

**THE PLAYSTATION MOD CHIP: A TECHNOLOGICAL GUARANTEE OF THE DIGITAL
CONSUMER'S LIBERTY OR COPYRIGHT MENACE/CIRCUMVENTION DEVICE?**

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[85] While Mr Samuel said he supported Sony's right to crack down on the sale of pirated PlayStation games, he was critical of the fact that Australians now could not legally use games they had bought overseas, sometimes at lower prices than were available locally.²

The long running litigation between Sony and Sydney businessman Eddie Stevens is set to reach some degree of finality in the High Court of Australia later this year. It will be a landmark judgment that will have a significant impact on the rights of Australian consumers (of digital entertainment products) but will also fit into a global agenda on reconciling the rights of copyright owners and users. It is fair to suggest that like the *Gutnick* judgment³ this decision will be noticed around the world and once again the High Court will be called on to show guidance and leadership on these issues.

[86] Background⁴

Stevens was sued by Sony pursuant to the anti-circumvention provisions of the *Copyright Act* for modifying the Sony PlayStation 2 (PS2) computer games platform or console to allow it more functionality. Anti-circumvention law has been embedded into copyright law around the world and aims to stop people circumventing

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² 'ACCC attacks Sony victory', *Australian Financial Review*, 1 August 2004, 24.

³ *Dow Jones & Company Inc v Gutnick* [2002] HCA 56; B Fitzgerald, 'Dow Jones & Company Inc v Gutnick [2002] HCA 56: Negotiating American Legal Hegemony in the Transnational World of Cyberspace' (2003) 27 *Melbourne University Law Review* 590; B Fitzgerald, G Middleton, A Fitzgerald, *Jurisdiction and the Internet* (2004).

⁴ B Fitzgerald, 'The Mod Chip is not a Circumvention Device under Australian Copyright Law: *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2002] FCA 906' (2002) 6 *Southern Cross University Law Review* 354.

technological measures used to protect copyright.⁵ It is a direct response to the fear that the digital networks of the Internet would mean of the death of copyright.

The Technology

The Sony PlayStation is one of the most popular computer games consoles or platforms in the world. When a person wants to play a game they insert a disc into the PlayStation much like inserting a musical disc into a CD player. The PlayStation is coded (through what is called Regional Access Coding (RAC) contained within a track on each CD read by a chip known as a 'Boot ROM' located on the circuit board of the PlayStation console (RAC/Boot Rom)), to play games available in the region in which the PlayStation was sold. This means that a game purchased in the USA or Japan cannot be played on a PlayStation purchased in Australia; the platform will not support it. As well a copied, burnt or unauthorised version of a game will not play on the PlayStation, as the copying process does not embed the necessary coding in the copy. As a consequence of consumers seeking greater choice of digital products or digital diversity,⁶ a device known as the 'mod chip' or 'converter' surfaced in the market place. It extended the functionality of the PlayStation allowing games from other regions as well as copied, unauthorised or burnt games to be played on the PlayStation.

Sony's Claims of Infringement

Eddie Stevens was involved in the computer games industry in Sydney where it was alleged he sold unauthorised or copied Sony PlayStation games and also sold and/or supplied mod chips.

In particular Sony argued:

1. Stevens had engaged in trademark infringement: because on some of the unauthorised copies of the games that were sold by Stevens, the Sony trademark still appeared when the games were booted up in the PlayStation console.

⁵ Implementing art 11 *WIPO Copyright Treaty 1996* (WCT) and art 18 *WIPO Performers and Phonograms Treaty 1996* (WPPT). See further: *Universal City Studios Inc v Corley* 273 F 3d 429 (2nd Cir 2001).

⁶ B Fitzgerald, 'Intellectual Property Rights in Digital Architecture (including Software): The Question of Digital Diversity?' [2001] EIPR 121.

