

Chapter Five

Enforceability

Introduction

5.01 The Committee was asked to inquire into and report on the ability of owners or users of copyright to enforce agreements which exclude or modify exceptions to the exclusive rights of copyright owners.

5.02 Part I of this Chapter briefly discusses whether agreements governed by Australian law might fail at the outset for lack of proper formation. It then goes on to discuss to what extent agreements might be affected by the doctrine of unconscionable conduct, consumer protection legislation, the application of equitable maxims, considerations of public policy, or competition law. The practical application of those remedies which could, *prima facie*, be used to challenge agreements the subject of this reference is discussed in Chapter 7. Part II discusses the jurisdictional issues raised by agreements transacted across national borders. The Committee observes that where the laws of a foreign country govern these agreements, remedies available under Australian law may be of limited relevance.

Part I: Agreements covered by Australian law

Formation of contracts

5.03 As discussed in Chapter 4, the digital environment has increased the potential for trade in copyright material to be regulated by mass-market agreements.

5.04 The way in which mass-market agreements are transacted may have implications for their enforceability under ordinary principles of contract law. The question of whether there is sufficient notice of and assent to terms is particularly relevant to the following new types of mass-market agreement, which were discussed by a number of submitters:

- **Shrinkwrap agreements**, (which commonly accompany software products) in which terms are sealed inside shrinkwrapping and/or appear when software is installed. The terms of these agreements are not accessible until after a product is purchased and opened/installed. The outside of the wrapping may or may not indicate that terms are forthcoming. Where terms are displayed upon installation, the user may also be required to click an 'I agree' or similar icon before installation can be completed.
- **Clickwrap agreements**, in which a party indicates assent to terms of an agreement offered online by clicking on an 'I agree' or similar icon.
- **Browsewrap agreements**, which are used by many websites and deem that the act of browsing the website constitutes acceptance of their terms.

Incorporation of terms

5.05 Broadly speaking, the law of contract holds that terms cannot be incorporated into a contract after acceptance of an offer.⁵⁶⁶ The question of incorporation of terms is particularly relevant to shrinkwrap and browsewrap agreements, where purported terms are not notified until after a product is purchased, or until after access to a website has been granted.

5.06 While Australian courts have yet to consider whether shrinkwrapped terms can be properly incorporated into a contract, the Committee notes that these terms may be enforceable on the basis of the so-called ticket cases. In Australia, the purchaser is generally considered to be the offeror and the vendor the offeree for the purposes of retail sales. However, the ticket cases have held that a ticket received after payment for a service may represent an offer containing terms which are accepted when the recipient goes ahead with the contract.⁵⁶⁷ A term may be incorporated in this way if (i) reasonable notice of the term is given and (ii) there is a reasonable opportunity to reject the term, prior to the assumption of binding contractual obligations. The more

⁵⁶⁶ Except by later variation of the contract by the parties.

⁵⁶⁷ *MacRobertson Miller Airline Services v Commissioner of State Taxation (WA)* (1975) 133 CLR 125 per Stephen and Jacob JJ. See also, *Oceanic Sun Line Special Shipping Co Inc. v Fay* (1988) 165 CLR 197; *Baltic Shipping Co v Dillon* (1991) 22 NSWLR 1.

unusual and/or harsh a term, the greater the effort that must be made to bring it to the attention of the party to be bound.⁵⁶⁸

5.07 Most submissions that discussed the issue suggested that it was possible that shrinkwrap agreements could be enforced under Australian law. The US decision of *ProCD Inc v Zeidenberg*⁵⁶⁹ held that a retailer of shrinkwrapped software was the master of the offer who could, accordingly, stipulate a commercially reasonable method of acceptance. The requirement that failure to return the software constituted acceptance of shrinkwrapped terms was considered to be reasonable, in part because the purchaser was entitled to return the product and receive a refund upon being presented with the terms. Subsequent US decisions on the enforceability of shrinkwrap licences have, however, been mixed.⁵⁷⁰

5.08 Few submissions dealt at any length with browsewrap agreements. Like shrinkwrap agreements, these agreements have yet to be judicially considered in Australia. However, the Committee is of the view that browsewrap agreements may be more difficult to enforce than shrinkwrap agreements. In the US, these agreements

⁵⁶⁸ *Oceanic Sun Line Special Shipping Co Inc v Fay* (1988) 165 CLR 197; *Baltic Shipping Co v Dillon* (1991) 22 NSWLR 1. While these decisions (as well as *MacRobertson Miller Airline Services*) deal with contracts of carriage, the UK case of *Thornton v Shoe Lane Parking* [1971] 2 QB 163 illustrates the broader application of these principles. In *Thornton*, the court held that a term limiting liability for personal injury was not incorporated into a contract governing use of a parking station. The term was written on a noticeboard opposite a ticket machine located at the entry to the station. The small print on a ticket dispensed by the machine stated that '[t]his ticket is issued subject to the conditions of issue as displayed on the premises'. According to Lord Denning MR '[the term] is so wide and so destructive of rights that the court should not hold any man bound by it unless it is drawn to his attention in the most explicit way' (at 170). Even if the term had been adequately drawn to the plaintiff's attention, his Lordship held that there was no opportunity to reject it as the plaintiff was 'committed beyond recall at the very moment when he put his money into the machine' (at 169). In *Sydney City Council v West* (1965) 114 CLR 481 Barwick CJ and Taylor J also suggested that limiting terms on a ticket handed to a driver in a queue of traffic before entering a parking station may not have been adequately notified (at 485). The same considerations have been applied in Australia in determining whether a term was incorporated by a notice displayed on premises: *Balmain New Ferry Co Ltd v Robertson* (1906) 4 CLR 379.

⁵⁶⁹ *ProCD Inc v Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) (see further discussion in Chapter 6).

⁵⁷⁰ For example, in *Hill v Gateway 2000 Inc*, 105 F 3d 1147 (1997) *ProCD* was applied to a transaction for the purchase of a computer over the telephone or via the Internet. A shrinkwrap licence was also upheld in *M.A. Mortenson Company, Inc., v Timberline Software Corporation*, 998 P.2d 305 (Wash. 2000). In contrast, in *Williams v America Online*, 43 U.C.C. Rep. Serv. 2d (Callaghan) 1101, a term purporting to govern use of software which was not available until after the software had been installed and irreparably damaged the purchaser's computer was held to be reviewable and in *Softman Products Co. LLC v Adobe Systems Inc.*, 171 F.Supp. 2d 1975 (C.D. Cal., 2001) it was held that a software vendor was not bound by a shrinkwrapped end-user licence as there was no privity of contract between the vendor and the licensor. In *Klocek v Gateway Inc.*, 104 F.Supp. 2d 1332 (D.Kan 2000) a District Court in Kansas also expressly rejected the *ProCD* approach in refusing to enforce a clause in a shrinkwrapped licence, holding that the licence terms were not part of the contract.

have been held to be unenforceable in several cases, given lack of notice of terms, coupled with lack of manifest assent (see below).⁵⁷¹

5.09 Browsewrap agreements surveyed by the Committee make little effort to alert users to their terms (see discussion in paras 4.103–4). However, applying the reasoning in the ticket cases, notice may yet be sufficient if the terms are not unusual and/or unusually onerous.

5.10 For example, it might be argued that the use of terms which exclude or modify the copyright exceptions, although once unusual, is increasingly becoming standard industry practice of which users could reasonably be expected to be aware. It might also be argued that such terms are not unusually onerous in the same way as those dealt with in the ticket cases, which have generally involved terms limiting liability for damage/loss to property or injury to persons.

Assent to terms

5.11 As well as the requirement that reasonable notice of terms be given, terms are generally required to be incorporated by a ‘positive act’ which evinces an intention to create legal relations.

5.12 In the US, clickwrap agreements have been upheld on the basis that the click of a mouse is ‘affirmative conduct’ sufficient for adoption of terms.⁵⁷² While there are no Australian cases on point, most submissions which dealt with the issue accepted that, as a matter of principle, these agreements would be enforceable in Australia.⁵⁷³

5.13 As in the ticket cases, assent to terms can also be implied by the absence of a timely rejection of terms once these have been brought to a party’s attention. This is

⁵⁷¹ For example, *Pollstar v Gigmania Ltd.*, 170 F.Supp. 2d 974 (E.D.Cal. 2000); *Specht v Netscape Communications Corp.*, 150 F.Supp. 2d 585 (S.D.N.Y. 2001).

⁵⁷² *Hotmail Corporation v Van Money Pie Inc. et al.* (N.D. Cal., 1998) 7 U.S.P.Q 2d 1020; and *I. Lan Systems Inc v Nexpoint Networks Inc.*, 2002 WL 15592 (2002 D. Mass) (in which a clickwrap agreement was held capable of incorporating additional terms into a prior purchase order).

⁵⁷³ Although the submission from Adam Gatt provided survey data relating to consumer perceptions of clickwrap licences which illustrated that many survey respondents did not consider clickwrap licences binding.

the basis upon which assent to shrinkwrap or browsewrap agreements would generally need to be found.

5.14 The Committee considers that browsewrap contracts are particularly problematic given a lack of notice of terms combined with a lack of affirmative conduct by which adoption of terms might be signalled. As noted above, courts in the US have refused to enforce browsewrap agreements in light of these considerations.

5.15 The Committee notes that the *Electronic Transactions Act 1999* (Cth) (ETA) is of limited relevance to the issues of enforceability discussed above. The ETA establishes the basic rule that, for the purposes of a law of the Commonwealth, a transaction is not invalid because it took place by means of an electronic communication.⁵⁷⁴ However, the ETA does not establish positive requirements for sufficient notice of or assent to terms in electronic transactions. Insofar as the ETA deals with the time and place of dispatch and receipt of electronic communications it is discussed in Part II of this Chapter.⁵⁷⁵

5.16 The Committee notes that whether clickwrap, shrinkwrap and browsewrap agreements might be enforceable in Australia must await judicial clarification. In the absence of such clarification, the Committee observes that these agreements may create uncertainty for businesses and consumers and/or costs for businesses and consumers who seek to ascertain their legal status.⁵⁷⁶ The Committee considers that clickwrap agreements are likely to be enforceable, although the enforceability of browsewrap and possibly shrinkwrap agreements is open to much greater debate.

⁵⁷⁴ It provides (amongst other things) that where a person is required under a law of the Commonwealth to: give information in writing; provide a signature; produce a document or retain a record or information, they may do so by means of an electronic communication, subject to certain criteria being satisfied. Legislation mirroring the main provisions of the ETA has been enacted in all States and Territories except Western Australia (where, at time of writing, a Bill had been referred to Committee).

⁵⁷⁵ International initiatives to codify the rules of electronic contract formation are also discussed in Part II of this Chapter. The Committee notes that the Draft Convention on Electronic Contracting developed by the UN Commission on International Trade Law (UNCITRAL) (discussed in Part II of this Chapter), which has some similarities with the ETA, does not apply to contracts for the grant of limited use of intellectual property rights.

⁵⁷⁶ The Committee notes the relevance of 2(f) of its terms of reference, which requires the Committee to have regard to the Government's policy that the compliance cost and paperwork burden on small business should be reduced where feasible, in this regard.

Remedies

5.17 There was a general consensus among submitters that agreements which exclude or modify the copyright exceptions are prima facie enforceable. Submitters suggested no legal remedies apart from those raised in the Committee's Issues Paper.⁵⁷⁷ In discussing possible remedies, most submissions concentrated upon whether agreements could be impugned as unconscionable in equity or under consumer protection legislation. Unconscionability is discussed below, along with other remedies which the Committee considers relevant.

5.18 User interests argued, firstly, that contracts which exclude or modify the exceptions can be unfair to individuals in a way that cannot be accommodated by general law or statutory unconscionability. This was largely because of perceived difficulties in negotiating mass-market agreements. Few submissions, however, argued that special rules for enforceability should apply to mass-market agreements.⁵⁷⁸

5.19 Secondly, user interests argued that unconscionability is a remedy ill-suited to protect against the wider effects of contracts the subject of this reference. For example, the AVCC argued that 'it seems inappropriate to leave it to private litigation to defend public interest provisions in copyright legislation.'⁵⁷⁹

5.20 The Committee notes that the lack of case law in this area can be interpreted in opposing ways. For example, the AVCC's submission suggested that the absence of case law involving challenges to agreements the subject of this reference was evidence of the fact that unconscionability (and other remedies) were not adequate to protect

⁵⁷⁷ As being available for contracts which: are prohibited by statute; are contrary to public policy (in particular because they impose an unreasonable restraint of trade); are tainted by general law mistake, misrepresentation, duress, undue influence or unconscionable conduct; breach consumer protection provisions (eg, provisions concerning unconscionable conduct and misleading and deceptive conduct under the *Trade Practices Act 1974* (Cth) (TPA) or unjust conduct under the *Contracts Review Act 1989* (NSW) (CRA) (see discussion below)); or impose restrictive trade practices.

⁵⁷⁸ Although Monash was 'strongly of the opinion that limitations should be placed on the enforceability and use of mass market agreements': Monash submission, p. 5, while ALIA recommended 'special protection for consumers of mass-market products, such as shrinkwrap and other restrictive licences, to protect their rights under the *Copyright Act 1968* and that 'shrinkwrap clauses that mandate binding arbitration should be invalidated': ALIA submission, p. 11. The ADA argued that '[s]pecial protection for consumers of mass-market products may be warranted but there must be a more general response from Government to preserve the role of the Copyright Act as the prime instrument of Australia's information policy': ADA submission, p. 14.

⁵⁷⁹ AVCC submission, p. 9.

against the use of agreements to exclude or modify the copyright exceptions.⁵⁸⁰ In contrast, the submission from the AIIA stated that ‘existing remedies are rarely used in relation to copyright contracts, indicative of the fact that there is no significant problem.’⁵⁸¹

5.21 Owner interests argued on the whole that general law unconscionability and consumer protection legislation provide adequate remedies for those agreements held to be objectionable for one reason or another.

5.22 The Committee now turns to look at these remedies in detail.

Unconscionable conduct in equity

5.23 According to Mason J in *Commercial Bank of Australia v Amadio*⁵⁸² unconscionable conduct may be found in equity ‘whenever one party by reason of some condition or circumstance is placed at a special disadvantage vis-a-vis another and unfair or unconscientious advantage is then taken of the opportunity thereby created.’⁵⁸³

5.24 The equitable doctrine applies to procedural unconscionability: the process of taking advantage of a superior bargaining position. However, inequality of bargaining power alone is not a sufficient basis for invoking the doctrine, as appears from the following statement of Mason J in *Amadio*.

‘Take, for example, entry into a standard form of contract dictated by a party whose bargaining power is greatly superior, a relationship which was discussed by Lord Reid and Lord Diplock in *A. Schroeder Music Publishing Co. Ltd. v Macaulay*⁵⁸⁴ (1974) 1 WLR 1308, at pp 1314-1315, 1316..... In situations of this kind it is necessary for the plaintiff who seeks relief to establish unconscionable conduct, namely that unconscientious advantage has been taken of his disabling condition or circumstances.’⁵⁸⁵

⁵⁸⁰ AVCC submission, p. 9.

⁵⁸¹ AIIA submission, p. 5.

⁵⁸² (1983) 151 CLR 447.

⁵⁸³ at 462.

⁵⁸⁴ See further discussion of this case under restraint of trade later in this Chapter.

⁵⁸⁵ at 462-3.

5.25 Nor does the doctrine apply to substantive unconscionability (ie, the imposition of harsh contractual terms) although a harsh outcome and/or inadequacy of consideration may constitute evidence of unconscionable conduct.⁵⁸⁶

5.26 The circumstances which may constitute special disadvantage include 'poverty or need of any kind, sickness, age, sex, infirmity of body or mind, drunkenness, illiteracy or lack of education [and] lack of assistance or explanation where assistance or explanation is necessary'.⁵⁸⁷ These examples are merely illustrative.⁵⁸⁸ Often a combination of these factors will be used to determine unconscionability.⁵⁸⁹

5.27 Constructive knowledge of the other party's disadvantage is sufficient for a finding of unconscionability.⁵⁹⁰

5.28 The High Court has applied the doctrine in a series of cases since *Amadio*. These cases establish that persons who are not disadvantaged in any general or obvious sense may yet suffer special disadvantage in the context of particular personal relationships.

