tools, similar to section 43C(2) which prescribes the types of orders the court may make against mere conduit SPs.

⁸³ Sections 512(j)(1)(A) and (B) of the 17 USC and sections 116AG(3) and (4) of the CA 1968.

⁸⁴ Section 512(j)(2) of the 17 USC and section 116AG(5) of the CA 1968.

⁸⁵ See section 97A of the UK CDPA. See section 5.2 of Chapter 5.

7.6.2 The narrow scope of eligible SPs

The limitation of liabilities under Part VIB of the CA 1987 is available to SPs who are engaged in transmission, routing and provision of connections, system caching, storage, and information location tools.⁸⁶ Clearly, the scope of eligible SPs is limited. With this pigeonholing approach, the CA 1987 would not offer limitation of liabilities for SPs who perform functions other than those currently prescribed in Part VIB even though the service they provide may serve new and useful purposes. It is submitted that this would result in the CA 1987 being slow in responding to the needs arising from the development of digital technologies which may provide innovative and beneficial service to the public. In view of the risks involved, due to the potential liabilities for copyright infringement which may arise by virtue of the provision of service as SPs itself, new SPs whose functions may not fall within the scope of the existing eligible SPs may be discouraged from investing in the business.

In comparison to sections 43C and 43D, section 43E which deals with the limitation of liabilities for SPs who provide storage or information location tools is more restrictive. This is because of the conditions which the relevant SPs must meet, namely, they have no actual or apparent knowledge of copyright infringement, they receive no direct financial benefit from the copyright infringement, and they must take proper action upon receipt of a notification about the infringement.⁸⁷ It is submitted that SPs who fulfil all of the said conditions are unlikely to be secondarily liable for copyright infringement committed by their users in the first place because the conditions in section 43E are the factors to be considered in determining their liability, if a

⁸⁶ Sections 43C, 43D and 43E of the CA 1987, discussed in sections 5.3, 5.4 and 5.5 of Chapter 5.

⁸⁷ Section 43E(1)(i)-(iii) of the CA 1987. See section 5.5 of Chapter 5.

purposive interpretation is given to section 36(1) of the CA 1987.⁸⁸ It follows that section 43E appears to exclude only liability of SPs for direct infringement, but not secondary liability.

It is acknowledged that the phrase ‘by reason of’ in section 43E(1) may help to broaden the scope of section 43E. This was illustrated in the relevant case law of the US and UK in which the court construed the limitation of liabilities for SPs in relation to infringement by reason of storage at users’ direction. It was consistently held that the limitation of liabilities extended to facilities or services attributable to storage.⁸⁹ The same approach should also apply to SPs who provide information location tools. However, in the case of search engines’ cached links,⁹⁰ it is doubtful as to whether cached links provided by search engines may fall within the scope of a conduct ‘by reason of’ the information location tools because search engines may still be able to perform their function without the provision of cached links.⁹¹ This may be so despite the fact that cached links, as discussed in Chapter 4,⁹² serve several great and useful functions. As a consequence, search engines may not be entitled to the limitation of liabilities under section 43E despite the substantial benefits presented by cached links.⁹³

Apart from the prescribed categories of eligible SPs under the existing Part VIB, it is suggested that there should be added a section which provides limitation of liabilities for SPs which is not tied to their categories or functions. Instead, the general limitation of liabilities is applicable to SPs

⁸⁸ See sections 3.5.2 and 3.5.3 of Chapter 3. If section 36(1) should be interpreted literally, and thereby rendering the scope of secondary liability for copyright infringement under the CA 1987 very narrow, it is almost certain that SPs would not be subject to such liability in the first place: see section 3.5.1 of Chapter 3.

⁸⁹ *UMG Recordings, Inc. v Veoh Networks, Inc.* 620 F. Supp. 2d 1081 (C.D.Cal. 2008); 718 F. 3d 1006 (9th Cir. 2013), *Viacom International, Inc. v YouTube* 718 F. Supp. 2d 514 (SDNY, 2010), *Io Group, Inc. v Veoh Networks, Inc.* 586 F. Supp. 2d 1132 (N.D.Cal. 2008). In the UK, similar questions arose in relation to the hosting exception under regulation 19 of the E-Commerce Regulations 2002 in defamation cases and the court demonstrated a similar stand on the issue: see, for instance, *Kaschke v Gray & Anor* [2010] EWHC 690 (QB). Also, see section 5.5.1 of Chapter 5.

