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By post and by e-mail to [copyright@alrc.gov.au](mailto:copyright@alrc.gov.au)

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## Submission on the Discussion Paper “*Copyright and the Digital Economy*”

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Dear Sirs

### **Introduction**

The International Association of Scientific, Technical and Medical Publishers (“STM”) is the leading global trade association for academic and professional publishers. It has over 120 members in 21 countries, including Australia, who each year collectively publish nearly 66% of all journal articles and tens of thousands of monographs and reference works. STM members include learned societies, university presses, private companies, new starts and established players.

We welcome the opportunity to contribute to the inquiry on “Copyright and the Digital Economy” and are pleased to make this submission regarding the various principles and proposals set out in the Discussion Paper with the ultimate aim of improving the current legislative framework for copyright in the digital environment. STM also welcomes the opportunity to continue contributing to the debate after making this submission.

STM publishers play a key role in the digital economy because they have actively embraced the opportunities of the digital online environment,<sup>1</sup> starting with journal content and other digitally-created products such as software, data and databases, as well as other digital tools. For more than ten years now, science and medical researchers, along with medical practitioners, have had ubiquitous access to online tools that include published information,

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<sup>1</sup> A useful catalogue of the digital changes in scholarly publishing can be found in the STM report (2012) “An Overview of Scientific and Scholarly Publishing” at: [http://www.stm-assoc.org/2012\\_12\\_11\\_STM\\_Report\\_2012.pdf](http://www.stm-assoc.org/2012_12_11_STM_Report_2012.pdf).

links between references in the literature,<sup>2</sup> data sets and software that can be manipulated by the user, and visual supplemental information such as video and three-dimensional illustrations that can be viewed from different perspectives by the user.<sup>3</sup>

In a paper entitled “How Copyright Drives Innovation in Scholarly Publishing”<sup>4</sup> published shortly before the Discussion Paper was issued, Prof. Adam Mossoff, Professor of Law at George Mason University School of Law and a member of the Copyright Alliance Academic Advisory Board wrote:

“Today, copyright policy is framed solely in terms of a trade off between the benefits of incentivizing authors to create new works and the losses from restricting access to those works. This is a mistake that has distorted the policy and legal debates concerning the fundamental role of copyright within scholarly publishing, as the incentive-to-create conventional wisdom asserts that copyright is unnecessary for researchers who are motivated for non-pecuniary reasons. As a result, commentators and legal decision-makers dismiss the substantial investments and productive labors of scholarly publishers as irrelevant to copyright policy.”

In Part III of his paper<sup>5</sup>, Prof Mossoff gives details of the various on-line platforms for the dissemination of content created and maintained by STM publishers, as well as various tools created by them and other players in the copyright industry to facilitate research and the dissemination of scholarly knowledge. Citing the recent US Supreme Court decision in *Golan vs Holder*<sup>6</sup>, Prof Mossoff makes the point<sup>7</sup> that “it is publishers, not authors, who conceive of, invest in and thus create the successful market mechanisms that convert authors’ manuscripts into the books and articles that are transmitted via print or digital distribution channels to consumers of these works.”

Publishers invest considerable sums of money in these innovations, both in technology and in employment of people having the necessary skills, and therefore add considerable value to the creative input and its dissemination. Furthermore, in the STM industry, publishers are responsible for the peer review and editing of the works submitted to them for publication. Although STM publishers are known for their journals, they also publish books, which have different risks attaching to them, such as the estimation of the size of the market for the work and the resultant structuring of the production of the work, as well as royalty arrangements with the authors. Also, it is the publisher who is called on to act, at their cost, to enforce copyright in cases of infringement, which is something that an individual author would likely not have the resources to accomplish. Publishers add value to the finished article containing the creative work, and rely on a solid and certain framework of copyright law to enable them to do so.

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<sup>2</sup> For information on the embedded linking of references within STM journal articles, see <http://www.crossref.org/01company/16fastfacts.html>.