5.29 For example, in *Louth v Diprose*⁵⁹¹ a solicitor was held to have been placed at a special disadvantage vis-a-vis a woman with whom he was infatuated and who exploited his feelings in order to effect a gift of property.

⁵⁸⁶ See, for example, *Blomley v Ryan* (1954) 99 CLR 362 per Fullagar J at 405–6. A case where substantive factors were given particular weight is *Familiar Pty Ltd v Samarkos* (1994) 115 FLR 443 (Supreme Court of the Northern Territory) where an administration fee of \$50,000 was charged in connection with a loan of the same amount. However, Thomas J's decision ultimately turns on the fact that the defendant took unconscionable advantage of the plaintiff's particular vulnerability, in this case, his desperate financial need.

⁵⁸⁷ *Blomley v Ryan* (1956) 99 CLR 362 per Fullagar J at 405.

⁵⁸⁸ In *Amadio*, Mason J noted that '[b]ecause times have changed new situations have arisen in which it may be appropriate to invoke the underlying principle' (at 462).

⁵⁸⁹ See, for example, *Morlend Finance Corp (Vic) Pty Ltd v Luke* (Supreme Court of Victoria) (1991) ASC 56-984 at 56-995 where Smith J stated that '[i]t might be argued that the relative disadvantages I have mentioned, considered separately, do not satisfy the test but I am satisfied that in combination they did place the defendants in a position of special disadvantage'. The relevant disadvantages were the defendant's financial need, family pressures, lack of education, relatively low intelligence, lack of understanding of the law and lack of legal advice.

⁵⁹⁰ As Deane J noted in *Amadio*, a party cannot shelter behind a failure to make inquiries once it is put on notice of the other party's disadvantage (at 479).

⁵⁹¹ (1992) 175 CLR 621.

5.30 In *Garcia v National Australia Bank Ltd*,⁵⁹² the Court set aside a guarantee given as a volunteer by a wife to secure the debts of her husband's company. Although she was an educated and professional woman, the majority⁵⁹³ held that the lender was on notice of the need to explain relevant documentation to her and to satisfy itself that she had received independent legal advice.⁵⁹⁴ The relationship of marriage was characterised as one of 'trust and confidence' in which, despite the absence of unconscionable conduct on behalf of the debtor, the surety may receive from the debtor an insufficient explanation of the transaction's purpose and effect.⁵⁹⁵

5.31 In *Bridgewater v Leahy*⁵⁹⁶ an uncle transferred land to a favourite nephew at far less than market value. The uncle was of sound mind and there was no evidence that the nephew had manipulated his affections. Nevertheless, the majority⁵⁹⁷ held that as the uncle relied upon and trusted his nephew, they met on unequal terms of which the nephew took advantage.⁵⁹⁸ The majority observed that '[t]he equity to set aside the [transaction] may be enlivened not only by the active pursuit of the benefit it conferred but by the passive acceptance of that benefit.'⁵⁹⁹

5.32 The Committee is of the view that despite its continuing development, unconscionability is unlikely to apply to most contracts the subject of this reference. This is particularly so in the case of mass-market agreements and/or agreements entered into online, which require few or no preliminaries between the parties. As the defendant must be at least constructively aware of the plaintiff's particular disadvantage, the doctrine would be limited in its application to these transactions, unless an argument based on *Garcia* applied. As noted above, *Garcia* is highly specific in its application

⁵⁹² (1998) 194 CLR 395.

⁵⁹³ Gaudron, McHugh, Gummow and Hayne JJ, with whose orders Kirby J and Callinan J agreed in separate judgments.

⁵⁹⁴ The only relevant notice was thus notice of the marriage relationship (at 411).

⁵⁹⁵ at 409. As the majority (as well as Callinan J) applied the decision of Dixon J in *Yerkey v Jones* (1939) 63 CLR 649, its findings are limited to cases where a wife provides surety for her husband's debts. However, the majority noted that the principles enunciated in *Yerkey* may extend to other long term and publicly declared relationships, or to a husband who acts as surety for his wife (at 404). See also, the judgment of Kirby J (rejecting *Yerkey*) to this effect.

⁵⁹⁶ (1998) 194 CLR 457.

⁵⁹⁷ Gaudron, Gummow and Kirby JJ. Gleeson CJ and Callinan J dissented in a joint judgment.

⁵⁹⁸ at 493. The nephew already had an option to purchase the land cheaply under his uncle's will. However, according to the majority, by proposing the transaction *inter vivos*, he put his uncle's disposition beyond recall and prevented the land from being considered as part of a Family Provision Application by the plaintiffs (the uncle's wife and daughters).

⁵⁹⁹ at 493.

although the principles it enunciated may of course be extended more generally in the future. As the law presently stands, the Committee is of the view that the doctrine is unlikely to apply to mass-market agreements the subject of this reference, particularly where these are transacted online. The Committee also observes that unconscionable conduct generally continues to be found only in cases with extremely serious financial consequences for an individual plaintiff. The majority of agreements which exclude or modify the exceptions, in particular consumer contracts, would not fall within this description.

Consumer protection legislation

Unconscionability under the Trade Practices Act

5.33 Part IVA of the *Trade Practices Act 1974* (Cth) (TPA) deals with unconscionable conduct. Section 51AB prohibits unconscionable conduct by a corporation in relation to the supply or possible supply of goods or services to consumers.⁶⁰⁰ Section 51AC of the TPA extends the prohibition against unconscionable conduct to small business transactions⁶⁰¹ where the party seeking a remedy is not a publicly listed company.⁶⁰²

5.34 Section 51AA(1) provides that a corporation must not, in trade or commerce, engage in conduct that is unconscionable within the meaning of the unwritten law,

⁶⁰⁰ Section 51AB(1) provides that 'a corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services to a person, engage in conduct that is, in all the circumstances, unconscionable.' Similar provision is made by state and territory fair trading legislation.

⁶⁰¹ Valued at under \$3 million. The original limit of \$1 million was increased by the Trade Practices Amendment Regulations (No. 2) 2000, No. 164, which took effect on 1 July 2000: see, Miller R. Miller's annotated Trade Practices Act. 22nd edn. Sydney: Law Book Company, 2001, para. 1.51AC.5.

⁶⁰² Section 51AC(1) provides that 'a corporation must not, in trade or commerce, in connection with (a) the supply or possible supply of goods or services to a person (other than a listed public company); or (b) the acquisition or possible acquisition of goods or services from a person (other than a listed public company) engage in conduct that is, in all the circumstances, unconscionable'. Section 51AC(2) provides that a person must not, in trade or commerce, in connection with (a) the supply or possible supply of goods or services to a corporation (other than a listed public company) or (b) the acquisition or possible acquisition of goods or services from a corporation (other than a listed public company); engage in conduct that is, in all the circumstances, unconscionable.'

from time to time, of the States and Territories.⁶⁰³ Section 51AA is not limited to consumer or small business transactions. It does not apply to conduct that would otherwise fall within ss. 51AB or 51AC.⁶⁰⁴ Section 51AA was intended to extend the remedies available under the TPA to unconscionable conduct as recognised at general law and to make possible the involvement of the [then] Trade Practices Commission.⁶⁰⁵

5.35 Section 51AB(2) sets out the following non-exhaustive factors to which a court may have regard in determining whether conduct was unconscionable:

- the relevant bargaining positions of the parties (para. (a));
- whether, as a result of the conduct the consumer was required to comply with conditions that were not reasonably necessary for the protection of the legitimate interests of the corporation (para. (b));
- whether the consumer was able to understand any documents relating to the supply of goods or services (para. (c));
- whether any undue influence or unfair tactics were used (para. (d)); and
- the amount for which and the circumstances under which the consumer could have obtained the goods or services from an alternative supplier (para. (e)).

5.36 Sections 51AC(3)⁶⁰⁶ and (4)⁶⁰⁷ also set out a range of non-exhaustive factors which a court may consider in determining whether a party has engaged in unconscionable conduct under s. 51AC. These factors include those listed in s. 51AB(2) as well as the following:

- the extent to which the supplier/acquirer's conduct was consistent with its dealings with other small business parties (paras (3)(f) and (4)(f));
- the requirements of any applicable industry code (paras (3)(g) and (4)(g));

⁶⁰³ According to French J in *ACCC v CG Berbatis Holdings Pty Ltd* (2000) 96 FCR 491, the section 'prohibits conduct in respect of which a judge in equity would have been prepared to grant relief' (at 509). It is confined accordingly: see, *ACCC v Samton Holdings Pty Ltd & Ors* [2002] FCA 62 (6 February 2002).

⁶⁰⁴ s. 51AA(2).

⁶⁰⁵ See, Miller, *op. cit.*, para. 1.51.AA.5 and the Explanatory Memorandum to the *Trade Practices Legislation Amendment Act 1992* (Cth) which introduced the section.

⁶⁰⁶ with respect to suppliers of goods or services.

⁶⁰⁷ with respect to acquirers of goods or services.

- the requirements of other industry codes which the other party might reasonably have expected to apply (paras (3)(h) and (4)(h));
- whether the supplier/acquirer unreasonably failed to disclose any relevant intended conduct and associated risks to the small business party (paras (3)(i) and (4)(i));
- the extent to which the supplier/acquirer was willing to negotiate (paras (3)(j) and (4)(j)); and
- the extent to which the parties acted in good faith (paras (3)(k) and (4)(k)).

5.37 The relationship between the general law of unconscionability and ss. 51AB and 51AC is still being formulated by the courts and is yet to be considered by the High Court.⁶⁰⁸

5.38 In *ACCC v CG Berbatis Holdings*,⁶⁰⁹ French J observed that '[t]here is no reason to suppose that the unconscionable conduct prohibited by s 51AB and s 51AC is limited by reference to specific equitable doctrines.'⁶¹⁰ In *ACCC v Simply No-Knead (Franchising) Pty Ltd*,⁶¹¹ Sundberg J observed that, '[w]hatever might be the position with s 51AB, in my view, "unconscionable" in s 51AC is not limited to the cases of equitable or unwritten law unconscionability the subject of s 51AA.'⁶¹² His Honour reasoned that some of the factors in s. 51AC(3) describe conduct that goes beyond what would constitute unconscionability in equity, for example, factors (j) and (g).⁶¹³ The Full Court of the Federal Court in *Hurley v McDonalds Australia Ltd* also appeared to doubt the view (expressed by Dowsett J at first instance) that unconscionability under the TPA can be equated with general law unconscionability.⁶¹⁴

⁶⁰⁸ The relationship between ss. 51AA, 51AB and 51AC and the meaning of unconscionability under the TPA is discussed in Dietrich J. 2001. The meaning of unconscionable conduct under the Trade Practices Act 1974. TPLJ 2001;9(3):141–8. The author makes a number of points which are repeated in the following discussion.

⁶⁰⁹ (2000) 96 FCR 491.

⁶¹⁰ at 503. While French J's decision was overturned on the facts by the Full Court in *CG Berbatis Holdings Pty Ltd v ACCC* [2001] FCA 757 (27 June 2001), the appeal did not address French J's conclusions of law.

⁶¹¹ (2000) 104 FCR 253.

⁶¹² at 265.

⁶¹³ at 265.

⁶¹⁴ (2000) ATPR 41-741 (at 40,584–5).

5.39 Despite this recognition that s. 51AC (and perhaps s. 51AB)⁶¹⁵ encompass a wider notion of unconscionability than exists at general law, the Committee considers that the degree to which this is so remains unclear.

5.40 The Federal Court has taken as its starting point the Shorter Oxford Dictionary definition of ‘unconscionable’, ie, ‘showing no regard for conscience; irreconcilable with what is right or reasonable’.⁶¹⁶ Beyond this, in *Garry Rogers Motors (Aust) Pty Ltd v Subaru (Aust) Pty Ltd*,⁶¹⁷ Finkelstein J stated:⁶¹⁸ ‘I take as the measure of unconscionability, conduct that might be described as unfair’.⁶¹⁹ In *Hurley v McDonalds*, the Full Court further observed that:

‘For conduct to be regarded as unconscionable, serious misconduct or something clearly unfair or unreasonable, must be demonstrated...The various synonyms used in relation to the term ‘unconscionable’ import a pejorative moral judgment...’⁶²⁰

The court also stated that:

‘Before sections 51AA, 51AB or 51AC will be applicable, there must be some circumstance other than the mere terms of the contract itself that would render reliance on the terms of the contract “unfair” or “unreasonable” or “immoral” or “wrong”.’⁶²¹

5.41 The Committee notes that the terms set out above (ie, ‘unfair’, ‘unreasonable’, ‘immoral’ and ‘wrong’) may in some cases at least embody qualitatively different concepts. The Committee observes that many features of mass-market consumer agreements which exclude or modify the exceptions could (in addition to invoking

⁶¹⁵ In *ACCC v Simply No-Knead*, Sundberg J stated that in *Hurley v McDonalds* the Full Court appeared to interpret the term ‘unconscionable’ as having the same meaning in ss. 51AB and 51AC (at 266). Sundberg J himself noted that, while the s. 51AB(2) factors do not so clearly suggest as do the s. 51AC(3) factors that unconscionability in s. 51AB is a more ample concept than at general law, it ‘would be curious’ if the term ‘unconscionable’ had different meanings in the two provisions (at 265).

⁶¹⁶ *ACCC v CG Berbatis Holdings Pty Ltd* (2000) 96 FCR 491 at 498; *Hurley v McDonalds* (2000) ATPR 41-741 at 40,585 (citing *Qantas Airways Ltd v Cameron* (1996) 66 FCR 246 in support of this approach).

⁶¹⁷ (1999) ATPR 41-703.

⁶¹⁸ with respect to the operation of s. 51AC.

⁶¹⁹ at 43,016. This statement was referred to, with apparent approval, by French J in *ACCC v CG Berbatis Holdings* (at 503).

⁶²⁰ at 40,585.

⁶²¹ at 40,586.

the factors set out in s. 51AB(2)) arguably be described as unfair.⁶²² A similar observation could be made regarding features of agreements between institutions such as libraries and publishers.⁶²³ However, the Committee queries whether this alone would be sufficient to characterise such contracts as ‘immoral’.

5.42 It should also be recalled that ss. 51AB and 51AC require conduct to be unconscionable in all the circumstances. The presence of a particular factor set out in s. 51AB(2) or s. 51AC(3) may therefore not be sufficient in itself to attract relief.⁶²⁴

5.43 The Committee is of the view that, insofar as it amounts to unfairness, unconscionability under the TPA has the potential to provide a remedy for certain agreements which exclude or modify the exceptions. This is particularly so with respect to mass-market agreements, which are more likely than negotiated agreements to enliven the factors set out in s. 51AB(2) and ss. 51AC(3) and (4). While the Full Court’s statement in *Hurley* appears to exclude claims for relief based purely on substantively harsh terms, the Committee observes that mass-market agreements the subject of this reference could be impugned on a range of additional bases, as discussed above. Agreements the subject of this reference would, however, be far more difficult to impugn on the basis of the higher standard of immorality which the courts have also articulated. As it is difficult to predict which standard of unconscionability a court would apply to a given set of facts, the Committee is of the view that the application of unconscionability to agreements the subject of this reference is presently unclear.

Contracts Review Act

5.44 The *Contracts Review Act 1980* (NSW) (CRA) is a unique example of state consumer protection legislation which expands upon the terminology of the TPA.

⁶²² For example, the terms of the agreement will generally be imposed by a corporation with relatively superior bargaining power (para. (a)); it might be argued that terms which impose blanket exclusions on the copyright exceptions go beyond what is reasonably necessary to protect the legitimate interests of the vendor (para. (b)); the terms of an agreement may be long and difficult to understand (para. (c)); some agreements may give the impression that terms are authorised or even required by the Copyright Act (para. (d)); it may be difficult or impossible for the customer to obtain comparable goods or services from another supplier (para. (e)).

⁶²³ For example, it might be argued that terms which impose blanket exclusions on the copyright exceptions go beyond what is reasonably necessary to protect the legitimate interests of the vendor (s. 51AC(3)(b)); it may be difficult or impossible for the institution to obtain comparable goods or services from an alternative supplier (s. 51AC(3)(e)); a supplier may be unwilling to negotiate, particularly in the case of smaller institutions (s. 51AC(3)(j)).