⁹⁰ See section 4.3.3 of Chapter 4.

⁹¹ See section 5.5.2 of Chapter 5. In the Belgian case, *Copiepresse SCRL v Google* [2007] ECDR 5, it was held that the defendant was liable for caching which occurred during the process of linking since such act did not fall under any exception in the E-Commerce Directive. See also, Peguera, Miquel, ‘When the Cached Link is the Weakest Link: Search Engines Caches under the Digital Millennium Copyright Act’, 56 Journal of the Copyright Society of the USA, 589.

⁹² See section 4.3.3 of Chapter 4.

⁹³ See section 4.3.3 of Chapter 4.

who serve important and beneficial roles. It may be a matter of discretion for judges to decide according to the facts and circumstances. In doing so, due consideration should be given to maintaining a right balance of interests of the involved stakeholders and, thus, a fair outcome to all parties.

A hybrid system of limitation of liabilities of SPs, with a few clearly defined categories of eligible SPs, together with a general provision on limitation of liabilities for SPs which fall outside the categories yet perform significant functions which are valuable to the public, may be implemented. In this way, the law on limitation of liabilities of SPs enjoys a certain degree of certainty with regard to the established categories of eligible SPs. At the same time, it is flexible enough to be able to respond promptly and adequately to address the issues and needs brought by the emerging types of SPs which offer the public useful services and facilities in the online world.

7.6.3 Uncertainty on the ‘transient’ requirement

To qualify for the limitation of liabilities in section 43C of the CA 1987, which applies to SPs who function as mere conduits, the storage made by SPs in doing so is required to be ‘transient’.⁹⁴ The CA 1987 does not however elaborate on what constitutes ‘transient’ copies and, thus, confounds the uncertainty regarding the applicability of section 43C.⁹⁵ Likewise, section 43D of the CA 1987, which provides limitation of liabilities for SPs engaged in system caching, is silent on the allowed duration of storage.⁹⁶ System caching is performed in order to allow efficient access to the materials made available online. As such, copies made during caching should be stored for a

⁹⁴ See section 43C(1)(b) of the CA 1987, as discussed in section 5.3 of Chapter 5.

⁹⁵ The US court in *Ellison v Robertson* 89 F. Supp. 2d 1051 (US District Court for the Central District of California) remarked at 1068 that the phrase ‘intermediate and transient storage’ was rather ambiguous.

⁹⁶ See section 5.4.2 of Chapter 5.

temporary period.⁹⁷ It is noted that its counterpart in the US and the UK expressly impose ‘intermediate and temporary storage’ requirement.⁹⁸

It is submitted that the absence of any explanation on what constitutes a ‘transient’ copy in section 43C, as well as the absence of a ‘transient’ requirement in section 43D, leave those issues open questions and render copyright law uncertain on the legal position of the relevant SPs. It is acknowledged that the law should not be too rigid as to prescribe a definite period of time during which a copy is stored for it to be considered ‘transient’. However, the law on this matter may be improved by introducing a definition of ‘transient’ which would be able to depict the borders within which ephemerality of a copy may be determined. The relevant factors which should be taken into account may also be prescribed so as to assist judges in determining the question. Regulations may be developed on this matter suggesting the maximum duration for which copies are stored for them to be treated as ‘transient’, according to the circumstances in which copies are made or the types of service provided by the concerned SPs during which copies are made.

7.6.4 Notice and takedown procedure

A standard notice and takedown procedure, applicable to SPs engaged in system caching and providing storage at users’ direction or information location tools,⁹⁹ is implemented under Part VIB of the CA 1987. However, it is submitted that the notice and takedown procedure is inadequate and uncertain in several aspects, each of which is discussed below.

⁹⁷ See section 5.4.2 of Chapter 5.

⁹⁸ Section 512(b)(1) of the 17 USC and regulation 18(a) of the UK E-Commerce Regulations 2002 which implemented Article 13(1) of the E-Commerce Directive. In *Field v Google, Inc.* 412 F. Supp. 2d 1106 (D.Nev. 2006), the US court held that the defendant’s cache for fourteen to twenty days was ‘temporary’ within the meaning of section 512(b) of the 17 USC.

⁹⁹ See sections 43D(2) and 43E(3) of the CA 1987. Also, see section 5.6 of Chapter 5.