<sup>3</sup> Recent presentations on innovations in online information and presentation can be found on the STM web site in connection with the “Innovations” conferences held in Washington DC in April 2012, <http://www.stm-assoc.org/events/stm-innovations-seminar-2012-us/?presentations>, with a great number of new innovative scientific publishing products, or in London in December 2010, for example the presentation by the Royal Society of Chemistry at [http://www.stm-assoc.org/2010\\_12\\_03\\_Innovations\\_Kidd\\_ChemSpider\\_What\\_do\\_we\\_do\\_first.pdf](http://www.stm-assoc.org/2010_12_03_Innovations_Kidd_ChemSpider_What_do_we_do_first.pdf).

<sup>4</sup> Available at <http://publishers.org/attachments/docs/copyrightdrivesinnovation-mossoff.pdf>, with an introduction at [https://copyrightalliance.org/2013/04/how\\_copyright\\_drives\\_innovation\\_scholarly\\_publishing#.UfE3MXIBuP8](https://copyrightalliance.org/2013/04/how_copyright_drives_innovation_scholarly_publishing#.UfE3MXIBuP8).

<sup>5</sup> *Ibid* pp13-29.

<sup>6</sup> 132 S. Ct. 873, 888 (2012).

<sup>7</sup> *Mossoff* at p7.

We appreciate the ALRC's awareness of the economic contribution of Australia's copyright industries, as cited in the PricewaterhouseCoopers report "The Economic Contribution of Australia's Copyright Industries 1996-1997 – 2010-2011" (para 3.21). One of the report's key findings was that for the 2010--11 fiscal year, Australia's copyright industries:

- employed 906,591 people, which constituted 8.0 per cent of the Australian workforce. The real average wage for people employed in the copyright industries increased from \$48,499 in 1996--97 to \$56,031 in 2010--11 per employee,
- generated economic value of \$93.2 billion, the equivalent of 6.6 per cent of gross domestic product (GDP),
- generated just over \$7 billion in exports, equal to 2.9 per cent of total exports.

We would also like to draw your attention to the "WIPO Studies on the Economic Contribution of the Copyright Industries" released in January 2012,<sup>8</sup> which highlighted the importance of copyright-based industries in overall economic performance. The survey built on data from 30 national studies, including in Australia for 2009, where it was also found that copyright industries contributed over 10% to GDP and 8% to employment, higher than the international average.

The WIPO survey also showed a strong and positive relationship between contribution of copyright industries to GDP and the existence of a well established legal and political system where both physical and intellectual property rights are respected. Countries with the highest share of copyright industries to GDP typically have well-functioning intellectual property rights legislation<sup>9</sup>, and this finding also applies to Australia.

### **Framing Principles for Reform**

In general, STM agrees with the ALRC's selection of the five main principles for copyright reform set out in the Discussion Paper.

However, in respect of the second principle, "Maintaining incentives for creation of works and other subject matter", whereas we agree with the need to reward authors for their creativity and note with appreciation the statement in the Discussion Paper that "[n]o-one suggested that copyright creators and owners should not be fairly rewarded" (para 2.14), the discussion of the principle lacked any significant reference to the role of industry, particularly publishers, in investing, for the purpose of innovation, in technology and employment. We submit that the principles for reform need to take into account industry's role in the development, discovery, and dissemination of scholarly communication that fuels innovation, job creation, and economic growth. The contributions of the copyright industries, especially publishing, relies on a solid and certain framework of copyright law in order to make their contribution, and we can put it no better than News Limited did in their submission (para 2.13):

"Orderly management of copyright is essential to promote the continued productions of original copyright materials, to ensure sustainable business models and on-going investment and employment in Australia's creative industries."

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<sup>8</sup> Available at [http://www.wipo.int/ip-development/en/creative\\_industry/pdf/economic\\_contribution\\_analysis\\_2012.pdf](http://www.wipo.int/ip-development/en/creative_industry/pdf/economic_contribution_analysis_2012.pdf).

<sup>9</sup> *Ibid* p7.

## **Fair Use in Australia**

One of the main proposals in the Discussion Document is that a fair use exception be adopted in Australia, not only to replace existing fair dealing exceptions, but also cater for other areas considered in the Issues Paper where use of a copyright work without the consent of the rights holder should be permitted.

In responding to the Issues Paper, STM submitted that the importing of a fair use defence into Australian law would not contribute to the success of the digital economy (extracted and set out in Annex A to this letter). In addition to the reasons we have previously shared with the ALRC about the perils of introducing a fair use exception to Australia (see below), we feel that the uncertainty such an exception would bring about in Australia and the impact that it may have on the activities of publishers would be equally if not more harmful.