Sackville J at first instance was satisfied that on the evidence before him trademark infringement was established.⁷

2. Stevens was engaged in misleading and deceptive conduct under *Fair Trading Act 1987* (NSW) s 42. Sackville J held that this was not supported by the facts, as the people who purchased the unauthorised copies of the games knew that Stevens was not holding himself out as being endorsed by Sony to sell those games. People buying these games knew that the games were unauthorised copies.⁸ This was not pursued on appeal.
3. Stevens had breached s 116A of the *Copyright Act 1968* in that he had sold or distributed a circumvention device, namely mod chips, which he knew or ought reasonably have known would be used as a circumvention device. A circumvention device, as defined by the *Copyright Act*, is something that has little other purpose than to circumvent a technological protection measure (TPM). A technological protection measure is something that is designed to prevent access to, or copying of, copyright subject matter; for instance, a password or access code making it possible to access copyright subject matter or a copy control mechanism. In this case the mod chips were alleged to have the [87] purpose of circumventing RAC — as activated by the Boot ROM — the technological protection measure.⁹

The Digital Agenda Amendments: Anti-Circumvention Law

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

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

- (a) a work or other subject-matter is protected by a technological protection measure; and
- (b) a person does any of the following acts without the permission of the owner or exclusive licensee of the copyright in the work or other subject-matter:

⁷ [2002] FCA 906, [64–5].

⁸ *Ibid* [73].

⁹ *Ibid* [24].

Fitzgerald, 'The Playstation Mod Chip'

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

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

A device or product, or a component incorporated into a process, that is designed, in the ordinary course of its operation, to prevent or inhibit the infringement of copyright in a work or other subject-matter by either or both of the following means:

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

[88] A circumvention device is also defined in s 10(1) of the *Copyright Act* as:

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

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

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

The Decision at First Instance

At first instance Sackville J held that Regional Access Coding (RAC)/Boot Rom was not a technological protection measure because it did not and was not designed to prevent access to the copyright content or to act as a copy control mechanism of the copyright content. The crucial finding being that RAC/Boot Rom did not prevent reproduction of a game, it only prevented use of a game that was not coded for the region in which the PlayStation was sold.¹⁰ Therefore, the mod chip could not be a circumvention device because it was not designed for the purpose of circumventing a technological protection measure.¹¹ Sackville J rejected the argument that RAC/Boot Rom had the 'practical effect' of inhibiting or preventing access or copying in that it created a disincentive for copying by making it difficult for copied games to be played. He explained:

There seems to be nothing in the legislative history to support the view that a technological measure is to receive legal protection from circumvention devices if the only way in which the measure prevents or inhibits the infringement of copyright is by discouraging infringements of copyright which predate the attempt to gain access to the work or to copy it.¹²

However the judge did comment that if RAC/Boot Rom were a TPM then the mod chip would have satisfied the definition of a circumvention device.¹³ Further, Sackville J rejected a submission from the ACCC that in order for a device to be a

¹⁰ *Ibid* [92, 118].

¹¹ Cf *Sony v Gamemasters* 87 F Supp 2d 976 (ND Cal 1999); *Sony Computer Entertainment v Owen* [2002] EWHC 45; *Sony v Ball* [2004] EWHC 1738 (Ch); B Esler, 'Judas or Messiah: The Implication of the Mod Chip Cases for Copyright in an Electronic Age' (2004) 1 *Hertfordshire Law Journal* 1 <http://perseus.herts.ac.uk/uahinfo/library/u20277_3.pdf>.

¹² [2002] FCA 906 [117].

¹³ *Ibid* [167].

'technological protection measure', its sole purpose must be to prevent or inhibit infringement of copyright, noting that a TPM may have a dual purpose.¹⁴

The more complex argument made by Sony was that RAC/Boot Rom was a TPM because it prevented copies of the games being made in the RAM (Random Access Memory) or temporary memory of the PlayStation console.¹⁵ The judge rejected this argument predominantly on the basis that reproduction in RAM was of such a limited and temporary nature that it was not reproduction 'in a material form' as required by s 31(1)(a)(i) of the *Copyright Act*.¹⁶

Sony continued this line of reasoning and alleged that playing Playstation games created a copy of a cinematographic film in RAM. This argument was also rejected on the same grounds; any copying into RAM would not be substantial enough to constitute 'a material form'.

The reasoning of Sackville J in *Stevens*, along with that of Emmett J of the Federal Court in *Australian Video Retailers Association v Warner Home Video Pty Ltd*,¹⁷ establishes a principle that reproduction of a computer [89] program in RAM will not be regarded as an infringing reproduction for the purposes of the *Copyright Act* unless it is reproduced in a manner and on a technology that will allow that temporary reproduction to be captured and further reproduced.¹⁸ The message being that 'use/playing' of a computer game is not of itself an infringement under the *Copyright Act*. This seems to be the case regardless of whether a computer game is seen to be software under Pt III of the *Copyright Act* or a cinematographic film under Pt IV of the *Copyright Act*.¹⁹

¹⁴ Ibid [104].