7.6.4.1 No mention of the details to be included in a notification

Section 43H(1) provides that copyright owners may notify SPs of copyright infringement by a notification ‘in the manner as determined by the Minister’. The CA 1987 does not prescribe further what details are to be included in the notification and, to date, there have been no regulations made on this matter. In contrast, the US and UK legislations expressly state the particulars which must be included in the notification.¹⁰⁰ A defective notification would not be considered in determining the SP’s knowledge of infringement.¹⁰¹

The details in a notification would keep SPs informed of the alleged infringing material or activity and SPs would thus be able to take proper actions to prevent or stop infringement. It is the duty of copyright owners to clearly identify the alleged infringing material or activity, in view of the enormous amount of online materials and activities which makes it extremely difficult for SPs to monitor every material or activity. The lack of meticulousness on the details to be included in a notification under the CA 1987 results in uncertainty as regards the burden on copyright owners and SPs respectively in detecting and combating copyright infringement in the online environment. The problem is aggravated by the absence of an express provision in Part VIB declaring that there is no general duty on SPs to monitor copyright infringement, which is found in the copyright legislation of the US, the UK and Australia.¹⁰²

A notification with the required details plays a paramount role in the notice and takedown procedure. It is the duty of copyright owners to identify the alleged infringing materials before

¹⁰⁰ Section 512(c)(3)(A) of the 17 USC, regulation 22(b) of the E-Commerce Regulations 2002.

¹⁰¹ See section 512(c)(3)(B) of the 17 USC and *UMG Recordings, Inc. v Veoh Networks, Inc.* 620 F. Supp. 2d 1081 (C.D.Cal. 2008). Also, see the discussion on the English case, *Bunt v Tilley & Ors* [2006] EWHC 407 (QB) in section 5.6.2 of Chapter 5.

¹⁰² Section 512(m)(1) of the 17 USC, Article 15 of the E-Commerce Directive, section 116AH(2) of the CA 1968. It was held in *Perfect 10, Inc. v CCBill LLC* 488 F.3d 1102 (9th Cir. 2007), which was followed in *Wolk v Kodak Imaging Network, Inc.* 2011 WL 940056 (SDNY, 2011), that the purpose of the notification requirement is to place the burden of policing copyright infringement on copyright owners. See section 5.6.1 of Chapter 5.

they call on the relevant SPs to take proper actions. It would be too onerous on the part of SPs to constantly monitor and inspect the materials and activities on their networks or websites. On this aspect, it is advisable to include provisions in Part VIB of the CA 1987 which expressly declare that the SPs are under no general duty to regulate and monitor infringing materials or activities, like the counterparts in the US, UK and Australia.

More importantly, Part VIB should specify the necessary information to be provided by copyright owners in the notifications they serve on SPs, including the details which would help SPs to identify and locate the alleged infringing materials or activities, the details of the concerned user, and the means of contacting copyright owners. In the absence of the required details, a notification should be regarded as deficient and, thus, would not have the effect of imputing knowledge on SPs of the alleged infringement.

7.6.4.2 Prompt removal upon copyright owner's notification

When a SP is served with a notification from a copyright owner claiming copyright infringement and requesting removal or disabling of access to the alleged infringing copy,¹⁰³ the SP shall remove or disable access to the copy within forty-eight hours from the receipt of the notification.¹⁰⁴ However, if the SP receives a counter notification from the user, it is required to restore the copy or access to it within ten business days.¹⁰⁵ In addition, the SP shall inform the user only upon removing or disabling access to the infringing copy.¹⁰⁶ In contrast, the SP who has received a counter notification from the user shall inform the copyright owner that the infringing copy will

¹⁰³ Section 43H(1) of the CA 1987, as discussed in section 5.6.3 of Chapter 5.

¹⁰⁴ Section 43H(2) of the CA 1987, as discussed in section 5.6.3 of Chapter 5.

¹⁰⁵ Section 43H(3) & (4) of the CA 1987, as discussed in section 5.6.3 of Chapter 5.