The proposal for the adoption of fair use is largely encouraged by the example of the United States. However, the differences in the legal backgrounds between fair use in the United States and fair dealing in Australia are already known to the ALRC (para. 4.82), as well as the fact that the fair use defence in Section 107 of the US Copyright Act is a codification in 1978 of the extensive jurisprudence that had gone before (paras. 4.12 and 4.83).

The first and immediate effect of the introduction of a fair use defence in Australia would be litigation, much of which would end up in an appeals court due to the body of precedent in Australian law being significantly smaller than that in the US. However, even if a strong resource of precedents were to exist, a fair use defence is still conducive to litigation, as was illustrated in our original submission, and which we repeat here.

Legal research carried out during the time of the Hargreaves review in the United Kingdom found that, from January 1978, when fair use was codified in US law, to the end of 2010, there was a total of 21 fair dealing cases decided in the United Kingdom compared to 223 fair use cases decided in the US. Our own research for 2012 found that by mid-November 2012, when we made our submissions, in the US, 23 copyright cases had been filed in the federal court of appeal alone in the 2nd Circuit, and 52 cases filed in the court of appeal in the 9th Circuit. Although these two circuits do not represent all the US courts, both of them represent copyright-heavy industries in publishing, film & entertainment, and software and other technology industries. This does demonstrate the large number of copyright litigation matters arising in the US every year.<sup>10</sup> The latest available case-by-case information analyzed by the Transactional Records Access Clearinghouse (TRAC) of Syracuse University showed that July 2012 was the fourth straight month where filings had reached close to 300 or more per month — higher than they had been since July 2008. When monthly 2012 civil filings of this type are compared with those of the same period in the previous year, their number was up 41%.<sup>11</sup>

The weakness of an open-ended “flexible” exception invariably means in effect that an exception to copyright in a new situation will be decided on by a judge (or, more likely, considering the likelihood of appeals in many of these cases, the majority of a number of judges), instead of by Parliament. The contention in para. 3.56 of the Discussion Paper that “[s]ome submissions seem to consider that Australian courts, industries and consumers are incapable of developing an understanding of concepts which, in a number of jurisdictions, including the US, courts, citizens and businesses deal with on a day to day basis” not only misses this point, but also wrongly assumes that “courts, citizens and businesses” will come to the same conclusions in respect of a given factual situation every time. On the contrary,

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<sup>10</sup> This kind of research can be done relatively easily through researching listings of cases filed can be found at <http://www.dockets.justia.com>.

<sup>11</sup> TRAC’s report can be found at <http://trac.syr.edu/tracreports/civil/293/>.

an open-ended “flexible” exception precisely creates the type of uncertainty that would not be welcome for industry when making investment decisions in respect of new technologies. That uncertainty would not only apply to industry, but also to users – the “chilling effects” referred to by Screenrights in its submission (para. 4.63).

There are numerous other arguments that can, and have been, raised in response to a proposal to introduce fair use into Australia. The problems raised here and elsewhere have not, in our view, been adequately addressed in the ALRC’s proposal. STM therefore submits that Australia should not adopt a fair use exception, but should rather continue to build on its existing body of copyright law, including the concept of fair dealing.

### **Fair dealing**

On the basis that a fair use exception is not adopted, STM supports the proposal in Proposal 7-3 for a new fair dealing exception for the purpose of professional advice by a legal practitioner (on the basis that this term is limited to practising solicitors and barristers), a registered patent attorney and a registered trade mark attorney.

STM has no objection in principle to the insertion of fairness factors in fair dealing exceptions, as proposed in Proposal 7-4. We note that different fairness factors have been proposed throughout the Discussion Paper in respect of different proposed exceptions and that, when legislation is proposed with differentiated fairness factors, each will have to be considered separately.

### **Non-consumptive use**

STM welcomes the ALRC’s finding that there is not enough evidence of market failure to warrant a specific exceptions for data and text mining, and the principle underlying it that an exception should only be considered where there is a market failure.