¹⁵ Ibid [119 ff].

¹⁶ Ibid [137].

¹⁷ (2001) 53 IPR 242, 262–3.

¹⁸ [2002] FCA 906 [137, 147–8, 150] This position is set to change as art 17.4.1 of the Australia–US Free Trade Agreement (AUSFTA) obliges Australia to enact laws giving copyright owners the right to prohibit all copies, in any manner or form, permanent or temporary. This change will be implemented under the *US Free Trade Agreement Implementation Act 2004* (Cth), which came into effect on 1 January 2005. The Act amends the definition of 'material form' in s 10(1) of the Act and creates an exception to infringement where the reproduction is made as part of the technical process of using a non-infringing copy of the copyright material (see ss 43B and 111B). The critical difference being that temporary reproduction in RAM generated from an infringing copy of the copyright material will be unlawful.

¹⁹ *Galaxy Electronics Pty Ltd v Sega Enterprises Ltd* (1997) 75 FCR 81.

Under Pt III, the principle enunciated by Sackville J is reinforced by the express provision in s 47B, which allows certain temporary reproductions in the course of normal use of a computer program, although reproduction from an infringing copy of the program is not excused or exempted. Under Pt IV, *Stevens* and *Warner*, suggest the principle of allowing temporary copying in RAM is to be implied solely as a matter of statutory interpretation of s 86(a) of the *Copyright Act*.²⁰

It should be noted that the interpretation proposed by Sackville J prevents the content owner from using the temporary reproduction in RAM, which inevitably occurs when using a computer, as the basis of an action for copyright infringement.²¹ The ability to take an action based on this temporary reproduction in RAM *per se*, would in essence allow copyright owners the right to control the use, reading or viewing of the digital material.²²

The Decision of the Appeal Court

On 30 July 2003, the Full Federal Court of Australia (French, Lindgren and Finkelstein JJ) overturned the decision of Sackville J at first instance, and held that the sale and distribution of PlayStation mod chips contravened s116A of the *Copyright Act*. The Court held that Regional Access Coding (RAC) embedded on PlayStation Games and activated by the Boot Rom chip on the circuit board of the PlayStation console was a technological protection measure for the purposes of s 116A of the *Copyright Act* even though it did not prevent copying as such but merely provided a disincentive for copying or burning games — the so called ‘practical effect argument’.²³

In the words of Lindgren J:

If, as in the present case, the owner of copyright in a computer program devises a technological measure which has the purpose of inhibiting infringement of that [90] copyright, the legislature intended that measure to be protected (subject to any express exception), even though the inhibition is indirect and operates prior to the hypothetical

²⁰ *Australian Video Retailers Association v Warner Home Video Pty Ltd* (2001) 53 IPR 242, 254–5 cited in [2002] FCA 906, [158]; *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2002] FCA 906, [158, 161].

²¹ Amendments to the *Copyright Act* made pursuant to the AUSFTA will make this actionable where infringing copyright material is reproduced in RAM: see above n 18.

²² J Litman, ‘The exclusive right to read’ (1994) 13 *Cardozo Arts & Entertainment Law Journal* 29.

²³ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157.

attempt at access and the hypothetical operation of the circumvention device. By ensuring that access to the program is not available except by use of the Boot ROM, or the access code embedded in the PlayStation games, or both in combination, Sony's measure does inhibit the infringement of copyright in the PlayStation games in that way.²⁴

Likewise French J explained:

If a device such as an access code on a CD-ROM in conjunction with a Boot ROM in the PlayStation console renders the infringing copies of computer games useless, then it would prevent infringement by rendering the sale of the copy 'impracticable or impossible by anticipatory action'.²⁵

However in obiter the majority (French and Lindgren JJ, Finkelstein J dissenting) supported Sackville J's holding that playing a PlayStation game and reproducing it temporarily in the Random Access Memory (RAM) of the PlayStation console RAM did not amount to a reproduction in a material form for the purposes of the *Copyright Act*.²⁶ Once again in obiter the majority (French and Lindgren JJ, Finkelstein J dissenting) supporting Sackville J's reasoning held that there is not a copy of cinematographic film made in RAM when a game is played.²⁷

Statutory Interpretation

Sackville J at first instance and French J on appeal approached the meaning of 'technological protection measure' by looking at the plain and clear words of the statute. Lindgren J (with whom Finkelstein J agreed on this point) on the other hand found ambiguity and devoted a significant amount of his judgment looking back at CLRC Reports,²⁸ the Digital Agenda Discussion Paper,²⁹ international law, exposure

²⁴ Ibid [139] (Lindgren J).