¹⁰⁶ Section 43F(2) of the CA 1987, as discussed in section 5.6.3 of Chapter 5.

be restored in ten business days.¹⁰⁷ In other words, the SP is expected to promptly remove the infringing copy and to inform the user that the removal *has taken place*, while the SP is required to inform the copyright owner that restoration *will take place*. Obviously, the removal or disabling of access to infringing copies is performed in a much faster manner as compared to its restoration. Furthermore, the SP is required to inform the user of the removal or disabling of access to the infringing copy ‘as far as may be practicable’. Whereas in respect of informing the copyright owner about the pending restoration of the infringing copy or access to it, the SP has to do so ‘promptly’. ‘Promptly’ carries the meaning of ‘without delay’ while ‘as far as may be practicable’ implies that when it is feasible to do a particular act.¹⁰⁸ It is therefore submitted that the language of the CA 1987 indicates a certain degree of latitude in terms of the SP’s duty in informing the user, but adopts an imperative tone with regard to the SP’s duty in informing the copyright owner. It may thus be commented that the CA 1987 prioritizes the interest of copyright owners in seeking removal of the material in dispute over the interest of users in making the material available on the internet. However, unjustified removal of non-infringing material may bring substantial damage to the public, especially where it concerns time-sensitive and controversial subjects.¹⁰⁹

In sum, it is concluded that the notice and takedown procedure, in respect of the SP’s duty to serve notifications on copyright owners and users as well as to take proper actions in response to notifications from the relevant parties, is greatly slanted in favour of the copyright owners. Moreover, the notice and takedown procedure is inclined to speedy removal of or disabling of

¹⁰⁷ Section 43H(2) of the CA 1987, as discussed in section 5.6.3 of Chapter 5.

¹⁰⁸ See section 5.6.3 of Chapter 5.

¹⁰⁹ See the remarks by the court in *Lenz v Universal Music Corp.* 572 F. Supp. 2d 1150 at 1156, as discussed in section 5.6.3 of Chapter 5.

access to the alleged infringing copies, without giving users an opportunity to object before removal or disabling of access to the copies may be performed.¹¹⁰

On this aspect, it is observed that the notice and takedown procedure is similar to its counterpart in the US and Australia, in which a notification by copyright owners is followed by takedown of the material in dispute. However, the Japanese Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers 2001 implements a procedure in which the SP is obliged to inform the user first upon receiving a notification from the copyright owner and may remove the material only if the SP hears nothing from the user.¹¹¹ Such a procedure guarantees the right to be heard on the part of the user. Hence, it is proposed that the notice and takedown procedure under the CA 1987 may adopt a similar model so as to ensure a fair balance of interests of the relevant parties.

7.6.4.3 No good faith belief statement required from copyright owners

A user may serve a counter notification on the SP after receiving a notification from the SP about the removal of or disabling of access to the infringing copy. Under the CA 1987, the counter notification shall contain a good faith belief statement.¹¹² Oddly, there is no similar requirement on the good faith belief statement in respect of a notification from the copyright owner requesting for the removal of the alleged infringing copy or disabling of access to it.¹¹³ An examination on the copy in dispute by copyright owners is necessary for them to form good faith belief that the

¹¹⁰ See section 5.6.3 of Chapter 5.

¹¹¹ Hagiwara, T., 'Liability of Internet Service Providers', 22 December 2015 http://www.softic.org.jp/symposium/open_materials/10th/ed/hagiwara1-en.pdf.

¹¹² Section 43H(5)(c) of the CA 1987 as discussed in section 5.6.4 of Chapter 5.

¹¹³ Cf section 512(c)(3)(A)(v) of the 17 USC which imposes a duty on copyright owners to include a good faith belief statement in their notification. In fact, it was held in *Hendrickson v eBay, Inc.* 165 F. Supp. 2d 1082 (C.D. Cal. 2001) that such a good faith belief statement was essential and the absence of it in a copyright owner's notice would render the notice deficient.

copy is infringing.¹¹⁴ The absence of a duty on the part of copyright owners to do so before issuing a notification is therefore unfortunate.

It is acknowledged that section 43I of the CA 1987 makes it an offence if a maker of any notification ‘knowingly’ makes a false statement which is material to the purpose of the notification.¹¹⁵ However, the element of ‘knowledge’ in making a false statement requires the proving of ‘subjective mental state of actual knowledge’ that one is making a misrepresentation. In other words, it has to be established that the false statement was made in ‘subjective bad faith’.¹¹⁶ Thus, section 43I of the CA 1987 provides for a rather narrow cause of action.¹¹⁷ In contrast, it is an objective matter as to whether, upon examining the copy in dispute, the copyright owner reasonably believes in good faith that the copy is infringing.

The SP is burdened with merely ‘notification-compliant’ nature of the duty.¹¹⁸ By requiring only the users to have good faith belief about the statements in their notification, the CA 1987 places the burden entirely on users to avoid abuse of the notice and takedown procedure. With no equivalent burden on copyright owners to have good faith belief about their complaints in notifications, the CA 1987 is obviously in favour of copyright owners.