We note, however, that fairness factors specific to fair use in data and text mining are proposed in para 8.79. Consistent with our view that fair use should not be adopted in Australia, we submit that these “fair use in data and text mining” factors are too broad and indefinite to be incorporated in a fair dealing exception for non-consumptive use, especially considering the licensing solutions that are being planned and are already on offer.

STM publishers actively provide products and services aimed at supporting the advancement of science through the dissemination and discovery of essential information and key relationships among that information. STM and its members are currently engaged in evaluating or supporting a variety of initiatives, standards and policy approaches that concern research data and because of STM publishers’ heavy involvement in this area they know that issues concerning data and text mining and published journal articles require special consideration. The 2011 report from the Publishing Research Consortium (PRC) entitled “*Content Mining of Journal Articles*” has identified the variety of data and text mining methods and purposes in which journal publishers and other stakeholders are currently engaged.<sup>12</sup> The PRC Report noted that not all data and text mining requests come from the general public – many are from abstracting services, commercial entities, and scientific and medical researchers. For researchers and other individuals with a scholarly or non-commercial purpose, it may be indicative that the PRC Report found over 90% of publishing respondents stated that they grant research-focused data and text mining requests.

Data and text mining for commercial purposes involves different evaluation criteria, but increasingly STM publishers are providing licensing options and arrangements for such ends.

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<sup>12</sup> <http://www.publishingresearch.net/documents/PRCSmitJAMreport20June2011VersionofRecord.pdf>.

Publishers and collective management organizations are currently offering a variety of licensing options and permissions, and such offers and solutions should be encouraged and supported.<sup>13</sup> Where the data and text mining usage is non-commercial or purely for scholarly purposes and the intended user has subscribed to the body of data or text concerned, publishers as socially responsible organisations understand that such activities often have the potential to advance the public good without causing economic harm and are predisposed to do what they can in support.

Exceptions on their own will not deliver the potential benefit of data and text mining, yet they would expose copyright-protected works to greater risks of piracy and abuse, and counter-act the incentive that is copyright for the very same organisations that invest in the creation and dissemination of valuable and innovative content.

In the circumstances, we believe that more attention should be given to the fair dealing exception for non-consumptive use in Proposal 8-3, and specifically that it should not facilitate unlicensed data and text mining, especially by persons who have a commercial purpose with it and persons who have not subscribed to the content being mined.

### **Transformative use and quotation**

STM supports the ALRC's recommendation in Proposal 10-1 that there should not be a special exception for transformative use, for the reasons given in the initial submission.

In response to the proposal for a fair dealing exception for quotation in Proposal 10-3, STM would support such an exception for academic use so long as it is a clearly defined, as contemplated by Article 10(1) of the Berne Convention, it meets the second and third steps of the three-step test under the Berne Convention<sup>14</sup> and the author and the rights holder are properly attributed in use under the exception.

Much will depend on the drafting of the proposed exception. If the proposed exception on quotation could be used for new forms of information products which make use of copyright works without compensation to rights holders, STM's position is that the use of quotations for such information products should be licensed and not allowed under an exception.

### **Educational Use**

STM notes the proposal to repeal the statutory licence (Proposal 6-1), but is extremely concerned about what is being proposed to replace it, namely the consideration of free use exceptions for educational institutions (Question 6-1) and a fair use exception listing education as an illustrative purpose, alternatively a new exception for fair dealing in education (Proposals 13-1 and 2). We question whether "education" *per se* is a special case, as is required by the three-step test under the Berne Convention and therefore whether such an exception would meet the fifth principle for reform set out in the Discussion Paper. Berne Convention's 3-step test, which requires that any exception must be confined to a certain special case that does not interfere with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the rights-holder.<sup>14</sup>

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<sup>13</sup> See also the STM sample licence available at: [http://www.stm-assoc.org/2012\\_03\\_15\\_Sample\\_Licence\\_Text\\_Data\\_Mining.pdf](http://www.stm-assoc.org/2012_03_15_Sample_Licence_Text_Data_Mining.pdf).

<sup>14</sup> The Berne Convention's 3-step test requires that any exception must be confined to a certain special case that does not interfere with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the rights-holder - Art. 9(2) Berne Convention, Art. 13 TRIPS, Art. 10 WIPO Copyright Treaty.