5.45 Section 7(1) of the CRA gives a court discretion to grant relief in relation to a contract or provision of a contract which is ‘unjust in the circumstances relating to the contract at the time it was made’.⁶²⁵ Under s. 4, unjust includes ‘unconscionable, harsh or oppressive’. Section 9 sets out a non-exhaustive list of matters which may indicate that a contract is unjust, which includes similar matters to those set out in s. 51AB(2) of the TPA.

5.46 On its face, the CRA is wider than the TPA in that it applies to ‘unjust’ rather than ‘unconscionable’ terms in consumer contracts. On the other hand, it provides relief only in relation to contracts, rather than to the conduct surrounding their formation. In *West v AGC (Advances) Ltd*⁶²⁶ all members of the NSW Court of Appeal agreed that the Act was beneficial legislation and should therefore be interpreted liberally. Yet McHugh JA⁶²⁷ stressed that ‘unjust’ did not mean merely ‘unfair’ and cautioned that the Act ‘operates within and not outside the domain of the law of contract’.⁶²⁸

European Union Directive on Unfair Contracts

5.47 Some submissions mentioned the Consumer Contracts Directive⁶²⁹ as an overseas example of consumer protection legislation which is more expansive than both the TPA and the CRA. This Directive (which is also discussed in Chapter 6) forms part of the European regulatory framework in relation to e-commerce. Article 3 of the Directive generally prohibits the use in non-negotiated contracts of terms which, contrary to the requirement of good faith, cause significant imbalance in parties’ rights and obligations arising under the contract.

⁶²⁴ In *ACCC v Simply No-Knead*, Sundberg J noted (with respect to s. 51AC) that ‘the Court is aided but not controlled by the factors listed in subs(3)’ (at 267).

⁶²⁵ It does not apply to award conditions in a contract of employment, nor to trade, business or professional contracts (apart from those involving farming operations). Relief cannot be sought by the Crown, a public or local authority or a corporation (other than body corporate for a block of flats or similar entity).

⁶²⁶ (1986) 5 NSWLR 610.

⁶²⁷ with whom Hope JA agreed.

⁶²⁸ at 631.

⁶²⁹ Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts. See, <http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=31993L0013&model=guichett>.

5.48 Relevantly for Australian purposes, the Directive has been implemented in the UK by the Unfair Terms in Consumer Contracts Regulations 1994 and 1999.

5.49 As unfairness is, *prima facie*, a broader concept than unconscionability or injustice, the Directive might be viewed as a positive development from a consumer perspective. However, the Directive still requires that a term be contrary to the requirements of 'good faith'. It has been observed that 'good faith' serves a similar purpose to the principle of equity in the common law system in that it 'allow[s] courts to bring correctives to the judicial application of other legal norms, when in certain concrete circumstances, their harshness would need to be mitigated' and that it 'has been applied in so many different circumstances [that] no definition of good faith has emerged from the case law'.⁶³⁰ The Committee therefore observes that the application of the Directive to contracts the subject of this reference may be subject to similar uncertainties as apply to unconscionability under Australian law.

5.50 Further protection for consumers in EU countries is provided by the Brussels Regulation⁶³¹ which has been implemented in the UK by the Civil Jurisdiction and Judgments Order 2001.⁶³² This Regulation (which applies to online and offline transactions) allows consumers to commence proceedings in their state of domicile with respect to certain cross-border contracts, including where the other party pursues commercial or professional activities in the consumer's Member State or directs its activities to that Member State. The Committee understands that departure from the Regulation's consumer protective provisions is only permitted by an agreement entered into after the dispute has arisen.⁶³³

5.51 The Committee is of the view that legislation such as the CRA and the UK Unfair Terms in Consumer Contracts Regulations may, like the TPA, require something more than unfairness if relief is to be available. As noted above, many

⁶³⁰ Guibault, 2002, *op. cit.*, p. 145.

⁶³¹ Council Regulation (EC) No 44/2001 of 22 December 2000 (Brussels Regulation) on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters which entered into force on 1 March 2002, replacing the Brussels Convention. See further discussion in footnote 774.

⁶³² Which came into force on 1 March 2002.

⁶³³ See summary of relevant provisions on the UK Department of Trade and Industry website: <<http://www.dti.gov.uk/cacp/ca/policy/jurisdiction/brussels.htm#art15>>.

agreements which exclude or modify the copyright exceptions would be unlikely to meet this requirement.

Misrepresentation

5.52 Section 52(1) of the TPA provides that a corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.⁶³⁴

5.53 To the extent that it applies to corporations engaged in trade or commerce, this section may largely have subsumed the common law of misrepresentation.⁶³⁵ It encompasses express or implied pre- and post-contractual statements and other conduct. It is also capable of applying to statements of law as well as fact.⁶³⁶ Like the common law, an intention to mislead or deceive is not necessary.⁶³⁷ It is enough if reasonable members of a class to whom a statement or conduct was directed were likely to have been misled or deceived.⁶³⁸

5.54 Section 53 provides that a corporation shall not, in trade or commerce, in connexion with the supply or possible supply of goods or services or in connexion with the promotion by any means of the supply or use of goods or services make certain false or misleading representations.⁶³⁹

5.55 As a false or misleading representation may also constitute misleading or deceptive conduct, ss. 52 and 53 may apply to the same set of facts. In addition, ss. 51AB and 51AC (which deal with unconscionable conduct) could be used to challenge misleading conduct, particularly if the behaviour complained of was deliberate.

⁶³⁴ Similar provision is made by State and Territory Fair Trading legislation.

⁶³⁵ At common law, misrepresentation may be found where an express or implied representation as to past or present fact which is false or misleading is amongst those factors which cause a person to enter a contract.

⁶³⁶ In contrast to the traditional position at common law. See, for example, *Qanstruct Pty Ltd v Bongiorno Ltd* (1993) 113 ALR 667.

⁶³⁷ See, Miller, op. cit., para. 1.52.35 citing *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216 at 223 per Stephen J and *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 197 per Gibbs CJ.

⁶³⁸ *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45.

⁶³⁹ which are enumerated under paras (a)-(g).

5.56 Copyright agreements surveyed by the Committee are discussed in Chapter 4. As noted there, some agreements combine statements that material is protected by copyright law with terms that exclude or modify the copyright exceptions. In some cases, it is arguable that these agreements create the impression that they are summarising the effect of the Copyright Act. Accordingly, they may imply that copyright law does not establish exceptions to owner's rights on which a user could rely in the absence of a contractual agreement to the contrary. Misleading behaviour might also be found where terms are contained in fine print, or are otherwise ambiguous or contradictory.

5.57 In *Trade Practices Commission v Radio World Pty Ltd*⁶⁴⁰ ss. 52 and 53(g)⁶⁴¹ were successfully invoked to challenge the following notice displayed by a retailer:

Notice to customers

All purchases made in this store are subject to these conditions and no variations will be allowed (except to the extent that the *Trade Practices Act 1974* imposes any condition, warranty, guarantee, right or remedy which cannot be modified or excluded). Any goods or items bought here will not be exchanged. No monies will be refunded under any circumstances....

Neaves J agreed with submissions from the applicant that the insertion of the words in parentheses was not sufficient to remove the misleading character of the representations made by the other statements, which were in positive and absolute terms.⁶⁴² Like the licences mentioned above, the Committee observes that the above notice might also create a misleading impression that it summarises the effect of the statute that it cites.

5.58 The Committee is of the view that it is possible that certain agreements commonly used to exclude or modify the exceptions could be successfully challenged under s.52 and/or s. 53 of the TPA. However, this is not because agreements which exclude or modify the exceptions are inherently misleading. The Committee observes

⁶⁴⁰ (1989) ATPR 40-973.

⁶⁴¹ This section prohibits false or misleading representations concerning the existence, exclusion or effect of any condition, warranty, guarantee right or remedy.

⁶⁴² at 50,645.

that it would be possible to devise an agreement which avoided such an outcome, while still overriding the exceptions.

5.59 The Committee notes the argument put in some submissions that modified consumer protection legislation may be the most appropriate means of protecting against agreements that exclude or modify the copyright exceptions should such protection be deemed necessary.⁶⁴³ It also notes the contrary arguments of user interests that, rather than expanding the reach of consumer protection legislation, the Copyright Act should be amended to prohibit agreements that override the exceptions. The Committee gives further consideration to these arguments in Chapter 7.

Equity (other than unconscionability)

Actions to restrain the exercise of legal rights

5.60 The exercise of legal rights arising under a contract can be restrained in equity if their exercise would be contrary to conscience. In the Committee's view, the equitable doctrine of unconscionable conduct (discussed above) provides the most likely basis upon which agreements which exclude or modify the copyright exceptions could be successfully challenged in equity.

Defences to an action in equity

5.61 Equitable defences such as delay (laches), acquiescence and want of clean hands are also available to resist an action for an equitable remedy, for example, an injunction to restrain a breach of contract.

5.62 The defence of delay is available if the plaintiff has engaged in unconscionable delay in seeking a remedy, for example, by encouraging the defendant over a long period to believe that they would not seek to rely on their strict legal rights under a contract.

⁶⁴³ As raised, for example, in submissions by the ACC (submission, p. 4; supplementary submission, p. 8), the APA (p. 5) and CAL (supplementary submission, p. 1). This view is also amongst those possibilities considered by Guibault, 2002, *op. cit.* p. 304 (conclusion).

5.63 In the context of infringement, Goff J stated the law in *HP Bulmer Ltd v Bollinger SA*:

‘the owner of the legal right [must have] done something beyond mere delay to encourage the wrongdoer to believe that he does not intend to rely on his strict rights, and the wrongdoer must have acted to his prejudice in that belief...’.⁶⁴⁴

5.64 Unconscionable delay will usually involve acquiescence by the plaintiff in the defendant’s trespass upon the plaintiff’s rights. Therefore, while delay and acquiescence are separate defences, they are often used together or interchangeably.⁶⁴⁵

5.65 The Committee notes that delay and/or acquiescence could be particularly relevant where small scale breaches of contract have been tolerated for some time, prior to an owner determining for tactical reasons to enforce its rights at a particular moment.

5.66 An equitable remedy may also be denied to a plaintiff who does not approach the court ‘with clean hands’. This could be relevant if the defendant had entered an agreement which excludes or modifies the exceptions because of the other party’s unconscionable or misleading behaviour.

5.67 The remedy was discussed, in the context of infringement, in *Collier Constructions Pty Ltd v Foskett*,⁶⁴⁶ where the applicant and respondent were competitors who marketed project homes. The respondent reproduced plans for the applicant’s homes in a comparative advertisement published in response to the applicant’s advertisements which, the respondent argued, were in breach of s. 52 of the TPA (which prohibits deceptive or misleading conduct).⁶⁴⁷ The respondent argued that the applicant therefore suffered from want of clean hands.⁶⁴⁸ Gummow J (then of the Federal Court) observed that: ‘[i]n order to make out the discretionary defence of want of “clean hands”, it would be necessary for the respondent to show that the

⁶⁴⁴ [1978] RPC 79 at 136. Applied in *Masterton Homes (NSW) Pty Ltd v LED Builders Pty Ltd* (1996) 33 IPR 417.

⁶⁴⁵ The differences and overlap between the two defences are discussed by Deane J in *Orr v Ford* (1989) 167 CLR 316 at 337–9.

⁶⁴⁶ (1990) 97 ALR 460.

⁶⁴⁷ See discussion above.

⁶⁴⁸ A defence of public interest was also raised, as to which see below.

conduct of which it complains has “an immediate and necessary relation” to the equity upon which the applicant seeks an injunction’.⁶⁴⁹

5.68 It should be noted that equitable defences will not assist a respondent where the applicant seeks damages at common law for breach of contract, although the contract could be unenforceable for reasons of public policy under certain circumstances (see below).

5.69 As indicated above, equitable defences have been held to apply to actions for infringement under the Copyright Act. In this context, they apply where an injunction or account of profits is sought under s. 115(2)⁶⁵⁰ although their application to an action for damages under s. 115(2) is less clear.⁶⁵¹

5.70 The Committee is of the view that equitable defences may in some circumstances be useful in allowing a party to a contract, or a third party, to resist a plaintiff’s claim for an equitable remedy. However, their inapplicability to damages for breach of contract limits their application to agreements the subject of this reference.

⁶⁴⁹ at 474 (citing *Dewhirst v Edwards* [1983] 1 NSWLR 34 at 51 and *Meyers v Casey* (1913) 17 CLR 90). While His Honour held that the applicant had not breached s. 52 of the TPA, he also observed that the respondent, if aggrieved by the advertising methods of the applicant, had open to it means of response, including comparative advertising, which would not necessarily have involved the infringement of copyright in the applicant’s plans.

⁶⁵⁰ In *ACOHs v Bashford* (1997) 144 ALR 528, Merkel J stated that Gummow J in *Collier* ‘appeared to accept...that equitable discretions (e.g. clean hands) had been imported into the Act in relation to claims for discretionary relief such as an injunction’: see s. 115(2)’ (at 553). Merkel J further stated that ‘[t]he discretionary considerations which operate in relation to the grant of equitable relief, such as an injunction and an account of profits, have been treated as relevant to the analogous statutory relief under s. 115(2). Similar considerations would govern the grant of declaratory relief by the court’ (at 555).

⁶⁵¹ In *ACOHs v Bashford* Merkel J noted that while decisions of the Federal Court have treated the remedies under s. 115(2) of injunction and account of profits, but not damages, as discretionary (citing *LED Builders Pty Ltd v Masterton Homes (NSW) Pty Ltd* (1994) 54 FCR 196 at 198 per Sheppard J and *A-One Accessory Imports Pty Ltd v Off Road Imports Pty Ltd (No 2)* (1996) 34 IPR 332 at 335 per Drummond J) there may be some situations where a court may refuse to enforce a legal right including a right to damages based upon public policy considerations such as illegality, dishonesty or unconscionability (citing *Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd* (1985) 84 FLR 101 at 127–8 per Thomas J. In *ACOHs* itself, damages were not claimed, and Merkel J did not express an opinion on the issue. In *Kalamazoo*, Thomas J noted that all three remedies under s. 115(3) – injunction, account of profits and damages – ‘may’ be granted by the court. However, his Honour stated that ‘because of the historical origins of the remedies, I consider that stronger circumstances are needed before a plaintiff will be deprived of a remedy in damages’ (at 129).

Contracts that are contrary to public policy

5.71 As stated by Isaacs J in *Wilkinson v Osbourne*,⁶⁵² public policy involves ‘some definite and governing principle which the community as a whole has already adopted either formally by law or tacitly by its general course of corporate life, and which the Courts of the country can therefore recognise and enforce’.

5.72 There are a number of well established categories of contract which are contrary to public policy. The most relevant for present purposes are contracts in restraint of trade, which are discussed below. This section also considers whether contracts the subject of this reference might be contrary to public policy where they prevent the publication of material in the public interest. Finally, this section briefly examines whether a court might consider that agreements which exclude or modify the copyright exceptions defeat the objects and purpose of the Copyright Act. The Committee observes that this last inquiry could be couched either in terms of whether the agreements are contrary to public policy, or in terms of whether they are invalid under the Copyright Act.⁶⁵³

Contracts in restraint of trade

5.73 Contracts in restraint of trade are a particular type of contract which may be held unenforceable on public policy grounds. The public policy which underpins the doctrine has generally been held to be the promotion of free trade,⁶⁵⁴ which must be weighed against the competing public policy of promoting freedom of contract.⁶⁵⁵ In *Macaulay v Shroeder*,⁶⁵⁶ Lord Reid identified the amelioration of inequalities of

⁶⁵² (1915) 21 CLR 89 at 97.

⁶⁵³ In *Wilkinson v Osbourne* Isaacs J stated that ‘[w]hatever tends to defeat an enactment is necessarily against public policy’ (1915) 21 CLR 89 at 98.

⁶⁵⁴ *Nordenfelt v Maxim Nordenfelt Guns and Ammunition Company Ltd* [1894] AC 535 (at 565 per Lord Macnaghten); and *Esso Petroleum Co Ltd v Harpers Garage (Stourport) Limited* [1968] AC 269.

⁶⁵⁵ See discussion by Parker J in *Panayiotou v Sony Music Entertainment (UK) Ltd* [1994] E.M.L.R. 229 at 320–1.