It is submitted that it is paramount to impose the good faith belief requirement on copyright owners so that they would be legally obliged to scrutinize the materials or activities and determine whether they are infringing. After conducting such examination and they honestly believe that the materials or activities are infringing, copyright owners may then proceed to serve notifications on SPs

¹¹⁴ It was held in *Lenz v Universal Music Corp.* 572 F. Supp. 2d 1150 that a copyright owner is obliged to evaluate if the copy constitutes a fair use of the copyright work before he may proceed with a good faith belief that the copy is infringing.

¹¹⁵ Section 43I(1) of the CA 1987 is similar to section 512(f) of the 17 USC.

¹¹⁶ See *Lenz v Universal Music Publishing Group* 2008 US Dist. LEXIS 44549 as discussed in section 5.6.4 of Chapter 5.

¹¹⁷ As the US court observed in *Rossi v MPAA* 391 F. 3d 1000 (9th Cir. 2004), section 512(f) of the 17 USC, which is in pari materia with section 43I of the CA 1987, provides for an expressly limited cause of action because it deals with knowing misrepresentation which is not established where the copyright owner makes an unknowing mistake, even an unreasonable one. See also *Lenz v Universal Music Publishing Group* 2008 US Dist. LEXIS 44549 and *Online Policy Group v Diebold* 337 F. Supp. 2d 1195 (N.D.Cal. 2004), as discussed in section 5.6.4 of Chapter 5.

¹¹⁸ See section 5.6.4 of Chapter 5.

requesting the latter to take proper actions. Without a good faith belief statement, copyright owners are not subject to such duty to verify the materials or activities before serving notices. This may result in excessive use, or even abuse, of the notice and takedown procedure which places public interests at risk.

7.6.4.4 Uncertainty about SPs' duty to take action in the absence of a notification

In order to enjoy limitation of liabilities, SPs who provide storage at users' direction or information location tools are required to take proper steps upon receipt of a notification from copyright owners.¹¹⁹ In view of section 43E(3) of the CA 1987 which declares that a SP shall not be held liable if the copyright owner has not served any notification under section 43H, it is questionable as to whether the absence of a notification from copyright owners would thus negate knowledge on the part of SPs. However, if SPs have knowledge of the alleged copyright infringement, they would not satisfy one of the conditions to enjoy limitation of liabilities under section 43E.¹²⁰ The provisions seem to contradict with each other.

If SPs are deemed to have no knowledge of copyright infringement when copyright owners do not serve any notification on SPs, there would be lack of incentive or motivation for SPs to take proper actions upon acquiring knowledge of copyright infringement. Such interpretation would not afford adequate protection to copyright owners in combating copyright infringement in the online environment. This, however, leaves the meaning and effect of section 43E(3), which says that a SP shall not be held liable if there is no notification from the copyright owner, extremely doubtful.

¹¹⁹ Section 43E(1)(iii) of the CA 1987 as discussed in section 5.6.5 of Chapter 5.

¹²⁰ Section 43E(1)(i) of the CA 1987 as discussed in section 5.6.5 of Chapter 5.

Another question in relation to section 43E of the CA 1987 is whether SPs are under no duty to remove the infringing copy or disable access to it upon acquiring knowledge of copyright infringement, in the absence of a notification from copyright owners. This question arises because section 43E(1)(iii) of the CA 1987 requires SPs to take the said actions ‘upon receipt of a notification’ from copyright owners.¹²¹ A literal interpretation of section 43E(1)(iii) would have the effect that SPs are not obliged to take proper steps in the absence of a notification from copyright owners even if they have knowledge of the infringement, despite the fact that their knowledge of infringement would nevertheless deny them limitation of liabilities under section 43E. This position would not favour copyright owners, considering that the infringing copy, if remaining on the internet, may lead to widespread and further infringement.

It may be concluded that the provisions in section 43E of the CA 1987 appear to contradict each other. On the one hand, a SP who has knowledge, actual or apparent, of infringement would not meet the conditions for the limitation of liabilities.¹²² On the other hand, the SPs shall not be held liable under section 43E in the absence of any notification from the copyright owners.¹²³ The manner in which section 43E of the CA 1987 is phrased is unfortunate and confusing. Section 43E(3) may be intended to denounce any general duty of monitoring on the part of SPs, and, thus, it is the duty of copyright owners to keep SPs informed of the complained infringing materials or activities. Section 43E of the CA 1987 should be amended by deleting sub-section (3). By the removal of section 43E(3), the uncertainty about the duty of SPs who know about copyright

¹²¹ Cf section 512(c)(1)(A)(iii) of the 17 USC, regulation 19(a)(ii) of the E-Commerce Regulations 2002 implementing Article 14(1)(b) of the E-Commerce Directive, and condition 2A for table items 4 and 5 in section 116AH(1) of the CA 1968, which expressly oblige a SP to remove the relevant material or disable access to it expeditiously upon acquiring knowledge of copyright infringement. See section 5.6.5 of Chapter 5.