STM suggests that the public interest of education is best served by encouraging the creation of new publications and information services targeted at this sector. For example, journal articles, academic treatises and textbooks are published by STM publishers for the very purpose of contributing to scholarly communication and education. Libraries for non-commercial research or non-commercial educational institutions are the primary purchasers or licensees of STM publisher materials and services. Further, STM publishers have embraced digital technology and offer much of their material online or in digital form (almost all journal and database content, and an increasingly large number of books) and provide online services such as individual article purchase and access. STM publishers are also actively engaged with other agents and distributors to distribute or provide access to or copies of such materials. Offering publications and information services to non-commercial communities, e.g. by way of subscription or individual journal article supply, is the very essence of “normal exploitation” which must be left free of exceptions that prejudice the legitimate interests of rights holders unreasonably.

STM notes that the Discussion Paper intentionally does not attempt to define what educational uses should be covered by the proposed exception, leaving it to the courts to decide (para. 13.16). Any exception on these terms would make the scope of the exception overly broad and will therefore fail to define a special case under the three-step test.

Even should “education” be defined in legislation flowing from this Discussion Paper, STM submits that STM materials should not be an illustrative use in any fair use exception or form part of any fair dealing exception. It is sometimes stated that because education is in the public interest, it constitutes a “certain special case” on which any copyright exception is premised. The presumed non-commercial nature of many educational activities is frequently cited as a strong indicator that the use should be legitimised under an exception and does not “interfere with the normal exploitation”, i.e. the market, of the rights holder, or is not “unreasonably prejudicial” to his/her interests. These arguments do not however apply to STM materials as these are prepared specifically for the educational market and including an exception in respect of “education” for STM materials would not constitute a “certain special case”. An unqualified exception that includes all STM materials would also interfere with the normal exploitation of the work and unreasonably prejudice the legitimate interests of STM rights holders.

### **Government use**

STM notes that the Discussion Paper proposes unspecified fair use or fair dealing exceptions for public administration (Proposals 14-1 and 2).

STM opposes the view that copies of STM material kept by public administration bodies may be used as “master copies” to serve beneficiaries of fair dealing exceptions or under any other exception, or to permit access to the general public. Such copies must not become the source of further uses other than on-site consultation and/or inspection. (STM holds a similar position with regard to preservation and archival copies made by libraries and archives.)

Even if any such proposed exception were to be better defined, STM submits that they must not allow the publication or communication of copies of STM materials submitted to a public authority, such as to a patent or trade mark registry in the prosecution of or opposition to a patent or trade mark application.

### **Contracting out**

In our initial submission (extracted in Annex B), we set out extensively how STM publishers rely on licensing copyright works in the digital economy. As a result, STM is concerned about legislative amendments to the common law of contract generally, especially a

provision in an exception to the effect that the exception will override a provision in a contract. For this reason, we welcome the principle behind Proposal 17-1 that each exception should be individually examined to determine whether a contract override provision should be applied to it or not. However, STM submits that Proposal 17-1 is still too broad and could result in uncertainty.

Conflict between licensing terms and the scope and reach of exceptions which override contracts will create uncertainty. If copyright exceptions were allowed to overrule commercial terms, it is quite probable that this will lead to cases where there are disagreements between users and rights holders over the scope and reach of exceptions. For instance, some users may feel that a contractual provision limits an exception, when the rights holder believes the use does not fall within the scope of an exception. In such a scenario, the contract would actually reduce the risk of misunderstanding and provide legal certainty where an exception cannot.

Especially in these circumstances, a contract override in the proposed exception for quotation could create some risk for publishers, especially considering permissions guidelines which STM publishers already have in place to give gratis permissions for quotations in academic works. We therefore do not agree that the contract override proposed in Proposal 17-1 should apply to an exception for quotation.

Contract override would not only affect licences, which give access to copyright works, but also other contracts where copyright is the subject, even settlement agreements concluded to resolve disputes concerning copyright infringement. It is not uncommon that, in a dispute as to whether the exclusive rights of copyright apply or not in the light of an exception, the parties, for the purpose of settlement, agree to disagree on the applicability or not of the exception. Statutory contract override will make such settlements impossible due to key clauses, if not the whole agreement, being made unenforceable, thereby compelling the parties to proceed with litigation.