⁶⁵⁶ *Macaulay v A. Shroeder Music Publishing Co. Ltd* (1974) 1 WLR 1308.

bargaining power as the public policy underlying the doctrine.⁶⁵⁷ However, in *Panayiotou v Sony*,⁶⁵⁸ Parker J suggested that Lord Reid was thereby invoking the public policy underlying the court's equitable jurisdiction to provide relief from unconscionable contracts⁶⁵⁹ and that the matters taken into account by his Lordship would not necessarily apply in determining whether a contract was in restraint of trade.⁶⁶⁰

5.74 Broadly speaking, a contract will be in restraint of trade if it affects a person's future ability to carry on his or her trade, business or profession. If so, the contract is unenforceable unless the restraint can be justified as being reasonable in the interests of both parties and the public.⁶⁶¹ The interests of the parties and of the public may both involve considerations of public policy.⁶⁶² The respective bargaining power of the parties and notions of fairness may be considered, if not in terms of public policy then as relevant to whether an agreement is reasonable between the parties.

5.75 In *Shroeder*, the House of Lords held that a contract between a young and unknown songwriter and a recording company was in restraint of trade given factors

⁶⁵⁷ Lord Reid stated that: '[i]t is, in my view, salutary to acknowledge that in refusing to enforce provisions of a contract whereby one party agrees for the benefit of the other party to exploit or to refrain from exploiting his earning power, the public policy which the court is implementing is not some 19th-century economic theory about the benefit to the general public of freedom of trade, but the protection of those whose bargaining power is weak against being forced by those whose bargaining power is stronger to enter into bargains that are unconscionable. Under the influence of Bentham and of laissez-faire the courts in the 19th century abandoned the practice of applying the public policy against unconscionable bargains to contracts generally, as they had formerly done to any contract considered to be usurious; but the policy survived in its application to penalty clauses and to relief against forfeiture and also to the special category of contracts in restraint of trade' (at 1315).

⁶⁵⁸ *Panayiotou v Sony Music Entertainment (UK) Ltd* [1994] E.M.L.R. 229.

⁶⁵⁹ Parker J stated that: 'in referring to the public policy of protecting the weak against being forced by the strong to enter into unconscionable bargains Lord Diplock was referring to the public policy underlying the equitable jurisdiction to relieve against unconscionable bargains' (at 319).

⁶⁶⁰ Noting that, in *Shroeder*, the plaintiff pleaded both that the agreement was oppressive and therefore void as contrary to public policy and was an unreasonable restraint of trade (at 318). His Honour stated that '[a]t the outset, a distinction must be drawn between the common law jurisdiction to declare a contract unenforceable as a restraint of trade (that being the jurisdiction which is invoked in this case) and the equitable jurisdiction to grant relief in certain circumstances against unfair and unconscionable bargains (a jurisdiction which is not invoked in this case). Both jurisdictions are based on public policy...[h]owever...the position has now been reached on the authorities (as I read them) where differing public policy considerations – or differing aspects of a single broad public policy – apply to each jurisdiction' (at 316). While equity and common law are fused in Australia under the *Judiciary Act 1903* (Cth), on Parker J's approach, unconscionability would still need to be pleaded separately to restraint of trade.

⁶⁶¹ *Nordenfelt v Maxim Nordenfelt Guns and Ammunition Company Ltd* [1894] AC 535; and *Eso Petroleum Co Ltd v Harpers Garage (Stouport) Limited* [1968] AC 269 (which concerned a solus agreement).

⁶⁶² See discussion to this effect in *Peters WA Ltd v Petersville Ltd* (2001) 181 ALR 337; [2001] HCA 45 (9 August 2001).

such as: its likely duration;⁶⁶³ the publisher's right to assign;⁶⁶⁴ the fact that the publisher was under no obligation to publish the songwriter's works;⁶⁶⁵ and the fact that the publisher could determine the agreement at any time.⁶⁶⁶

5.76 It was therefore up to the publisher to justify the contract, which it failed to do given that the agreement was 'dictated by that party whose bargaining power, either exercised alone or in conjunction with others providing similar goods or services, enables him to say: "If you want these goods or services at all, these are the only terms on which they are obtainable. Take it or leave it."' ⁶⁶⁷

5.77 In contrast, in *Panayiotou*, which involved a renegotiated contract between the established musician, George Michael, and his recording company, Parker J held that the doctrine did not apply.⁶⁶⁸ Nevertheless, his Honour considered whether the agreement could have been justified as reasonable between the parties. He considered that the restrictions placed on Mr Michael, which in some respects paralleled those considered in *Shroeder*, were reasonably necessary for the protection of Sony's legitimate interests and commensurate with the benefits secured to the singer under the agreement.⁶⁶⁹ His Honour rejected the plaintiff's claim that he suffered from an inequality of bargaining power because a lack of competition between recording companies allowed them to impose uniform and one-sided terms which an artist was forced to take or leave.⁶⁷⁰

⁶⁶³ the five-year contract provided that it would automatically be extended by another five years if total royalties exceeded a relatively modest amount.

⁶⁶⁴ so that it could not be argued that they would be unlikely to act oppressively and damage their goodwill.

⁶⁶⁵ which it could decline to do for non-legitimate as well as legitimate reasons, thereby 'sterilising' the songwriter's talents.

⁶⁶⁶ while the songwriter could not.

⁶⁶⁷ at 1316, per Lord Reid.

⁶⁶⁸ Amongst other things, Parker J rejected an argument that Michael suffered from an inequality of bargaining power sufficient to attract relief because he considered himself to be bound by an earlier agreement (thus limiting his ability to negotiate) (at 351–3). In *Peters (WA) Ltd v Petersville Ltd* (2001) 181 ALR 337; [2001] HCA 45 (9 August 2001) Gleeson CJ, Gummow, Kirby and Hayne JJ observed that *Panayiotou* 'may suggest that what Parker J called the "clear public interest in upholding genuine and proper compromises" [at 345 of *Panayiotou*] applies to a "genuine and proper" compromise of a dispute respecting an alleged restraint of trade with the result that a later claim that the compromise itself is in restraint of trade falls outside the scope of the restraint of trade doctrine. The result would be that the subsequent restraint did not require justification under the common law doctrine' (at 343, ALR).

⁶⁶⁹ at 380, having noted in the course of his judgment that Mr Michael had become a wealthy and successful young man as a result of the agreement and that he was ably represented by a well known entertainment lawyer during negotiations.

⁶⁷⁰ at 349. His Honour also considered whether the agreement operated unfairly against Michael, again finding in the negative (at 354–7).

5.78 In other cases involving contracts between non-established musicians and recording companies, actions based on undue influence (a doctrine closely related to unconscionable dealing) have been upheld independently,⁶⁷¹ and in addition to an alternative plea of restraint of trade.⁶⁷²

5.79 Redress for contracts in restraint of trade is available to contracting parties and to third parties (such as sportspeople whose trade is restrained by agreements between clubs).⁶⁷³

5.80 A person whose trade might be restrained by a contract which limits or excludes the copyright exceptions may be from a class of persons who might otherwise rely upon one of the exceptions. For example, a researcher (who might otherwise rely on the exceptions set out in ss. 40 and 41 (works) and ss. 103C and 103A (subject matter other than works)) may be restricted in his or her ability to reproduce certain materials having signed a contract to this effect. This is despite the fact that reproduction of the materials may be possible at some cost and/or inconvenience.

5.81 Whether a restraint of trade has been imposed may depend on such factors as: the degree of cost/inconvenience involved; whether and under what circumstances the material is available elsewhere, and whether the material is relevant to the researcher's proven speciality.

5.82 The Committee is of the view that restraint of trade may have limited potential as a remedy for agreements that exclude or modify the exceptions. However, the Committee observes that this remains to be tested in the courts.

Public interest

5.83 Public interest as a form of public policy has generated considerable controversy both in Australia and the UK. It has been pleaded as a defence to actions for infringement in a number of cases, which are discussed below. The Committee

⁶⁷¹ For example, *Elton John v Richard James* [1991] FSR 411.

⁶⁷² *O'Sullivan v Management Agency* (unreported, Queens Bench Division, Mars-Jones J, 5 May 1982).

⁶⁷³ *Buckley v Tutty* (1971) 125 CLR 353.

accepts that different considerations may apply where public interest is raised as a defence to an action in contract. This is because the two types of actions raise different public policy considerations.⁶⁷⁴ Even so, the Committee considers that the public policy considerations discussed below would *prima facie* be relevant to contracts which exclude or modify the copyright exceptions.

5.84 In *A-One Accessory Imports Pty Ltd v Off Road Imports Pty Ltd* [No 2]⁶⁷⁵ Drummond J observed that '[w]here it is against public policy to enforce copyright because, eg, the copyright work is libellous, obscene or otherwise involves a publication contrary to the public interest, the courts will not give any remedy. See *Glyn v Weston Feature Film Co* [1916] 1 Ch 261; *Attorney-General v Guardian Newspapers Ltd* (No 2) [1988] 3 All ER 545 at 645 and *Copinger and Skone James on Copyright* (13th ed, 1991), para 2-39.'⁶⁷⁶

5.85 Until recently, a public interest defence to infringement had been considered to exist in Australia, based on the decision of Mason J in *The Commonwealth of Australia v John Fairfax and Sons Ltd*.⁶⁷⁷ In that case, his Honour agreed to continue an *ex parte* injunction to restrain publication by the defendant of the contents of a book which reproduced classified government documents on Australian defence and foreign policy.⁶⁷⁸ However, his Honour observed that:

'Although copyright is regulated by statute, public interest may also be a defence to infringement of copyright. [His Honour cited a number of UK authorities before continuing]...Assuming the defence to be available in copyright cases, it is limited in scope. It makes legitimate the publication of confidential information or material in which copyright subsists so as to protect the community from destruction, damage or harm. It has been acknowledged that the defence applies to disclosures of things done in breach of national security, in breach of the law (including fraud) and to disclosure of matters which involve danger to the public.'⁶⁷⁹

⁶⁷⁴ In an action for infringement, these are based on the public interest in upholding personal property rights. In an action in contract, the relevant policy lies in enforcing contractual undertakings (as discussed above under restraint of trade).

⁶⁷⁵ (1996) 66 FCR 199.

⁶⁷⁶ at 200-1. See further discussion of obscene or blasphemous material in Lahore, *op. cit.* at para. 6150. *A-One Accessory Imports* concerned copyright in catalogues which themselves infringed copyright. This category of cases, which is not discussed here, is treated somewhat differently by the courts: see, Lahore, *op. cit.*, paras 6155, 6160.

⁶⁷⁷ (1980) 147 CLR 39.

⁶⁷⁸ Holding that to allow the defendant to ventilate allegations concerning the cynical pursuit of expedient goals by the Australian Government, on the basis of public interest, would break new ground (at 57).

⁶⁷⁹ at 57.

5.86 In contrast, in *Collier Constructions Pty Ltd v Foskett*⁶⁸⁰ Gummow J (then of the Federal Court) held that no such defence was known to Australian law.⁶⁸¹ His Honour concluded that the UK authorities, some of which were discussed by Mason J in *Fairfax*, were ‘inapposite’ and/or had not involved any consideration of fundamental principle. His Honour stated that:

‘Divisions 3, 4, 5, 5A, 5B, 6 and 7 of Pt III of the Copyright Act 1968 (Cth) contain very detailed provisions specifying a range of activities which do not constitute infringement of copyright in various works...Further, in Australia, the Copyright Act, since it came into force in 1969, has been amended substantially from time to time to provide for particular regimes where copying will be permitted...It would be an odd result if this complex of provisions, reflecting an accommodation by the legislature of a range of competing interests, were overlaid with some defence springing from the general law and defined with none of the precision apparent in the legislation.’⁶⁸²

5.87 In *ACOHS Pty Ltd v RA Bashford Consulting Pty Ltd & Ors*, Merkel J considered the positions advanced by Mason J and Gummow J.⁶⁸³ This case involved copyright in ‘material safety data sheets’, which were provided by suppliers of hazardous substances used in workplaces to enable their safe handling and use.⁶⁸⁴ While the case was decided on other grounds, Merkel J indicated that he would have upheld the defendant’s submission that relief should be refused on the basis of public interest. His Honour observed that:

‘It is difficult to conceive of a situation where a court would grant an injunction the effect of which will deprive members of the public of the benefit of information necessary for their safety. That category of disclosure clearly falls within the public interest: see *John Fairfax* at 57 and *Beloff* at 260.’⁶⁸⁵

⁶⁸⁰ (1990) 97 ALR 460. The facts of the case are set out in the discussion of equitable defences.

⁶⁸¹ at 473. See also, his Honour’s judgment in *Smith Kline & French Laboratories (Australia) Ltd. v Secretary, Department of Community Services and Health* (1990) 89 ALR 366 (which concerned confidential information but in which his Honour also discussed UK authorities relevant to proceedings based on copyright infringement).

⁶⁸² at 471.

⁶⁸³ *ACOHS Pty Ltd v R.A. Bashford Consulting Pty Ltd & Ors* (1997) 144 ALR 528 affirmed in *Bialkower v ACOHS Pty Ltd* (1998) 41 IPR 33 (FC).

⁶⁸⁴ The defendant marketed a database of information contained in these sheets. The plaintiff had prepared for suppliers a number of sheets which were transcribed by the defendant into its database. His Honour was prepared to assume that the plaintiff held copyright in a number of the sheets, although he did not finally decide the issue (at 543).

⁶⁸⁵ at 555.

His Honour also stated that:

'It is difficult to accept that a court would by injunctive or any other coercive order prevent a user or any emergency organisation from obtaining access to [material safety data sheets] for emergency or other safety related purposes.'⁶⁸⁶

5.88 The issue of whether considerations of public interest are merely factors relevant to the grant of the traditionally equitable remedies in s. 115(2) of the Act (see discussion above), or whether there is a separate defence of public interest was raised in *ACOHS* by Merkel J who observed that '[t]he true underlying principle acted upon by the courts for refusing relief on grounds of public interest might lie in the discretion conferred as to the appropriate form of relief, rather than whether a defence disentitles the copyright owner to any relief'.⁶⁸⁷

Public Interest – United Kingdom

5.89 In *Hyde Park Residence v David Yelland & Ors*,⁶⁸⁸ Aldous LJ⁶⁸⁹ rejected the existence of a freestanding defence of public interest to actions for infringement. Like Gummow J in *Collier Constructions Pty Ltd v Foskett*,⁶⁹⁰ Aldous LJ held that the jurisdiction to refuse to enforce copyright derives from a court's inherent jurisdiction.⁶⁹¹ His Lordship's decision confined the circumstances in which copyright will not be enforced to those involving some wrongdoing or iniquity on behalf of the claimant. Again like Gummow J in *Collier*, Aldous LJ noted that the Act itself contained detailed provisions regarding exceptions to owner's rights, being 'provisions directed towards achieving a proper balance between the protection of copyright and the wider public interest'.⁶⁹²

⁶⁸⁶ at 556.

⁶⁸⁷ at 553.

⁶⁸⁸ [2001] Ch 143 (Court of Appeal). This case concerned security camera footage of Princess Diana and Mr Dodi Al Fayed entering and leaving a residence owned by Mr Mohamed Al Fayed on the day before their deaths in a car accident. The defendants pleaded public interest in the length of the stay as it related to the future marital intentions of the couple and thus to any plot against them, as alleged by Mr Mohamed Al Fayed.

⁶⁸⁹ With whom Stuart Smith LJ agreed.

⁶⁹⁰ (1990) 97 ALR 460.

⁶⁹¹ at 167.

⁶⁹² at 160.