¹²² See section 43E(1)(b)(i) of the CA 1987.

¹²³ See section 43E(3) of the CA 1987.

infringement to take actions in the absence of any notice from copyright owners, would thus be dissolved.¹²⁴

In addition, a general provision which makes it clear that SPs have no monitoring duty should be introduced into Part VIB instead. However, in light of the interests of copyright owners in enforcing copyright in the online environment, the provision may be subject to an exception which places the duty on SPs to remove or disable access to the alleged infringing material if SPs acquire actual knowledge of it. The duty may be narrowed further by expecting SPs to take proper steps only in circumstances where the material in dispute is apparently infringing.

7.7 Legal protection over technological protection measures

7.7.1 Uncertainty on the scope of ‘technological protection measures’

Technological protection measures (hereinafter referred to as ‘TPMs’) applied to copyright works may be classified into two main types, namely, access control TPMs and copy control TPMs. Section 36A of the CA 1987 which introduced legal protection over TPMs, however, does not expressly refer to the types of TPMs being covered. The definition of ‘TPM’ in section 3, which explains TPM as one which prevents or limits the doing of any act that results in copyright infringement, also does not offer any helpful clue on this matter.¹²⁵

It may be argued that both access control and copy control TPMs may effectively prevent or limit any act which could result in copyright infringement. Nonetheless, it may also be argued that access control TPMs prevent or limit access to copyright works which has never been within the

¹²⁴ See section 5.6.5 of Chapter 5.

¹²⁵ See section 6.3.1 of Chapter 6.

copyright owners' rights to control. Accordingly, access control TPMs do not prevent or limit any act resulting in copyright infringement as accessing copyright works itself does not constitute an infringement.¹²⁶

Leaving uncertainty on the scope of TPMs aside, the definition of 'TPM' in section 3 of the CA 1987 with no mention on the types of TPMs is laudable for being technology-neutral. In this way, the definition of 'TPM' in section 3 may be able to cover new types of TPMs which may be developed and utilized by copyright owners in the future. However, the similar general reference to 'TPM' in section 36A may give rise to problems because it would result in direct circumvention of copy control TPMs being prohibited as well under the CA 1987. As discussed in Chapter 6,¹²⁷ only the act of circumventing access control TPMs, and not copy control TPMs, is prohibited in the jurisdiction of the US and Australia. It follows that the scope of the prohibited acts under the CA 1987 may be possibly wider than that of the copyright statute of the US and Australia.¹²⁸ It would result in the CA 1987 to tilt in favour of copyright owners and leave users no opportunities to legally circumvent copy control TPM with the objective of conducting fair dealings in relation to copyright works. This would in effect greatly shrink the possibilities for users to make use of copyright works by way of fair dealing.

It is submitted that if a measure has the main function other than to protect copyright works, such as market segmentation tools, it should not be regarded as one which falls within the scope of 'TPM' in the CA 1987 at all. This is supported by the provision in section 36A(1)(a) which refers to the use of a TPM by the copyright owner 'in connection with the exercise of his rights' under

¹²⁶ See section 6.3.1 of Chapter 6.

¹²⁷ See section 6.4 of Chapter 6.

¹²⁸ See sections 1201(a)(1)(A) and 1201(b)(1) of the 17 USC, sections 116AN(1), 116AO and 116AP of the CA 1968. The UK CDPA, however, does not distinguish between access control TPMs and copy control TPMs. See sections 6.3.1 and 6.4 of Chapter 6. The US court in *RealNetworks, Inc. v DVD Copy Control Association, Inc.* 641 F. Supp. 3d 913 noted that the absence of prohibition on direct circumvention of copy control TPMs in section 1201(b) of the 17 USC was meant to enable copying of a work which constitutes a fair use.

the CA 1987.¹²⁹ After all, legal protection over TPM was introduced with the object of protecting copyright works, instead of empowering copyright owners to achieve any purpose other than this, such as asserting or maintaining monopoly via market segmentation tools.