## **Summary**

STM publishers have actively embraced the opportunities of the digital online environment, starting with journal content and other digitally-created products and since the inception of the internet. Licensing of electronic content has become the centre of STM publishing. Licensing is incredibly flexible and able to accommodate all kinds of business models, from outright purchase to rental. It allows the provision of access to copyright-protected content in a commercial setting and for segmentation to non-commercial or even reduced-rate or nil-rate segments, without needing to fear one segment taking sales from another.

A viable and sustainable ecology for scholarly communication has also supported information philanthropy initiatives from the STM publisher community. This includes programmes in the developing world coordinated through agencies of the United Nations such as HINARI, OARE, AGORA and ARDI,<sup>15</sup> in which countries and institutions we are now seeing significant increases in research and publication output. Many STM publishers are also involved in INASP, the International Network for the Availability of Scientific Publications.<sup>16</sup> The legal vehicle enabling these access initiatives is licensing, as opposed to reduced level of copyright protection by way of exceptions or limitations.

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<sup>15</sup> See the Research4Life web site at <http://www.research4life.org/>. Research4Life is the collective name for the four programmes, and is a public-private partnership of the WHO, FAO, UNEP, WIPO, Cornell and Yale Universities and STM.

<sup>16</sup> For more information see <http://www.inasp.info/file/3d034b8bae0a3f7e1381979aedc356a9/about-inasp.html>



If copyright protection is reduced and economic benefits are essentially transferred (for free) to third party participants in the information technology sector (eg intermediaries), the effect will be to reduce the ability of this sector to re-invest in high quality content and access.

We disagree with the perception, which is reflected in some of the commentary recounted in the consultation process, that certain areas of copyright, or as some voice it, copyright itself, is a barrier to innovation in the digital economy. STM publishers operate in one of the most dynamic and innovative fields, combining scholarly communication and information technology. The STM industry is therefore an example that well illustrates that there is no contradiction between innovation, growth and intellectual property (copyright) – to the contrary: copyright is the fuel that feeds the fire of creativity and economic growth.

Given the industrial growth which depends on high-quality STM research information and the remarkable digital environment that STM publishers have helped to create for researchers and professional practitioners, Government could most usefully contribute to innovation and growth in Australia by bolstering the copyright industries broadly and publishing in particular.

STM publishers to no small degree have imagined the future and in so doing have in effect added value to the user experience on the Internet by making more information available to more people than at any time before.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Michael Mabe", with a long, sweeping horizontal line extending to the right.

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Michael Mabe  
Chief Executive Officer  
STM, International Association of Scientific, Technical and Medical Publishers

## ANNEX A – Extract from STM submission dated 29 November 2012 concerning fair use

Australia is not substantially different in its emphasis on “fair dealing” purposes such as criticism, journalism or non-commercial research than are other jurisdictions, including the US. Indeed “fair dealing” and the US “fair use” principles have much in common: they both derive from common-law principles that have evolved to take into account changes in the perceptions of uses that might be socially beneficial and do not distort the proper functioning of literary markets; and they both encourage the discovery and discussion of ideas, developments and news, while discouraging the copying of the entirety or substantial parts of copyright works.

Although the Australian fair dealing doctrine (itself part of a broader common-law tradition of findings by courts that certain uses are “fair” and reasonable) and the US fair use doctrine have the same common-law parentage and orientation, the legal environments are quite different. The US legal environment involves more risk and uncertainty, demonstrated in part by the higher volume of US litigation generally, and significant expense for both plaintiff and defendant, and thus an environment that may favour well-financed Internet-based companies who are prepared to take more legal risk than others might, and which facilitate insecure online access to the content of others as part of their own business.