5.90 In the subsequent Court of Appeal case of *Ashdown v Telegraph Group Ltd*,⁶⁹³ the court expressly disapproved Aldous LJ's approach in *Hyde Park*. The court reaffirmed that a public interest defence is available with respect to infringement, holding that Aldous LJ's views were inconsistent with the earlier Court of Appeal decision in *Lion Laboratories Ltd v Evans*.⁶⁹⁴ Aldous LJ had characterised *Lion* as turning upon the fact that the documents published by the defendant 'reeked of turpitude'.⁶⁹⁵ The court held that this reading was too confined, and that the court in *Lion* had held that the circumstances in which public interest may override copyright are not capable of precise categorisation or definition.⁶⁹⁶

5.91 In holding that *Lion*, so characterised, should be followed, the Court in *Ashdown* considered the application of the *Human Rights Act 1998* UK (Human Rights Act), of which there is no equivalent in Australia. This Act implements the *Convention for the Protection of Human Rights and Fundamental Freedoms* (the European Convention of Human Rights),⁶⁹⁷ Art. 10 of which establishes the right to freedom of expression. The Court also took into account s. 171(3) of the *Copyright, Designs and Patents Act 1988* (UK) which provides that nothing in the relevant parts of the Act 'affects any rule of law preventing or otherwise restricting the enforcement of copyright, on grounds of public interest or otherwise'. Like the Human Rights Act, there is no Australian equivalent of this provision.⁶⁹⁸

5.92 *Ashdown* was the first case to consider the relationship between freedom of expression under the Human Rights Act and copyright. The Committee notes that freedom of expression is a broadly stated right, as is free speech under the US Constitution. Freedom of speech has also recently been raised as a defence to proceedings brought under copyright legislation in the US (see further discussion in

⁶⁹³ [2001] E.M.L.R 44, 1003.

⁶⁹⁴ [1985] QB 526.

⁶⁹⁵ It was thus a case in which enforcement of copyright would have offended against 'the policy of the law' under the circumstances described by his Lordship at 168.

⁶⁹⁶ at 1022 (as had been held by Mance J in *Hyde Park* at 172).

⁶⁹⁷ Agreed by the Council of Europe at Rome on 4th November 1950.

⁶⁹⁸ The court stated that: 'Now that the Human Rights Act is in force, there is the clearest public interest in giving effect to the right of freedom of expression in those rare cases where this right trumps the rights conferred by the Copyright Act. In such circumstances, we consider that section 171(3) of the [Copyright] Act permits the defence of public interest to be raised' (at 1022–3).

Chapter 6). The Committee observes that while there is no comparable basis upon which to found a defence of public policy and/or public interest in Australia, the implied right of freedom of political communication articulated by the High Court might conceivably be invoked in limited circumstances.⁶⁹⁹

5.93 As Mason J's decision in *Fairfax* has not been distinguished or overruled by the High Court, the Committee concludes that a public interest defence to an action for infringement exists in Australia. The cases establish that it may serve as a defence where the activity complained of serves to protect the community from destruction, damage or harm.

5.94 As noted above, the tests for public interest formulated in the context of infringement would not necessarily apply to publication or dissemination of materials in breach of contract.⁷⁰⁰ Even so, the Committee considers that it is arguable that agreements which exclude or modify some or all of the copyright exceptions damage or harm the community by restricting the use of copyright material for certain important purposes. This is particularly so if one accepts that the protection of these purposes is essential to the integrity of the legislative balance achieved by the Copyright Act (as discussed in Chapter 3).

5.95 The Committee notes that arguments as to whether agreements the subject of this reference undermine the intentions of the legislature are also directly relevant to whether these agreements would be unenforceable under the terms of the Copyright Act itself, as to which see below.

⁶⁹⁹ In *Australian Capital Television Pty Limited & Ors v The Commonwealth* (1992) 177 CLR 106, *Theophanous v Herald & Weekly Times Ltd* (1994) 182 CLR 104; *Stephens v WA Newspapers Ltd* (1994) 182 CLR 211; and *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520.

⁷⁰⁰ The Committee observes that s. 9(3) of the Copyright Act provides that '[t]his Act does not affect the operation of the law relating to breaches of trust or confidence'. The Committee notes that the courts have developed particular tests for whether a defence of public interest is available for breach of a contract involving obligations of this kind. Even so, there is considerable overlap between the tests of public interest in this context and in the context of infringement. See, Parsons D. The meaning of 'public interest'. *Communications Law* 2001;6(6):191–4.

Statutory prohibitions

5.96 As noted above, public policy and statutory illegality are closely connected in that it is counter to public policy to allow the intentions of the legislature to be overridden. Where a contract is expressly or impliedly prohibited by statute, it is, subject to any contrary provision in the statute itself, void and unenforceable.⁷⁰¹ It is also possible that such a contract could be held unenforceable on the basis of public policy considerations (some of which are discussed above).

5.97 Whether a contract is prohibited by statute may be apparent from the ‘plain meaning’ of an Act. Where this is not the case, established legal maxims may be applied in an attempt to clarify the issue. Beyond this, recourse may be had to extrinsic materials in an attempt to ascertain the meaning and effect of a provision, as well as to ascertain the objects and purposes of the Act in order to determine whether these are undermined by the contract in question.

5.98 Section 47H of the Copyright Act provides that an agreement, or a provision of an agreement, that excludes or limits, or has the effect of excluding or limiting, the operation of s. 47B(3), or ss. 47C, 47D, 47E or 47F has no effect. It is the sole example of a provision within the Act that expressly prohibits contracts which exclude or modify a copyright exception. The Act is silent as to whether other exceptions to the rights of owners set out in the Act may or may not be modified by agreement.⁷⁰²

5.99 A range of opinions was offered by submitters on the effect of s. 47H. AIIA stated that the express provision against contracting out in s. 47H may imply that provisions elsewhere can be overridden by contract. CAL, ARIA and PPCA submitted that if there is no express provision on contracting out, contracting out is permitted.

⁷⁰¹ *Yango Pastoral Co Pty Ltd v First Chicago Australia Ltd* (1978) 139 CLR 410.

⁷⁰² While the statutory licensing provisions of the Act allow for voluntary licensing, the Committee is of the view that they are not properly characterised as exceptions to the exclusive rights of the owners. Rather, they establish a scheme under which the right of owners to receive remuneration for uses of works is enhanced in situations where market failure would otherwise make this unrealistic. The relevant sections are s. 135Z (with respect to Part VA), s. 135ZZF (with respect to Part VB) and s. 135ZZZC (with respect to Part VC). Similarly, ss. 195AW and 195AWA, which specifically state that authors may consent to acts or omissions which would otherwise infringe their moral rights, are not exceptions to the exclusive rights of owners. As noted by the Law Council, rather than allowing ‘contracting out’ of an exception, these sections are akin to other provisions in the Act which provide that copyright owners may allow other persons to exercise one or more of their exclusive rights.

5.100 FACTS submitted that s. 47H has no effect beyond Part III Division 4A of the Act, while noting that it did not believe that express statutory exceptions in the Act can necessarily be overridden by contract.

5.101 From a user's perspective, Deakin University submitted that s. 47H is why it, the AVCC and other bodies have taken the view that provisions elsewhere in the Act can be overridden by contract.

Expressio unius est exclusio alterius

5.102 The possible application of the legal maxim *expressio unius est exclusio alterius* was discussed in a number of submissions.⁷⁰³ The maxim means that an express reference to one matter indicates that other matters are excluded. As explained by Pearce and Geddes, '[i]t is a reasonable assumption that where legislation includes provisions relating to similar matters in different terms, there is a deliberate intention to deal with them differently.'⁷⁰⁴

5.103 It has been said that the maxim is 'often a valuable servant, but a dangerous master to follow in the construction of statutes'⁷⁰⁵ and is not a rule of universal application.⁷⁰⁶ The High Court has repeatedly warned that it is to be applied with caution.⁷⁰⁷ Pearce and Geddes observe that '[w]hen [the maxim] is followed, it is used more often as a bolster to a predetermined interpretation than as a rule that produces a result in itself.'⁷⁰⁸ The maxim will thus be applied in the context of an overall

⁷⁰³ See, for example, submissions from the ADA, AIIA, AVCC, CAL, CAUL, the Law Council and MCEETYA.

⁷⁰⁴ Pearce DC, Geddes RS. *Statutory interpretation in Australia*. 4th edn. Sydney: Butterworths, 1996, para. 4.22.

⁷⁰⁵ Lopes LJ in *Colquhoun v Brooks* (1888) LR 21 QBD 52 at 65; adopted in *Rylands Bros (Aust) Ltd v Morgan* (1927) 27 SR (NSW) 161 by Long Innes J (at 168–9) and applied in *Deputy Commissioner of Taxation v Lincoln Industrial Cleaners Pty Ltd* (1975) 7 ALR 118 by Sheppard J at 123.

⁷⁰⁶ *Bas v Permanent Trustee Company Ltd* (1999) 198 CLR 334 per Gleeson CJ, Gaudron, McHugh, Gummow, Hayne and Callinan JJ at 348 (although the rule was applied, along with other considerations, in this case).

⁷⁰⁷ This point is made by Hely J in *Barratt v Howard* (1999) 165 ALR 605 citing the following authorities (at 615): *Re Wakim; Ex parte McNally* (1999) 163 ALR 270; (1999) 198 CLR 511; *Federal Commissioner of Taxation v Rowe* (1997) 187 CLR 266 at 277; *Ousley v R* (1997) 148 ALR 510 at 525 and 539; (1997) 192 CLR 69; *Ainsworth v Criminal Justice Commission* (1992) 175 CLR 564 at 575; *Houssein v Under Secretary, Department of Industrial Relations & Technology* (NSW) (1982) 148 CLR 88 at 94; *Wentworth v NSW Bar Association* (1992) 176 CLR 239 at 250; *PMT Partners Pty Ltd (in liq) v Australian National Parks & Wildlife Service* (1995) 184 CLR 301 at 311.

⁷⁰⁸ op. cit., citing the High Court decisions of *Carr v Finance Corp of Australia* (1982) 42 ALR 29 at 37; (1982) 150 CLR 139 and *Riley v Commonwealth* (1985) 62 ALR 497 at 505; (1985) 159 CLR 1.

attempt to discern the legislative intent behind a statute. The following are amongst the factors which will influence the application of the maxim by a court: similarity of subject matter; whether the asserted application is discoverable on the face of the Act; whether inconsistency or injustice results from applying the principle; and the history of the Act and separate origins of particular provisions.

Similarity of subject matter

5.104 The Committee considers it unclear whether the various exceptions could be characterised as dealing with the same subject matter, such as to invite the application of the maxim. The subject matter of the exceptions could be broadly described as acts which impinge on the exclusive rights or prerogatives of owners otherwise granted under the Act. On a narrower construction, the various exceptions could be viewed as dealing separately with particular uses which may be made of particular copyright works and subject matter. As discussed in Chapters 2, 3 and 7, the Committee is of the view that fair dealing and some related exceptions are fundamental to defining the copyright interest and are therefore distinguishable from other more pragmatic exceptions or limitations.

5.105 In *Heatley v Tasmanian Racing and Gaming Commission*,⁷⁰⁹ Aickin J (with whom Mason J and Stephen J agreed) observed that the fact that provision was made for hearings in relation to three kinds of licensing while none was made with respect to the power to order persons not to enter a racecourse did not mean that the requirements of natural justice were excluded with respect to the later circumstances.⁷¹⁰ The reluctance with which the courts apply the rule suggests to the Committee that a narrow construction of subject matter is likely to be preferred. This is consistent with the Committee's understanding of the exceptions as described in Chapters 3 and 7.

⁷⁰⁹ (1977) 137 CLR 487.

⁷¹⁰ at 513.

Whether asserted application is discoverable on the face of the Act

5.106 It has been said that the maxim applies only when the intention it expresses is discoverable on the face of the instrument.⁷¹¹ In *Houssein v Under Secretary, Department of Industrial Relations and Technology*,⁷¹² the High Court considered whether the rule applied to adjoining paragraphs of a statutory provision.⁷¹³ In holding that it did not, the Court observed that '[i]n terms, each paragraph is a separate provision in no way dependent upon the other. Furthermore, although there may be considerable overlap in the operation of the two provisions, there is no contradiction between them. Both provisions can operate according to their terms without any difficulty'.⁷¹⁴

5.107 The Committee considers that it is doubtful that the various exceptions could be said to depend upon each other in upholding the copyright balance.

Whether inconsistency or injustice results from applying the principle

5.108 The Law Council's submission argued that to apply the maxim with the effect of interpreting s. 47H to mean that all other exceptions in the Act may be overridden by contract would lead to a 'peculiar result'. The submission cites *Heatley* in aid of the argument that such results are to be avoided.⁷¹⁵ The Committee notes that *Heatley* dealt with a purported exclusion of natural justice, which is an outcome that Australian courts have historically been loath to countenance.⁷¹⁶ In the

⁷¹¹ *Saunders v Evans* (1861) 8 HL Cas 721, at 729 approved in *Houssein v Under Secretary, Department of Industrial Relations and Technology* (NSW) (1982) 148 CLR 88 and applied (along with the authorities mentioned in footnote 708) in *Barratt v Howard* (1999) 165 ALR 605 by Hely J at 615 (where an argument for the application of the principle to find that natural justice was not due to the plaintiff was rejected).

⁷¹² (1982) 148 CLR 88.

⁷¹³ The first paragraph of the provision excluded any decision of the (NSW) Industrial Relations Commission from review by any court whatsoever. The second paragraph provided that no writ of prohibition or certiorari shall lie against a holding of the Commission or any member of the Commission, relating to an industrial matter. It was argued that the writs were available with respect to other than industrial matters.

⁷¹⁴ at 94 per the Court.

⁷¹⁵ Law Council submission, p. 7.

⁷¹⁶ See, for example, *Baba v Parole Board of NSW* (1986) 5 NSWLR 338 at 349; cited in *Barratt v Howard* (1999) 165 ALR 605 at 615.

Committee's view, it is less clear that the same conclusion is to be drawn from an ability to contract out of the exceptions to the exclusive rights of copyright owners.⁷¹⁷

5.109 However, the Committee observes that Gummow J's comments in *Collier*, namely, that to overlay the exceptions with a general law defence of public interest would lead to an odd result, might be extended to an interpretation of the Act that would allow the exceptions to be set aside by contract.

History of legislation and separate origins of particular provisions

5.110 The potential for the maxim to operate may not have been considered by the Parliament. It has been observed that '[t]he exclusion is often the result of inadvertence or accident, and the maxim ought not to be applied when its application, having regard to the subject-matter to which it is to be applied, leads to inconsistency or injustice.'⁷¹⁸ The history of the legislation and the separate origins of the various provisions may indicate that Parliament did not consider the potential operation of the principle.⁷¹⁹ The Law Council submitted that other factors which might be relevant are whether the statute has been the subject of many amendments, whether the statute is long and/or complex and the proximity of the relevant provisions.

5.111 As indicated in Chapter 3, the Copyright Act has been amended many times since its enactment. As noted in submissions from the ADA and the ALCC, the fact that the CLRC was given a reference to simplify the Act suggests that it is a relatively complex piece of legislation. As discussed in Chapter 3, the exceptions have separate histories and are not set out in any logical order. In the Committee's view this lends itself to the view that the operation of the *expressio unius* maxim was probably not considered by Parliament.

⁷¹⁷ The Committee notes that, despite being characterised as positive rights by some academics, the exceptions are more correctly understood as defences to infringement only.

⁷¹⁸ *Colquhoun v Brooks* per Lopes LJ at 65 (see footnote 706, above).

⁷¹⁹ *Heatley*, per Aickin J at 513.

Extrinsic materials

5.112 In circumstances where the effect of s. 47H is not clear on the face of the Act or after applying the *expressio unius* principle, recourse may be had to extrinsic materials.

5.113 Part III Division 4A of the Copyright Act was inserted by the Computer Programs Act (see discussion at para 3.118). It permits certain acts with respect to computer programs which would otherwise infringe copyright, as discussed in Chapter 3.

5.114 As noted by some submitters, the Explanatory Memorandum to the Computer Programs Bill gives no insight into the intended effect of s. 47H on the operation of the other exceptions. It notes that all amendments introduced (except with respect to security testing of computer programs and systems) result from the Government's consideration of recommendations in the CLRC's Report on *Computer Software Protection*.⁷²⁰

5.115 In that Report, the Committee stated that provisions regarding interoperability, back-up copying and decompilation of locked programs would have little practical effect if parties could rely on contractual provisions to prevent these acts, and recommended that the Copyright Act be amended to ensure that these exceptions could not be avoided by contractual means. The Committee noted that it had considered Art. 9 of the EC Computer Programs Directive⁷²¹ (which is discussed in detail in Chapter 6).⁷²² Article 9 provides, in part, that: 'Any contractual provisions contrary to Article 6 [decompilation] or to the exceptions provided in Article 5(2) [back-up copying] and (3) [observation and study] shall be null and void.' The Committee noted its understanding that copyright owners often seek to impose restrictions by contract on use of copies of their programs beyond those flowing from their rights as copyright owners.⁷²³ However, it did not discuss the impact of this perceived practice on the operation of the other exceptions. Nor does the Report discuss the implications for the other exceptions of a provision such as s. 47H.