7.7.2 Uncertainty on the scope of the prohibited acts

The absence of categorization on TPMs under the CA 1987 is commendable for being technology neutral and, thus, would be able to cover new types of TPMs which may be developed in the future. However, the provision of the prohibited acts without regard to the types of TPMs, in particular the prohibited circumvention in section 36A(1), may result in direct circumvention of copy control TPMs being prohibited as well, which is not prohibited under the copyright law in the US and Australia.¹³⁰

It is therefore suggested that a proviso be inserted into section 36A(1) to state that the prohibited act of circumvention is inapplicable to instances where a copy control TPM is involved. This is important to strike a balance of rights between copyright owners and the public, especially taking into consideration the inapplicability of the exceptions in section 13(2),¹³¹ including the fair dealing exception, to the prohibited acts in section 36A of the CA 1987. With the proposed proviso, the public may legally circumvent copy control TPM with the objective of conducting fair dealings with respect to the copyright works.

¹²⁹ See section 6.4 of Chapter 6.

¹³⁰ See section 6.4 of Chapter 6.

¹³¹ See section 6.7 of Chapter 6.

7.7.3 Uncertainty on the meaning of ‘circumvent’

There is no definition of ‘circumvent’ in the CA 1987 and questions may arise as regards the scope of the prohibited circumvention of TPM in section 36A(1). It is not clear as to whether the prohibited circumvention includes the act of using any tool, device or password issued by copyright owners to third party.¹³² It may be argued that using a tool, device or password legally issued to third party does not constitute circumvention since such conduct does not avoid, bypass or impair a TPM. In other words, such act does not ‘circumvent’ a TPM.¹³³ The real problem with such an act lies in the absence of authority to use the tool, device or password. It is submitted that the unauthorized use of passwords is governed under section 3 of the Computer Crimes Act 1997 which makes unauthorized access to computer material an offence.¹³⁴ Since there is already legal protection against such conduct which copyright owners may avail themselves of, ‘circumvent’ in section 36A(1) of the CA 1987 should not be interpreted broadly to include the unauthorized use of legitimate tool, device or password.

A definition of ‘circumvent’ should be included into the CA 1987 so as to provide the meaning of ‘circumvent’ in a definite manner and, thus, a clearer scope of the prohibited circumvention of TPMs. To clear doubts on the question whether unauthorized use of legitimate passwords and the like amounts to ‘circumvention’, the definition of ‘circumvent’ should expressly exclude the unauthorized use of legitimate passwords or information issued to third parties.

¹³² See section 6.5.1 of Chapter 6.

¹³³ See *I.M.S. Inquiry Management Systems, Ltd v Berkshire Information Systems, Inc.* 307 F. Supp. 2d 521 (SDNY 2004), cf *321 Studios v MGM Studios, Inc.* 307 F. Supp. 2d 1085 (N.D.Cal. 2004) and *Actuate Corp. v International Business Machines Corp.* 2010 US Dist. LEXIS 33095, as discussed in section 6.5.1 of Chapter 6.

¹³⁴ See section 6.5.1 of Chapter 6.

7.7.4 The absence of, or limited, exceptions to the prohibited acts

Section 36A(2) of the CA 1987 provides a list of exceptions to the prohibited acts in section 36A(1). However, no exception is made to the trafficking activities prohibited under section 36A(3). This raises the question as to whether the exceptions in section 13(2) may apply to the prohibited acts in section 36A.¹³⁵ It is noted, however, that the courts in the UK have held that the traditional exceptions to copyright infringement were inapplicable to the prohibited trafficking activities because any use for non-infringing purposes would take place only after circumvention of TPM.¹³⁶ The same position prevails in the US.¹³⁷ The legal position is arguably similar in Malaysia. Hence, it would appear that section 13(2) is of no relevance to the prohibited act in section 36A. This certainly expands the copyright owners' control over digital works and reduces the sphere in which society may make use of copyright works for public interests.

In addition, the non-existence of any exceptions to the trafficking activities prohibited under section 36A(3) is a great deficiency. There would thus be circumstances where a user may be exempted from liability for the prohibited circumvention in section 36A(1) due to the availability of any exception in section 36A(2), but the manufacturer or seller of the circumvention device would not be entitled to any exception. A practical problem that arises in relation thereto is how individual users would be able to circumvent TPM for the legitimate purposes as listed in section 36A(2) when the trafficking activities of the relevant circumvention device are prohibited. The absence of any exception to the prohibited trafficking activities has the effect of diminishing the

¹³⁵ See section 6.7 of Chapter 6.