More copyright infringement cases are brought and decided in the US and our analysis shows ten times the number of “Fair Use” decisions in the US than, for example, “Fair Dealing” decisions in the United Kingdom.<sup>17</sup> The greater volume of decisions in the US has not always led to greater clarity about fair use analysis, however—in fact there is greater uncertainty about the legal analysis and resulting implications for US businesses (including for the publishing community) than might be commonly perceived. US commentators and advisers constantly warn their clients and stakeholders that there are no “bright line” rules in fair use analysis, even in educational environments (even though educational purposes are considered an important fair use context).<sup>18</sup>

Judicial decision-making on fair use, although currently codified in Section 107 of the US Copyright Act,<sup>19</sup> is always understood to be a balancing of interests and factors, and over time the interpretation of and emphasis on certain factors has changed.<sup>20</sup> US courts struggle in fair use cases to determine whether the use in question provides new information (or entertainment) in a fashion that transforms and transcends the original work, which has an important societal benefit, in the categories noted

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<sup>17</sup> Legal research has found, from January 1978 to the end of 2010, a total of 21 “Fair Dealing” cases decided in the UK compared to 223 “Fair Use” cases decided in the US.

Thus far, by mid-November 2012 in the US, 23 copyright cases have been filed in the federal court of appeal alone in the 2<sup>nd</sup> Circuit, and 52 cases filed in the court of appeal in the 9<sup>th</sup> Circuit—although these two circuits may not be representative (both represent copyright-heavy industries in publishing, film & entertainment, and software & other technology industries)—this does demonstrate the large number of copyright litigation matters arising in the US every year. Listings of cases filed can be found at <http://www.dockets.justia.com>.

The latest available case-by-case information analyzed by the Transactional Records Access Clearinghouse (TRAC) of Syracuse University showed that July 2012 was the fourth straight month where filings have reached close to 300 or more per month — higher than they have been since July 2008. When monthly 2012 civil filings of this type are compared with those of the same period in the previous year, their number was up 41%. TRAC’s report can be found at <http://trac.syr.edu/tracreports/civil/293/>.

<sup>18</sup> See for example the “fair use” sections on sites such as the Washington State University and Stanford University that offer extensive guidance (although STM might not agree with all policy points mentioned on such sites, we at least applaud the understanding of complexity) at [http://publishing.wsu.edu/copyright/fair\\_use/](http://publishing.wsu.edu/copyright/fair_use/) and

[http://fairuse.stanford.edu/Copyright and Fair Use Overview/chapter9/index.html](http://fairuse.stanford.edu/Copyright%20and%20Fair%20Use%20Overview/chapter9/index.html)

<sup>19</sup> The statutory language can be found at <http://www.copyright.gov/title17/92chap1.html#107>.

<sup>20</sup> In the 1985 decision by the Supreme Court, Harper & Row v Nation (471 US 539), the Court described the ‘effect on the market’ factor as being the “single most important element of fair use”; while the same Court less than ten years later in 1994 described the four factors as being essentially co-equal in Campbell v Acuff-Rose (510 U.S. 569).

above, and which will not supplant the rights-holder's ability to maintain a market, or develop new markets, for their works.

To illustrate this difficulty, one can refer to the settlement of the long-running dispute, brought in 2005, between Google and publishers concerning Google's mass scanning of books. Google's defence was to be a fair use defence, but the settlement has avoided a juridical decision on the question as to whether mass reproduction could be fair use.

Litigation costs are another element of uncertainty in US copyright cases, especially in matters that will involve significant evidence-taking and discovery, inevitable in legal analysis involving inherently fact-based issues such as fair use, and in matters with the complexity usually found in fair use cases. Even less complex cases can easily involve many hundreds of thousands of dollars in costs, and importantly it is generally the case in the US that each of the parties bears its own costs (rather than being borne by the losing party as in Australia).

Search engine companies such as Google have been at the centre of a number of copyright infringement cases brought and decided in the 9<sup>th</sup> Circuit in the US (the west coast circuit that includes California and thus a number of notable technology industries), concerning the republishing of copyright works available on commercial Internet sites that have paying access requirements (paid subscriptions or memberships). The Perfect 10 case (508 F.3<sup>rd</sup> 1146, 9<sup>th</sup> Circuit, 2007) is an example of this, with Google displaying "thumbnail" (reduced size) images from a membership site which included "risqué" photographs. The 9<sup>th</sup> Circuit found in this case that there was no market for reduced-size images, and no practical method for Google to eliminate such display in its indexing of Internet sites (although the case was remanded in part), reasonably consistent with its decision in Kelly v Arriba Soft (336 F.3<sup>rd</sup> 811, 2003), and upheld Google's fair use defence. Google has since raised a fair use defence in the copyright infringement case brought against it by the Authors Guild in the New York District Court for the unauthorised scanning of millions of books (the Authors Guild case) on the basis of the "enormous transformative benefit" that its actions will bring.<sup>21</sup>