⁷²⁰ Copyright Law Review Committee, 1995, op. cit.

⁷²¹ Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs.

⁷²² at para. 10.106 (including Recommendation 2.31).

⁷²³ at para. 10.06.

5.116 The Second Reading Speech for the Computer Programs Bill is also silent as to the effect of s. 47H on the other exceptions. However, it noted the competitive nature of the computer industry internationally, and referred to developments in the United States and Europe.⁷²⁴

5.117 It is unclear from the extrinsic materials whether Parliament turned its mind to the issue of the potential effect of s. 47H on other exceptions in the Act. The Committee notes that as the provision appears to have been based on the Computer Programs Directive, it is unlikely that its broader effects were considered.

5.118 The Committee considers that, with the exception of s. 47B(1),⁷²⁵ the effect of s. 47H on agreements which exclude or modify the exceptions is ultimately unclear.⁷²⁶ Apart from s. 47H, the exceptions state that certain acts are not infringements of copyright. However, the language of the Act does not clearly imply that owners cannot acquire rights beyond those set out in the Act through contract. Whether agreements which exclude or modify some or all of the exceptions defeat the objects of the Copyright Act is discussed in Chapter 7. The Committee considers that it is arguable that a court could reach such a conclusion. However, the Committee observes that the traditional reluctance of the courts to pre-empt the legislature in clarifying the purported objects and intended effects of legislation may militate against such an outcome.

⁷²⁴ Which, as indicated above, include the Computer Programs Directive.

⁷²⁵ The Law Council submitted that '[i]t is...arguable that the [*expressio unius*] principle would be applied in relation to the provisions in Division 4A of Part III of the Copyright Act. Although the Explanatory Memorandum is silent on this issue, a court may therefore find that it is possible to contract out of s. 47B(1) based on its exclusion from s. 47H': Law Council submission, p. 7. MCEETYA suggested that 'a sensible interpretation' of s. 47H would not find a general implication that Parliament intended other exceptions to be capable of modification, with the possible exception of s. 47B': MCEETYA submission, p. 8. The AIIA asserted that s. 47B(2) expressly provides that s. 47B(1) can be overridden by contract: AIIA submission, p. 4.

⁷²⁶ The submission from Professor Brian Fitzgerald queries whether there may be some lingering doubt as to the full effect of s. 47H. It notes that ss. 47D-F are premised on the requirement that reverse engineering can only be undertaken on behalf of the 'owner or licensee of a copy of the program'. The US case of *DSC v Pulse Communications* 170 F.3d 1354 (Fed. Cir. 1999) held that in some cases a licensee does not become the owner of a program, meaning that the software developer would still be the owner. If this case were followed (the submission continues) the developer could simply refuse permission, thus reducing the whole effect of s. 47H (pp. 2-3 of submission). The BSAA stated that there is a very important proviso to s. 47B(1) in s. 47B(2) as, '[u]nder this subsection, the exception does not apply to the making of a reproduction of a computer program from an infringing copy of the computer program or contrary to an express direction or licence given by the owner of the copyright in the computer program to the owner or licensee of the copy.' It argued that '[t]his proviso is vital because of the essential role which licence terms play in the marketing of computer programs...Without section 47(b)(2) it would be possible for a purchaser of a single user copy of a program to use it on a 100 user network and claim the benefit of the exception in section 47B(1)': BSAA submission, p. 2.

Restrictive Trade Practices

5.119 Contracts which facilitate restrictive trade practices are prohibited under the TPA. The relevance of restrictive trade practices law to copyright issues has been illustrated, if tangentially, by the Microsoft litigation in the United States.⁷²⁷ It has also been highlighted in Australia in *ACCC v Universal Music Australia Pty Ltd.*,⁷²⁸ and by proceedings brought by Sony and related companies against a seller of ‘mod-chips’ which allow RPC on Sony Playstations to be bypassed⁷²⁹ (see discussion in para. 4.44 above).

5.120 The ACCC has been granted leave to intervene in the Sony case and will argue that, rather than protecting against infringement (as Sony has claimed), RPC is designed to prevent the use of imported games and copied games, neither of which is prohibited under s. 116A. It will therefore argue that RPC is being used by Sony to ‘maintain artificial trade barriers by technological means.’⁷³⁰ In this regard, the Committee notes the argument that intellectual property rights should not be used to extend market power beyond the scope of the right originally allowed, or to extend into a wider range of exclusion which may be used to substantially lessen competition.⁷³¹ The Committee notes that the ACCC has also announced that it is investigating RPC on DVDs.⁷³² Other types of technological protection measures which may be used to protect copyright and other material are discussed in Part I of Chapter 4.

⁷²⁷ *US v Microsoft Corporation*, 87 F.Supp. 2d 30 (D.D.C. 2000). In June 2001, the US Court of Appeals for the District of Columbia Circuit reversed the trial Judge’s finding that Microsoft had attempted to extend its operating systems monopoly into the browser market. However, it upheld most findings that Microsoft had used illegal and anti-competitive means to maintain its monopoly in Intel-based operating systems. The litigation was brought under the *Sherman Act* of 1890 which forbids contracts, combinations or conspiracies in restraint of trade as well as making it unlawful to monopolise, attempt to monopolise, or combine or conspire to monopolise any part of interstate or foreign commerce.

⁷²⁸ [2001] FCA 1800 (14 December 2001) in which the Federal Court found that the two companies had misused their market power (contrary to s. 46) and engaged in exclusive dealing (contrary to s. 47) by threatening to refuse to supply CDs to Australian retailers who stocked parallel-imported CDs, and later refusing to supply retailers who stocked such imports (although Hill J rejected the ACCC’s claim that the companies had breached s. 45 of the TPA). Hill J rejected claims by Universal that its actions were an attempt to prevent piracy. Total penalties of more than \$1 million were subsequently imposed on the companies and their executives.

⁷²⁹ *Sony Entertainment Pty Ltd. v Eddy Stevens* (FCA NSW Registry N738/2001).

⁷³⁰ Australian Competition and Consumer Commission (ACCC), *ACCC defends the rights of PlayStation owners*, media release, ACCC, Canberra, 8 February 2002: for full text see, <http://203.6.251.7/acc.internet/digest/view_media.cfm?RecordID=595>.

⁷³¹ As raised, for example, by the Ergas Committee: see, Ergas Report, op. cit., pp. 11–12.

⁷³² ACCC, 8 February 2002, op. cit.

5.121 In Australia, Part IV of the TPA prohibits corporations from engaging in anti-competitive behaviour. Amongst other things, it covers:

- agreements which contain exclusionary provisions (ie, provisions which result in the boycott of a third party) (s. 45(2));
- agreements which otherwise have or would be likely to have the effect of substantially limiting competition (s. 45(2));
- price fixing (s. 45A);
- misuse of market power (s. 46);
- exclusive dealing that (with the exception of product forcing) has the effect of substantially limiting competition (s. 47); and
- retail price maintenance (s. 48).

5.122 Contracts dealing with intellectual property rights occupy a unique position in relation to the regulation of restrictive trade practices. Section 51(3) of the TPA exempts licences and assignments of intellectual property from the provisions of Part IV of the Act (other than those relating to misuse of market power (s. 46) and retail price maintenance (s. 48)) in so far as they relate to ‘the work or other subject matter in which the copyright subsists’.

5.123 This provision is the source of continuing controversy. The Ergas Committee noted that ‘the extent and breadth of the exemptions [granted by s. 51(3)] are unclear, and may well be overbroad.’⁷³³ On the other hand, it has been argued that the only conditions to which s. 51(3)(a)(v) apply may be conditions relating to the first material embodiment of a work or subject matter and not to a reproduction or copy of it.⁷³⁴ Such conditions are unlikely to be of any importance.⁷³⁵

⁷³³ Ergas Report, op. cit., p. 11.

⁷³⁴ Lahore, 1996, op. cit., para. 32, 020.

⁷³⁵ Except ‘where that first material embodiment is of great intrinsic value, such as a painting or manuscript. Other conditions, however, relating to the copyright itself or reproductions of the work or copies or records of films or recordings will remain subject to the provisions of Pt IV s. 51(3)(a)(v) will [if this analysis is correct] provide little assistance to copyright owners and organisations of owners so far as the application of Pt IV of the *Trade Practices Act* is concerned’: Ricketson S, Creswell C, 2001, op. cit., paras 15.190, 15.195.

5.124 Regardless of the foregoing, it is noted that s. 51(3) does not exempt agreements regarding non-copyright materials. Agreements which seek to impose similar restraints on the use of copyright and non-copyright material would therefore presumably not be exempt to the extent that they sought to do the latter.

5.125 The Ergas Committee concluded that intellectual property rights are sufficiently different from other property rights and assets to warrant special exemptions from the general provisions of the TPA. However, in light of the ambiguity of s. 51(3), the Ergas Committee recommended that the TPA be amended to provide that agreements related to the subject matter of an intellectual property statute do not contravene Part IV or s. 4D of the TPA unless they are likely to result in a substantial lessening of competition.⁷³⁶

5.126 In accepting this recommendation in part, the Government Response to Intellectual Property and Competition Review Recommendations⁷³⁷ acknowledged that intellectual property rights should continue to be accorded distinctive treatment under the TPA. The Response foreshadows changes to the TPA whereby:

- ss. 46, 46A or 48 would be treated as per the present s. 51(3); and
- intellectual property licensing would be subject to the provisions of Part IV, but a contravention of the per se prohibitions of ss. 45, 45A and 47, or of s. 4D, would instead be subject to a substantial lessening of competition test.

5.127 The ACCC is also examining the issue of competition and e-commerce. In its Discussion Paper: E-commerce and competition issues under the Trade Practices Act,⁷³⁸ the Commission noted that the TPA is only likely to be relevant where it can be shown that imposing technical locking devices constitutes a misuse of market

⁷³⁶ Ergas Committee, op. cit., p. 11. The Committee concluded that recommendation for changes to s. 51(3) proposed by the National Competition Council (NCC) do not adequately address the deficiencies in the current provisions. In its 1999 *Review of Sections 51(2) and 51(3) of the Trade Practices Act 1974*, Commonwealth of Australia, Canberra, the NCC recommended that the exemption in s. 51(3) be amended by specifying that price and quantity restrictions and horizontal arrangements cannot benefit from the exemption (p. 152).

⁷³⁷ of 28 August 2001.

⁷³⁸ Australian Competition and Consumer Commission (ACCC) October 2001, *E-commerce and Competition Issues Under the Trade Practices Act*, Australian Competition and Consumer Commission, Canberra.

power.⁷³⁹ It also observed that where a supplier bundles its own goods or services together, issues could be raised under s. 47 (exclusive dealing) or s. 46 (misuse of market power).⁷⁴⁰ As noted, s. 46 (misuse of market power) is the only one of the sections highlighted by the ACCC which clearly applies to licences and assignments of intellectual property.

5.128 The use of technical locking devices and the bundling of products by large publishers was raised in submissions from user interests and discussed in Chapter 4. The Committee observes that bundling is not directly related to the question of whether a contract overrides the copyright exceptions. However, insofar as it has the potential to influence the types of information to which users have access, it is relevant to the broader environment in which the copyright balance operates.

5.129 Some submissions from users argued that there was an increasing horizontal and vertical integration of suppliers of certain copyright materials. To the extent that this is the case, the Committee notes that it may create the potential for particular businesses to exercise a substantial degree of power in the relevant market. However, the Committee observes that integration does not in itself form the basis for an argument that market power is being abused. Further, the Committee notes that integration may lead to considerable efficiency gains for both businesses and consumers.

5.130 While the Committee observes that remedies may be available to prevent the enforcement of some agreements which exclude or modify the copyright exceptions, it has concluded that the enforceability of agreements the subject of this reference is unsettled as a matter of domestic law. Unless it is considered that such agreements are an anathema to the broad policy objectives of the Copyright Act, there is no consistent basis upon which legal challenges could be mounted. The implications of this lack of consistency for parties seeking to challenge agreements which exclude or modify the exceptions are discussed in Chapter 7.

⁷³⁹ p. 39.

⁷⁴⁰ If, as a result of bundling, the supplier is able to restrict competition in the supply of any or all of the bundled items (at pp. 36–7). This argument is based on the premise that bundling forces consumers to acquire goods or services that they do not want and forecloses access to the consumer by other suppliers. For a criticism of this premise, see, Korah V. An introductory guide to EEC competition law & practice. 4th edn. Oxford: ESC, 1990.

Part II: Jurisdictional Issues

5.131 Part I of this Chapter discussed the enforceability of agreements which exclude or modify the copyright exceptions in terms of Australia's legal system. This Part focuses on jurisdictional issues which are relevant to agreements the subject of this reference.

5.132 As discussed in Chapter 4, submitters agreed, and the Committee accepts, that online trade in copyright material is more likely than offline trade to be justiciable by a foreign court and/or governed by foreign law. Such an outcome may arise through the application of the general principles of private international law or, more directly, through the operation of choice of forum and choice of law clauses which are commonly included in online contracts for copyright material.

5.133 The Committee observes that, if a foreign court has jurisdiction to hear an action for breach or enforcement of a contract, Australian residents may be required to defend or assert their legal rights in that court. The expense involved would make this impractical for most individuals and small businesses, who would be forced to risk a judgment being entered against them in their absence, or to forego the opportunity to enforce their rights under a contract. For example, if an online service provider discontinues access in breach of a contract which provides that disputes under the contract will be heard by the courts of California, the other party would need to travel to California to contest the provider's right to do so.

5.134 The Committee also acknowledges observations by some submitters that, where the laws of a foreign county govern an agreement, remedies available under Australian law may be of limited relevance. If, for example, an online service provider discontinues access to a service because of alleged breach of a contract governed by Californian law, it would not assist an Australian party to argue that the activity complained of involved the contravention of a term which was unenforceable under Australian law. While an Australian court may refuse to enforce the judgment of a foreign court on public policy grounds, the Committee observes that a foreign court is not obliged to have regard to these grounds in applying its own laws.

5.135 Where a dispute involves an agreement transacted across national borders, it is therefore necessary to determine the appropriate forum in which to hear the dispute, as well as the governing law that should apply to the agreement. Even in cases where a judicial ruling has been made, there may be difficulties in enforcing the ruling in another country. The Committee notes that it is important to consider these issues separately. Jurisdiction relates to whether a court can hear a matter. Where jurisdiction is found, what law(s) the court must apply to determine the case is another matter to be decided. Enforcement is a third issue to be addressed. The Committee provides a brief outline of these three issues below.

Jurisdiction

5.136 Where a dispute involves an international element, for example, because one party is a foreign resident or because some of the events giving rise to a cause of action occur in a foreign country, the question arises as to whether an Australian court has jurisdiction to hear the dispute.

5.137 In the absence of an enforceable choice of forum clause (see further below at para. 5.146), in Australia, the jurisdiction of courts in civil matters is established by the common law and by rules of court dealing with service of writs outside of the jurisdiction. In general terms, a court has jurisdiction:

- at common law, over a defendant who is physically present within the court's geographical jurisdiction ('the forum'); or
- under rules of court, which are based on there being a sufficient nexus between the subject matter of the case and the forum, and which allow a defendant to be served outside the forum.⁷⁴¹

5.138 A court may, for example, allow 'service out' where the defendant is a natural person whose domicile or ordinary residence is in the forum, or a corporation registered or carrying on business in the forum. For actions in contract, service out may also be

⁷⁴¹ See, Attorney-General's Department April 1999, *Issues Paper: International Jurisdiction and the Recognition and Enforcement of Foreign Judgments in Civil Matters, Draft Hague Convention*, Attorney-General's Department, Canberra, paras 5.1–3, available at: <<http://www.ag.gov.au/publications/haguepaper>>.

permitted where the contract was formed or broken within the forum or where the proper law is the law of the forum (see further under ‘choice of law’).