¹³⁶ As it was held in *Nintendo Co Ltd v Console PC Com Ltd* 641 F. Supp. 3d 913, which is discussed in section 6.7 of Chapter 6.

¹³⁷ See *Universal City Studios, Inc. v Reimerdes* 111 F. Supp. 2d 294 (SDNY 2000), *Universal City Studios, Inc. & Ors v Eric Corley* 273 F. 3d 429, *RealNetworks, Inc. v DVD Copy Control Association, Inc.* 641 F. Supp. 3d 913, as discussed in section 6.7 of Chapter 6.

possibility for users to circumvent TPMs for legitimate purposes as prescribed in section 36A(2).¹³⁸

Another aspect in which TPM-related provisions of the CA 1987 are found insufficient is the narrow scope of the exceptions listed in section 36A(2). The phrase ‘for the sole purpose’ is present in each of the exceptions prescribed in section 36A(2). In circumstances where the acts are performed not solely for the specified purposes, but also for other purposes which are beneficial to the public, the acts may nonetheless disqualify for the exceptions. The scope of the exceptions to the prohibited circumvention is restricted further by the pigeonholing approach adopted in section 36A(2). The closed system of exceptions as in section 36A(2) would pose obstacles for any person to defend his conduct, who may in any case fulfil the yardstick of fairness, but unable to bring the act within any of the listed exceptions.¹³⁹

Hence, it is proposed that the phrase ‘for the sole purpose’ be removed from section 36A(2) of the CA 1987. The phrase ‘for the sole purpose’ may have been adopted so as to ensure that circumvention of TPMs, which is carried out for copyright infringing purposes but happens to fall within the specified purposes as well, would not qualify for the exceptions. However, it is thought that in such circumstances a case of traditional copyright infringement may likely be established and, thus, there is no need to overly expand copyright protection by the means of TPMs. In addition, it is also suggested that a general and open-ended exception be included so as to serve as a catch-all exception with fairness as the criterion in order to reduce rigidity of the current closed system of exceptions in section 36A(2).

¹³⁸ See section 6.7 of Chapter 6.

¹³⁹ See section 6.7 of Chapter 6.

With regard to the absence of any exception to the trafficking activities prohibited under section 36A(3), it is suggested that appropriate exceptions to the prohibited trafficking activities should be provided under the CA 1987. It can well be imagined that with such a totalitarian prohibition on trafficking activities with respect to circumvention devices, the exceptions to the prohibited circumvention may be of little use or relevance. This is because without circumvention devices being lawfully manufactured or offered for sale, it is unlikely for the public in general to be able to circumvent TPMs for legitimate purposes on their own.

7.8 Future research

Due to the limited scope of the thesis, there remains other copyright questions arising in the digital environment which are notably worthwhile to investigate in the near future. It is noted that it would be interesting and crucial to determine whether copyright law provides a balance of interests between copyright owners and the public in addressing the issues relating to the first sale doctrine in the digital environment. Likewise, it is observed that the research could be taken further in respect of streaming in which the increasing tension between the interests of copyright owners and the public is demonstrated.

7.9 Summary

It is found that Malaysian copyright law, when applied to the issues selected for study in this thesis, is infested with ambiguities and insufficiencies in many ways. The CA 1987 tilts in favour of copyright owners since the broad and overlapping exclusive rights, together with the recently introduced legal protection over TPMs, empower copyright owners with an obviously increased

power and ability to combat copyright infringement in the digital environment. It is a valid concern as regards the potential abuse of TPMs by copyright owners to achieve control over activities beyond that is permitted under copyright law. It is acknowledged that adequate protection is necessary and desirable in view of the fact that digital technologies enable the public to copy and share digital works with extreme ease and at a super large scale. However, to maintain a balance of interests between copyright owners and the public, the exceptions to copyright infringement should be more flexible so as to accommodate the increasingly prevalent practices of digital appropriation as well as new services in the digital environment which are beneficial to the public. The newly introduced provisions on limitation of liabilities of SPs serve as a good illustration of copyright law seeking to strike a balance of interests between copyright owners and the public in the digital environment. Nonetheless, the research indicates that there is still room for improvement in this aspect. Malaysian copyright law could be bettered so as to ensure the potential of digital technologies may be fully tapped in a way that is of benefit to both copyright owners and the public.

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