STM would be gravely concerned by any characterisation of "fair use" that would permit, for example, the digitisation of entire collections of printed works without permission or payment. That was the situation in the Authors Guild case. Google and its supporters relied on the "thumbnail" cases from the 9<sup>th</sup> Circuit and made the argument that the copying of the entirety of print works was a fair use given that it was only displaying "snippets" of such works online, and that in any event it responded to rights-holders' requests for takedowns. Supporters of the Google project argued that the scanning and indexing was more transformative than exploitative, and indeed that the project would create a new market for older content not yet available digitally. It is our view that the assertion that such copying for commercial purposes could be fair use would represent such a distortion of the doctrine as to eviscerate it.

In the circumstances, STM's view is that a fair use defence will not contribute to the success of the digital economy.

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<sup>21</sup> <http://www.scribd.com/doc/102019445/Authors-Guild-v-Google-Redacted-Version-Plaintiff-Motion-for-Summary-Judgement-Memorandum-of-Law-in-Support>

## **ANNEX B – Extract from STM submission dated 29 November 2012 on contracting out**

STM believes that, in the 21<sup>st</sup> century, licensing has become the vehicle of choice for users and rights holders to agree on uses.

To the extent that Australian law reduces the ability of users and rightsholders legally to agree on permitted uses or create doubt over the enforceability of contractually agreed terms and conditions, Australian law becomes less attractive for rightsholders and users. Moreover, Australia may become less attractive as a hub for business.

STM believes that the following are key issues to consider on the relationship of contract and copyright:

- (i) Due to the vibrancy of the licensing market and the dynamic development of ever new licensing models, there is a great variety of licenses and products available. The availability of licensing models allows competition to play and does not force those whose business models permits liberal licensing to press ahead, while those who wish to develop their own software and, for instance, data and text mining tools to add value to their content.
- (ii) If copyright exceptions were allowed to overrule commercial terms, it is quite probable that this will lead to cases where there are disagreements between users and rightsholders over the scope and reach of exceptions. For instance, some users may feel that a contractual provision limits an exception, when the rightsholder believes the use does not fall within the scope of an exception. This situation would be exacerbated if Australia were to import the “fair use” defence. (See our answer to Question 52 and specifically the recent US decisions extending the previously understood meanings of “transformative use” in the context of the fair use defence). In such a scenario, the contract would actually reduce the risk of misunderstanding and provide legal certainty where an exception cannot.
- (iii) Licences are in the rule subject to a specified fixed term or are otherwise terminable on a period of notice. If, after termination, there is the desire to continue with any given licence, the licence can be renegotiated. Any renegotiated licence can take into account any new exceptions and limitations brought into force during the term of the previous licence. This illustrates that, even if commercial terms are not overruled by copyright exceptions, commercial terms are not immutable and will over time take changes in the law, including to copyright exceptions, into account.
- (iv) Licensing of copyright-protected materials covers a range of diverse content, eg software, film, literary works, broadcasts and music, as well as visual art. It is therefore wrong to generalise what exceptions are really over-ridden by licensing terms and/or relevant to users. For instance, exceptions pertaining to software, differ from those applicable (and relevant) for the use of literary rights, and vice-versa. Moreover, the law applicable to licensing terms also differs depending on where the licensor is located.

Wishing to create simplicity for Australian users of licensed products and services is a valid goal, but should not come at the expense of greater legal uncertainty for rightsholders in Australia. Moreover, diversity of offerings in the market is generally indicative of an active competitive market and a diversity of licensing contracts contributes to this effect.

Where a limited market exists, e.g. only one or few significant users, STM and other trade associations have agreed to co-operate to creating standard terms and conditions or framework agreements that simplify rights clearance for licensees, eg the framework agreement endorsed by STM, the UK Publishers Association and the British Library for the overseas supply of copyright-protected works via libraries to non-commercial users. STM is ready to offer such solutions in Australia as well.