5.139 Even where a defendant has been served within the forum or a sufficient nexus with the forum might otherwise exist, jurisdiction may be declined on the grounds that the forum chosen is ‘clearly inappropriate’.⁷⁴²

5.140 It should be recalled that the relevant forum may be an Australian State or Territory. This would be the case with respect to an action for breach or enforcement of contract, as contracts are governed by State law.

5.141 In the online environment, difficulties arise in determining whether a contract was formed within a particular jurisdiction.⁷⁴³ Under Australian law an offer is effective when it is communicated to the offeree, and an offer is accepted when the acceptance is communicated to the offeror. The issue of when and where formation occurs for the purposes of online transactions has not been judicially considered in Australia.

5.142 Where communication between parties is ‘instantaneous’, acceptance is traditionally held to occur where the offeror receives the communication of acceptance. This is applicable to contracts accepted in person, over the telephone⁷⁴⁴ or by private telex.⁷⁴⁵ In contrast, the ‘postal acceptance rule’ dictates that acceptance by letter generally occurs when the letter is posted.⁷⁴⁶

5.143 Acceptance may be communicated over the Internet either by email or via a website. As noted extra-judicially by Justice Finkelstein of the Federal Court, emails

⁷⁴² *Voth v Manildra Flour Mills Pty Ltd* (1990) 171 CLR 538. Relevant factors may include: any significant connection between the forum selected and the subject matter of the action and/or parties, such as where they are domiciled, their places of business and the place where the relevant transaction occurred or the subject matter of the suit is situated; any legitimate and substantial advantage to the plaintiff, including assets within the jurisdiction against which judgment may be enforced; the availability of an alternative forum and its ability to provide adequate relief for the plaintiff; and whether the law of the forum will be the substantive law applied. See, Nygh P. *Conflicts of Laws in Australia*. 6th edn. Sydney: Butterworths, 1995;107–8.

⁷⁴³ To a lesser extent, this is also true of breach of contract through repudiation (which may be communicated over the Internet or via email).

⁷⁴⁴ *WA Dewhurst and Co Pty Ltd v Cawrse* [1960] VR 278.

⁷⁴⁵ *Entores Ltd v Miles Far East Corporation* [1955] 2 QB 327.

⁷⁴⁶ *Adams v Lindsell* (1818) 1 B & Ald 681; [1818] 106 ER 250 (provided the letter is properly addressed and stamped).

are similar to letters in that they may take seconds or hours to arrive, are beyond the sender's control once dispatched and may be lost, garbled or rejected by firewalls.⁷⁴⁷ While there may therefore be some argument that the postal acceptance rule should apply, his Honour has noted that on balance, it would be preferable to treat emails as instantaneous communication. His Honour has observed that website contracts are virtually instantaneous and would more clearly be formed upon receipt by the offeror.

5.144 The Committee notes that whether the ETA and equivalent State and Territory legislation has resolved this issue is not entirely clear. The ETA sets out rules which, in the absence of any contrary agreement, determine the time and place of dispatch and receipt of electronic communications.⁷⁴⁸ However, it has been argued that the electronic transactions legislation refers only to 'receipt' of a communication, which does not necessarily address the issue of where acceptance is deemed to have occurred for the purpose of contract formation.⁷⁴⁹

5.145 The Committee is of the view that contracts formed via email or through interaction with a website would most likely be formed when and where the offeror's computer receives the message sent by the offeree.⁷⁵⁰ Persons within Australia who contract in this way with parties located overseas may therefore find that an action related to the contract is justiciable by a foreign court (provided the rules of such a court indicate that the place where a contract is formed is a basis for assuming jurisdiction).

⁷⁴⁷ The Honourable Justice Ray Finkelstein. Protection of intellectual property in cyberspace: jurisdictional issues. Intellectual Property Forum 2001;47:8–20.

⁷⁴⁸ Viz (per s. 14):

- if an electronic communication enters one or more systems outside the control of the originator, then dispatch occurs when it enters the information system or the first system if there is more than one;
- if the addressee of an electronic communication has designated an information system for the purpose of receiving electronic communications, the time of receipt is the time when the electronic communication enters that information system;
- if the addressee of an electronic communication has not designated an information system for the purpose of receiving electronic communications, the time of receipt is the time when the electronic communication comes to the attention of the addressee;
- an electronic communication is taken to have been dispatched at the place where the originator has its place of business; and
- an electronic communication is taken to have been received at the place where the addressee has its place of business.

⁷⁴⁹ Hill S. Flogging a dead horse - the postal acceptance rule and email. Journal of Contract Law 2001;17(2):151–62.

⁷⁵⁰ Note that online consumer contracts may also raise the question of who is the offeror and who is the acceptor. The usual rule for consumer sales is that a retailer who circulates promotional material is not making an offer, but rather an 'invitation to treat'. Thus the would-be purchaser is making the offer which is then accepted by the retailer.

5.146 The difficulties in establishing the appropriate forum described above may be obviated by agreement between the parties as to what tribunal a dispute will be heard in. A choice of forum clause in a contract will not necessarily determine where a matter will be heard. However, it will be amongst those factors considered by a court in determining whether it is appropriate for it to assume jurisdiction. An exclusive choice of forum clause is likely to carry particular weight and there is a strong presumption in favour of holding the parties to their contract. In practice, the party who seeks to proceed despite a foreign exclusive jurisdiction clause has the burden of satisfying the court that there are strong grounds for proceeding in the forum.⁷⁵¹ It has been observed that where there is a discrepancy in bargaining power between the parties to an international contract (as is often the case in e-commerce contracts) Australian courts have shown a greater willingness to avoid foreign exclusive jurisdiction clauses.⁷⁵²

5.147 Courts in other countries have their own rules for assuming jurisdiction with respect to actions in contract. As in Australia, where contract is a matter for the State legislatures, the relevant forum may be a State within a federation, for example a State of the US.

5.148 Apart from raising questions as to where a contract is formed or breached (which are relevant to whether a court will proceed to hear an action in contract), the Internet has given rise to novel issues regarding the assumption of jurisdiction in

⁷⁵¹ Nygh, *op. cit.*, pp. 110–11, citing Brandon J in the *The Eleftheria* [1969] 2 All ER 641. Brandon J stated, at 645, that: '[t]he principles established by the authorities can, I think, be summarised as follows: (i) Where plaintiffs sue in England in breach of an agreement to refer disputes to a foreign court, and the defendants apply for a stay, the English court, assuming the claim to be otherwise within its jurisdiction, is not bound to grant a stay but has a discretion whether to do so or not. (ii) The discretion should be exercised by granting a stay unless strong cause for not doing so is shown. (iii) The burden of proving such strong cause is on the plaintiffs. (iv) In exercising the discretion, the court should take into account all the circumstances of the particular case. (v) In particular, but without prejudice to (iv), the following matters, where they arise, may properly be regarded: (a) In what country the evidence of the issues of fact is situated, or more readily available, and the effect of that on the relevant convenience and expense of trial as between the English and foreign courts. (b) Whether the law of the foreign court applies and, if so, whether it differs from English law in any material respects. (c) With what country either party is connected, and how closely. (d) Whether the defendants genuinely desire trial in the foreign country, or are only seeking procedural advantages. (e) Whether the plaintiffs would be prejudiced by having to sue in the foreign court because they would: (1) be deprived of security for that claim; (2) be unable to enforce any judgment obtained; (3) be faced with a time-bar not applicable in England; or (4) for political, racial, religious or other reasons be unlikely to get a fair trial.' This approach has been followed in Australia, including most recently in the NSW case of *FAI General Insurance Company Ltd v Ocean Marine Mutual Protection and Indemnity Association Ltd* (1997) 41 NSWLR 559.

⁷⁵² See, comments prepared by Mallesons Stephen Jaques for the American Bar Association Project: Transnational Jurisdiction in Cyberspace, 30 November 1999, para. 69: <<http://www.kentlaw.edu/cyberlaw/docs/foreign/Australia-Swinson.html>>.

other contexts. The Committee therefore includes the following brief discussion of judicial approaches to jurisdiction over non-residents who have engaged in other types of actionable behaviour via the Internet.

5.149 There have been divergent views in the US and the EU on when a court may exercise jurisdiction with respect to foreign Internet sites. Recent cases in the US appear to lack consistency, but emerging trends indicate that while merely ‘passively accessible’ websites may not attract jurisdiction,⁷⁵³ the more interactive a website is, the more likely a court will be to entertain jurisdiction.

5.150 The judgment in *Zippo Manufacturing Co v Zippo Dot Com Inc*⁷⁵⁴ developed a ‘sliding scale’ of personal jurisdiction in cases involving use of the Internet based on the level of a site’s interactivity with the jurisdiction.⁷⁵⁵ Another line of US cases has formulated a test for jurisdiction based on whether behaviour is aimed at a particular jurisdiction.⁷⁵⁶ Most recently, in *Pavlovich v Superior Court of Santa Clara County*,⁷⁵⁷ a California Appeal court held that it had jurisdiction over an out-of-State website operator because he allegedly used his Indiana-based website to intentionally injure Californian businesses. It was held that the defendant knew or should have known that, as California is the centre of the motion picture industry, Californian companies

⁷⁵³ For example, *Bensusan Restaurant Corp. v King* 937 F.Supp. 295 (S.D.N.Y. 1996), affirmed on other grounds, 126 F.3d 25 (2d Cir 1997); *Cybersell v Cybersell* 130 F.3d 141 (9th Cir 1997); and *Blumenthal v Drudge* 992 F Supp 44 (DDC 1998).

⁷⁵⁴ 952 F Supp 1119 (W.D. Pa., 1997).

⁷⁵⁵ It was stated that ‘[t]his sliding scale is consistent with well developed personal jurisdiction principles. At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper, for example, *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir.1996). At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise [of] personal jurisdiction, for example, *Bensusan Restaurant Corp., v. King*, 937 F.Supp. 295 (S.D.N.Y.1996). The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site, for example, *Maritz, Inc. v. Cybergold, Inc.*, 947 F.Supp. 1328 (E.D.Mo.1996)’ (per McLaughlin District Judge at 1124).

⁷⁵⁶ *Calder v Jones* 465 US 783 (1984); *Panavision International LP v Toeppen Panavision* 141 F. 3d 1320 C.A.9 (Cal. 1998).

⁷⁵⁷ *Pavlovich v Superior Court of Santa Clara County, Respondent, DVD Copy Control Association, In., Real Party in Interest*, 91 Cal. App. 4th 409 (August 2001). In December 2001, the California Supreme Court agreed to hear Pavlovich’s appeal.

would be harmed by his website's marketing of computer programs designed to defeat a copy protection system used to protect copyrighted motion pictures on DVDs.⁷⁵⁸

5.151 It has been suggested that the two tests are similar in principle and that the 'effects test' should be seen as a parallel to the 'sliding scale test' rather than as an alternative.⁷⁵⁹

5.152 The Committee understands that the number of reported decisions from EU and other countries involving jurisdiction over the Internet are few.⁷⁶⁰ A number of treaties which may impact upon this question are briefly discussed below at footnote 774. The Committee observes that Germany has passed a law that subjects any website accessible in Germany to German law.⁷⁶¹ A French court also recently asserted jurisdiction over the American Internet company, Yahoo!, in ordering it to block access to French citizens of web-pages offering Nazi memorabilia for auction.⁷⁶² The Committee understands that the court's decision was based on the fact that the site (which breached French laws against the display for sale of such products) was accessible within France. The Committee observes that this contrasts with US decisions which have required something more than passive accessibility within the forum.

5.153 The Committee notes that a French Court has also ruled that it has jurisdiction to hear criminal charges against Yahoo's former chief executive brought by a group of Auschwitz survivors in connection with the matter described above.⁷⁶³

⁷⁵⁸ In *iAccess, Inc. v WEBcard Technologies, Inc.*, 182 F.Supp. 2d 1183 (D.Utah. 2002), a Federal Court in Utah recently held that it did not have jurisdiction over the operator of an interactive site, holding that it was necessary to show that the defendant either intentionally targeted Utah users or that Utah users actually interacted with its Website.

⁷⁵⁹ Dearing MC. Personal jurisdiction and the internet: can the traditional principles and landmark cases guide the legal system into the 21st century? 1999;UFLJTLP;4(4):paras 1-46, para 41 (noted by Justice Finkelstein, *ibid*).

⁷⁶⁰ See, Siddiqi A. Welcome to the city of bytes? An assessment of the traditional methods employed in the international application of jurisdiction over internet activities – including a critique of suggested approaches. N.Y. Int'l. Rev 2000;14: 43-104, 89.

⁷⁶¹ Siddiqi, *op. cit.*, pp. 89-90. Siddiqi also notes (at pp. 90-1) that in the UK, the High Court accepted jurisdiction over a US website operator who initiated an action for trademark infringement alleged to have occurred within the UK against a German company. However, the author states that this decision was based on the court's finding that 'normally, the most convenient forum for deciding an English trademark...is this court' (*Mecklermedia Corp v DC Congress* All E.R. 148 (March 1997)).

⁷⁶² See, Hu, J and Hansen, E 'Yahoo auction case may reveal borders of cyberspace', list server, 11 August 2000, CNet News.com., <<http://news.com.com/2100-1023-244365.html>>.

⁷⁶³ 'France fires new shot in Yahoo Nazi memorabilia case: trial of ex-CEO', list server, 27 February 2002, Yahoo! News, <<http://sg.news.yahoo.com/020226/1/2jqfl.html>>.

5.154 The Australian position on this issue is uncertain. It has been suggested that the decision in *Macquarie Bank Limited v Berg*⁷⁶⁴ indicates that Australian courts will not exercise jurisdiction over a foreign defendant simply on the grounds that the defendant maintains a website that is accessible in an Australian jurisdiction, and that the sliding scale test developed in cases such as *Zippo* has not, at this stage, been adopted by Australian courts.⁷⁶⁵

5.155 However, similar considerations might be seen as informing the decision in *Gutnick v Dow Jones*.⁷⁶⁶ In this case, the Victorian Supreme Court held that it had jurisdiction to hear a defamation action brought by the Victorian businessman, Mr Joseph Gutnick, against the New York based company, Dow Jones. Hedigan J held that as an online version of Dow Jones's magazine was made available for downloading via the Internet in Victoria, it was published in Victoria. As the proceedings were brought in respect of damage suffered wholly or partly in Victoria and involved an alleged tort held to have been committed in Victoria, service out of the jurisdiction was permitted.⁷⁶⁷ Dow Jones had argued that publication occurred where the magazine was uploaded (ie, 'pulled from the server in New Jersey') and that the case should therefore be heard in New Jersey.⁷⁶⁸ It also argued that downloading was the result of an action for which it could not be held properly responsible. In considering the defendant's control over the publication, Hedigan J distinguished *Macquarie*, which had dealt with a publication on the World Wide Web, noting that Dow Jones only made its service available by means of a password to paying (or trial) subscribers⁷⁶⁹ some of whom it procured from Victoria. The High Court has granted Dow Jones special leave to appeal the decision.

⁷⁶⁴ Unreported, Supreme Court of NSW, Simpson J, 2 June 1999.

⁷⁶⁵ See, comments prepared by Mallesons Stephen Jaques for the American Bar Association Project: Transnational Jurisdiction in Cyberspace, 30 November 1999, paras 48–49: <<http://www.kentlaw.edu/cyberlaw/docs/foreign/Australia-Swinson.html>>.

⁷⁶⁶ [2001] VSC 305 (28 August 2001).

⁷⁶⁷ Under Part I of O. 7 of the Victorian Supreme Court Rules.

⁷⁶⁸ at para. [21]. Whereas counsel for the Plaintiff had argued that until the article is downloaded and the defamatory meanings conveyed to some person, the defendant is in the same position as the person 'who shouts aloud defamatory words on a desert or moor when no one hears them' (at para. [36]). His Honour agreed that 'the law in defamation cases has been for centuries that publication takes place where and when the contents of the publication...are seen and heard, (i.e. made manifest to) and comprehended by the reader or hearer' (at para. [60]).

⁷⁶⁹ at para. [41]. Accordingly '[i]t limits access and thereby limits it from the world. Moreover, if any contractee to Dow Jones downloads, that reader could not put the material on his, her or its Website on the World Wide Web without breach of copyright...'

5.156 The plaintiff's claim in *Gutnick* was limited to publication in Victoria. The court was not asked to entertain jurisdiction in respect of defamation that may have occurred in the US or elsewhere. Even so, the Committee notes that the High Court's decision may have significant implications for whether an Australian court will assume jurisdiction with respect to online activities across national borders.⁷⁷⁰

5.157 Jurisdictional issues have also been raised by an Australian website which has begun publishing freely downloadable e-books of classic works in which copyright has expired in Australia but not in the US or Europe. The site warns patrons not to download or read the books online if they are in a country where copyright protections can extend more than 50 years past an author's death. However, it has been noted that it is not inconceivable that overseas publishers would bring suit against the site for authorising acts of infringement.⁷⁷¹ The Committee observes that a similar situation could arise if the doing of an act was covered by an exception in Australia but not elsewhere.

Choice of law

5.158 A second and related difficulty is choice of law. In the absence of an enforceable choice of law clause (see further below at para. 5.160), the proper law to be applied to an action based on contract is the law of the country with the 'closest and most real connection' with the transaction. Matters to be taken into account include the place of residence or business of the parties, the place where the relationship between the parties is centred, the place where the contract is made and the place where it is to be performed.

5.159 As with jurisdiction, the relevant law may be that of a State within a Federation. In the US, two States have enacted versions of the *Uniform Computer Information Transactions Act* (UCITA) which is particularly relevant to the validity

⁷⁷⁰ In Canada, the Canadian Human Rights Tribunal has asserted jurisdiction over the operator of an anti-semitic website, holding, amongst other things, that the site was under the effective control of a Canadian and targets Canadian visitors who access the site using the public telephone system (which is a prohibited means of distributing hate speech under the Canadian Human Rights Act): *Citron et al v Zundel*, Canadian Human Rights Commission, T.D.1/02 (18 January 2002). See, 'Zundel's internet hate crimes case wraps up', list server, 27 February 2001, CBC News (on Civilrights.org website), <<http://www.civilrights.org/library/detail.cfm?id=3167>>.

⁷⁷¹ By Mr Nick Smith, Executive Officer of the ADA, quoted in *The Australian* (14 January 2002, p. 9) in an article on the website.

and enforceability of online contracts. The substantive elements of UCITA are discussed in Chapter 6.

5.160 The Committee notes that a choice of law clause in an agreement will generally serve to determine the law to which the agreement is subject and that ‘parties have a wide discretion to choose the law applicable to their contract’.⁷⁷² However, a choice of law clause may be set aside if it was entered into in circumstances which render it unconscionable to enforce it, or if the choice conflicts with a mandatory law of the forum which is expressed to invalidate governing law clauses and which would otherwise apply.⁷⁷³

Enforcement

5.161 A third difficulty is the enforcement in a foreign country of any order made in a local court. In the case of a financial claim, courts do not usually limit jurisdiction to where enforceability is ensured. However, courts have been more hesitant to provide equitable relief where the defendant has no assets in the jurisdiction or remains outside the jurisdiction.

5.162 In Australia, enforcement is achieved primarily through reciprocal recognition of judgments. The *Foreign Judgments Act 1991* (Cth) (Foreign Judgments Act) operates to allow foreign judgments entered in jurisdictions to which it applies to be enforced in Australia. The jurisdictions to which the Foreign Judgments Act applies depends upon reciprocity of treatment. In other words, Australia will allow foreign judgments from certain jurisdictions to be enforced in Australia and its territories, on the proviso that those jurisdictions give similar treatment to Australian judgments. At present those countries providing reciprocity to Australia on this basis are few. In particular,

⁷⁷² Nygh, *op. cit.*, p. 297.

⁷⁷³ *ibid.* See also, the discussion by Mallesons Stephen Jaques in the American Bar Association’s Transnational Jurisdiction in Cyberspace, 30 November 1999, paras 56–66: <<http://www.kentlaw.edu/cyberlaw/docs/foreign/Australia-Swinson.html>>. It is noted here that s. 67 of the TPA attempts to prevent parties contracting out of the implied consumer protection based conditions and warranties of Pt V Div 2 TPA to their advantage by providing that a foreign law will govern the operation of the contract. The section provides that in cases where the law of Australia would normally govern the operation of a contract, the conditions and warranties will be implied notwithstanding a contrary contract term.

there are no arrangements for the mutual recognition of judgments between Australia and the US.

5.163 There is also a specific agreement in place between Australia and the United Kingdom concerning the recognition of judgments, to the advantage of Australian plaintiffs seeking to enforce judgments in the UK. In other cases an Australian judgment is of little use, as to have it enforced requires the matter to essentially be re-litigated.

5.164 Similar problems are faced in a variety of jurisdictions abroad.

International approaches

5.165 Private international law is made up of local rules that require a court to examine whether it has jurisdiction over matters submitted to it, and if required, what legal order it should apply.

5.166 Beyond agreements made between members of the European Union and other European countries,⁷⁷⁴ there are no international treaties or conventions governing the ability of courts in different countries to assert personal jurisdiction over companies which offer products or services over the Internet.

5.167 In the United States, jurisdiction is determined on a case by case basis by US State and federal courts. Agreements regarding enforcement of judgments tend to be bilateral between particular States, and confined to particular areas of law.

⁷⁷⁴ The most significant conventions in this regard are: The *Brussels Regulation* (EC) No 44/2001 (which came into force on 1 March 2002, replacing the Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (Brussels Convention)) (see discussion in para. 5.50) and the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters (Lugano Convention), Sept. 16, 1988, 1988 O.J. (L 319)). The Brussels Convention and Lugano Conventions are almost identical, however the Lugano Convention allows for civil and commercial rulings to circulate between EU Member States and other European States which have ratified the Convention (Iceland, Lichtenstein, Norway, Switzerland and Poland). In March 2002, the European Commission adopted a recommendation for a Council Decision authorising the opening of negotiations with a view to adopting a revised version of the Lugano Convention. The agreement basically aims to make the provisions of the Brussels Regulation applicable to relations between Member States and the other States listed above. Applicable law is also dealt with under the Rome Convention on the Law Applicable to Contractual Obligations (Rome Convention) June 19, 1980, 80/934/EEC 1980 O.J. (L 266), which applies to EU Member States (see summary of the Rome Convention on the UK Department of Trade and Industry's website: <<http://www.dti.gov.uk/cacp/ca/policy/jurisdiction/rome.htm#summ>>). For a discussion of the relevance of these conventions to Internet transactions see, Siddiqi, op. cit., pp. 80–8.

5.168 UCITA is a piece of uniform legislation designed for introduction at State level. It is discussed in detail in Chapter 6. UCITA allows for exclusive choice of forum clauses unless the choice is unreasonable and unjust.⁷⁷⁵ Parties may also choose the law which will govern a contract. However, the choice is not enforceable in a consumer contract to the extent that it would vary a mandatory law which would otherwise apply. In the absence of an enforceable agreement on choice of law, certain default provisions apply.⁷⁷⁶ If a default provision indicates a jurisdiction outside of the United States, the law of that jurisdiction governs only if it provides substantially similar protections and rights to a party not located in that jurisdiction as are provided under UCITA.⁷⁷⁷ Choice of law or choice of forum provisions will, like other terms, also be unenforceable if they violate a fundamental public policy of the forum State⁷⁷⁸ or are unconscionable.⁷⁷⁹

The Hague Convention

5.169 A Special Commission of the Hague Conference on Private International Law (Hague Conference) has developed a *Draft Convention on Jurisdiction and Enforcement of Foreign Judgments in Civil and Commercial Matters* (Draft Hague Convention).⁷⁸⁰ The purpose of the Convention is to provide an orderly international

⁷⁷⁵ Section 110(a). The Official Comment accompanying the Act states that an agreed term is unenforceable if it has no valid commercial purpose and has a severe and unfair impact on the other party. Note that the UCITA Standby Committee has proposed that s. 110(a) be changed to outlaw terms which are 'unreasonable or unjust' and that a new sub-section (c) should be added to provide that the enforceability of an agreed choice of exclusive forum is a question for determination by a court of appropriate jurisdiction of the state in which the action is brought.

⁷⁷⁶ Viz:

- an access contract or a contract providing for electronic delivery of a copy is governed by the law of the jurisdiction in which the licensor was located when the agreement was entered into (s. 109(b)(1));
- a consumer contract that requires delivery of a copy on a tangible medium is governed by the law of the jurisdiction in which the copy is or should have been delivered to the consumer (s. 109(b)(2)); and
- in all other cases, the contract is governed by the law of the jurisdiction having the most significant relationship to the transaction (s. 109(b)(3)).

⁷⁷⁷ s. 109(c); otherwise the law of the State that has the most significant relationship to the transaction governs.

⁷⁷⁸ s. 105(b).

⁷⁷⁹ s. 111.

⁷⁸⁰ The Hague Conference on Private International Law, which was established in 1893, is an intergovernmental organisation which meets two or three times a year to negotiate and draft multilateral treaties, or *Conventions*, in the field of private international law. Australia has been a member of the Conference since 1973 and is a party to a number of Conventions developed by the conference.

framework for recognition and enforcement of civil judgments.⁷⁸¹ Negotiations on the Draft Hague Convention reached the stage of a Diplomatic Conference in June 2001.⁷⁸²

5.170 The proposed Convention is intended to harmonise the jurisdictional rules for cross-border lawsuits generally, and to provide for reciprocal enforcement of civil judgments by Member States. However, it does not deal with choice of law issues.

5.171 While there has been an ongoing lack of consensus as to whether the Convention should deal with intellectual property rights,⁷⁸³ the Committee notes that this controversy is not directly relevant to efforts to harmonise jurisdictional laws with respect to contracts.

Grounds of jurisdiction

5.172 Under the Draft Convention, the principal grounds of jurisdiction centre on domicile, habitual residence or principal place of business of the defendant. Particular rules apply to contracts and torts. Some of the more relevant provisions of the draft are separately described in Appendix F.

⁷⁸¹ See discussion of issues in the following papers produced within Australia at:

- <<http://www.ag.gov.au/publications/haguepaper/Welcome.html>>.
- <<http://www.ag.gov.au/publications/hagueissue2/issuespaper2.html>> and
- <<http://law.gov.au/publications/hagueissues3.html>>.

⁷⁸² The outcomes of the Diplomatic Conference and the latest draft of the interim text are available online at: <<http://www.hcch.net/e/workprog/jdgm.html>>. The Conference examined the preliminary draft Convention adopted by a Special Commission of the Hague Conference in October 1999 and drew up a new version of this interim text. The next Diplomatic Conference is scheduled to take place later in 2002.

⁷⁸³ Rights-holders representatives who participated in the June 2001 Diplomatic Conference insisted that the Convention should apply to intellectual property. Other groups have been active in opposing worldwide copyright enforcement, arguing that some countries do not have adequate fair use or free speech protections. These groups have argued that the existing 'public policy' exception in the draft Convention may be inadequate in this regard as it applies only to fundamental issues of public policy, not mere differences in local laws. The Committee notes that IFPI stated that there were a multitude of problems in the area of private international law, and that it was difficult to see that there were particular problems as regards copyright exemptions. It expressed the opinion that it was unnecessary to create copyright-specific rules in the context of the Hague Convention negotiations (IFPI submission, pp. 9–11). A special joint session of the Hague Conference was held together with WIPO in January 2001, to afford additional opportunity to comment on matters relating to Intellectual Property in particular. The following papers prepared at WIPO for this meeting canvassed the development of an instrument to establish norms for determining the law of the contract and rules to be applied in cases of online infringement of copyright: Ginsburg, J, *Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks (2000 Update)* (WIPO forum on Private International Law and Intellectual Property: Geneva, January 2001); Lucas, A, *Private International Law Aspects of the Protection of Works and of the Subject Matter of Related Rights Transmitted Over Digital Networks* (WIPO forum on Private International Law and Intellectual Property: Geneva, January, 2001).

Summary of Hague Convention

5.173 If adopted and implemented in Australia, the Hague Convention would lead to the enforcement of judgments in contract cases that are given in other signatory States. Depending on their choice of law rules, foreign courts could apply their own law, rather than Australian law, and could seek to have their judgments enforced in Australia.

5.174 The Convention contains certain safeguards in Art. 28(1) which provide that member States may refuse recognition and enforcement of a judgment if it results from proceedings which are ‘incompatible with fundamental principles of procedure’ of the State addressed, or if the recognition of enforcement would be ‘manifestly incompatible’ with the public policy of the State addressed. However, the Committee notes that these are options of last resort, and could not be used to allow refusal of recognition on a continuous or general basis.

5.175 On this point, a US District court recently ruled that Yahoo! need not comply with the order of a French court that it keep Nazi-related content off its website (see discussion at para. 5.152).⁷⁸⁴ The US Court found that the First Amendment to the US Constitution protected the content generated by the US company from the regulation of foreign countries with more restrictive laws. The decision has been appealed by two French civil rights groups. The Committee observes that it is likely that the First Amendment may provide an ongoing basis of non-recognition in the US under Art. 28.

UNCITRAL

5.176 Another United Nations body, the United Nations Commission on International Trade Law (UNCITRAL), has recently considered issues of transnational electronic contract formation. The UNCITRAL Working Group on electronic commerce has issued a preliminary draft convention on electronic contracting.⁷⁸⁵ The

⁷⁸⁴ Recognising that the French court could probably enforce the judgment against its assets overseas, Yahoo! removed the Nazi memorabilia sales from its site rather than attempt to filter users. Yahoo! nevertheless asked a US court to declare the French judgment null and unenforceable in the US, fearing the judgment may be transportable to the US and enforceable there.

⁷⁸⁵ For full text, see, <www.uncitral.org/english/workinggroups/wg_ec/wp-95e.pdf>.

draft convention does not cover consumer contracts⁷⁸⁶ or 'contracts relating to the grant of limited use of intellectual property rights' (ie, licences).⁷⁸⁷ Nevertheless, the work of UNCITRAL provides a valuable starting point for consideration of issues such as offer and acceptance,⁷⁸⁸ dispatch and receipt⁷⁸⁹ and offers versus invitations to treat.⁷⁹⁰

5.177 The Committee is aware that there is a pressing need to resolve choice of law and jurisdictional issues applying to online contracts in order to foster greater certainty in the online economy.

5.178 The Committee also acknowledges concerns regarding the increasing tendency of licensing contracts for overseas publications to purport to be exclusively justiciable by foreign courts and governed by foreign law. The Committee notes the potential this creates for Australian domestic policy to be overridden to the detriment of Australian users, as discussed in para. 5.134. As submissions to the Committee have made clear, this is seen as a particular problem for institutions and persons who would otherwise be granted certain rights or privileges under Australian copyright law.

5.179 The Committee notes, however, that a State is regarded as having power only to enact laws applying to events or persons within its territory, or laws applying to actions taking place outside the territory the primary effect of which is nevertheless felt inside its territory. Intellectual property statutes are regarded as national in scope.

5.180 The Committee is of the view that significant uncertainties will persist if the national law of each country is to determine whether a court has jurisdiction and whether the judgment obtained from a foreign court is enforceable. Development of private international law through the common law is likely to be slow.

5.181 As raised by submissions and discussed in para. 4.139, the Committee observes that agreements the subject of this reference are increasingly likely to be

⁷⁸⁶ Art. 2(a).

⁷⁸⁷ Art. 2(b).

⁷⁸⁸ Article 8(3) of the draft convention establishes that acceptance of an offer becomes effective at the moment the indication of assent is received by the offeror.

⁷⁸⁹ Rules regarding when dispatch and receipt occur are set out in Art. 11 and depend, for example, on whether the particular information system used to convey the message was as designated by the addressee.

⁷⁹⁰ Under Art. 9, a proposal for concluding a contract addressed to the world at large is prima facie an invitation to treat.

governed by foreign law (as well as subject to the jurisdiction of foreign courts). The Committee notes, in particular, that where the laws of a foreign country govern these agreements, remedies available under Australian law may be of limited relevance. The Committee is, however, unable to give full consideration to the private international law issues raised by contracts which purport to exclude or modify the copyright exceptions within the context of this reference. Nor is the Committee satisfied that domestic proposals to resolve these issues would serve any practical purpose. It seems that any resolution of conflicts regarding jurisdiction, applicable law and enforcement must inevitably be negotiated via bilateral or multilateral agreements with foreign States.

Recommendation

5.182 The Committee recommends that the Government work actively to promote an international solution to private international law issues relating to agreements the subject of this reference.