²⁵ Ibid [20].

²⁶ Ibid [168], [26]; cf [208–210].

²⁷ Ibid [181–3], [26]; cf [222–4].

²⁸ Draft Report on Computer Software Protection by the Copyright Law Review Committee (Canberra, 1993)

²⁹ Copyright Reform and the Digital Agenda (issues by the Attorney-General's Department and the Department of Communication, Information Technology and the Arts (July 1993) available at <http://www.dcita.gov.au/ip/digital_rights_management_and_digital_and_online_ip/copyright_reform_and_the_digital_agenda/copyright_reform_and_the_digital_agenda_-_discussion_paper>.

drafts, Parliamentary Committee reports and the Second Reading speech pursuant to s 15 AB of the *Acts Interpretation Act 1901* (Cth).³⁰

The Issues Facing the High Court

At the heart of what the High Court must decide is the growing concern that the liberty of citizens in the digital environment is being more heavily circumscribed than in real space in the name of copyright protection. The key issue will revolve around the interpretation of the statutory definition of ‘technological protection measure’ and the merit of the ‘practical effect argument’: that RAC/Boot Rom is a TPM because it has the practical effect of inhibiting infringement of copyright.

The more we explore the science of statutory interpretation the more we realise that it is not exact — is not a simple practice of literal understanding but a broader appreciation of ‘law in context’. From [91] the works of Karl Llewellyn and Julius Stone on ‘leeways of choice’,³¹ through McHugh JA’s (as he then was) encapsulating statement of the modern approach in *Kingston v Keprose Pty Ltd*,³² to Kirby J’s recent pronouncements such as those in *Dossett v TKJ Nominees Pty Ltd*,³³ we come to understand that in many instances two or more meanings of a statutory configuration of words may be possible. As Kirby J explains:

It is increasingly accepted that, in contested matters of statutory interpretation, there will often be persuasive arguments in favour of competing conclusions. In the end, a legal system endorses one interpretation as the correct or preferable construction. That is then identified as the only one applicable to the contested words. However, it is rare that words themselves, alone, yield the preferred outcome. If such disputes are to depend upon considerations more substantial than the identity of the decision-makers and their place in the judicial hierarchy, it is important that a court such as this should acknowledge the problematic nature of the task and seek to identify clearly the considerations that have led it to its conclusion. To say this does not mean delving into psychological considerations and other like mysteries. However, it does mean

³⁰ On statutory interpretation in the intellectual property context generally, see *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* [2004] HCA 14.

³¹ K Llewellyn, *The Common Law Tradition* (1960); J Stone, *Legal System and Lawyers’ Reasonings* (1968) ch 7; J Stone, *Precedent and Law* (1985) Ch 4; J Stone, *The Province and Function of Law* (1950) 171–89; A Macadam and J Pyke, *Judicial Reasoning and the Doctrine of Precedent in Australia* (1998) 53.

³² (1987) 11 NSWLR 404, 421–4.

³³ [2003] HCA 69, [47]–[49].

approaching the task of construction from a perspective that is broader than the examination of the words of the statute, armed with a dictionary or two. The importance of context for the derivation of meaning has been emphasised by this Court both in relation to statutory construction and the ascertainment of the meaning of private instruments. I approach the present appeal with that instruction in mind.³⁴

Likewise Gleeson CJ has stressed the role of context:

Meaning is always influenced, and sometimes controlled, by context. The context might include time, place, and any other circumstance that could rationally assist understanding of meaning.³⁵

The role of the Court has been further articulated by the Chief Justice as follows:

The concepts of meaning and intention are related, but distinct. It is not presently necessary to distinguish between construction and interpretation. The words are often used interchangeably. In the construction or interpretation of a statute, the object of a court is to ascertain, and give effect to, the will of Parliament. Courts commonly refer to the 'intention of the legislature'. This has been described as a 'very slippery phrase', but it reflects the constitutional relationship between the legislature and the judiciary. Parliament itself uses the word 'intention', in the *Acts Interpretation Act 1901* (Cth), as a focal point for reference in construing its enactments. Certain words and phrases are said to have a certain meaning unless a contrary intention is [92] manifested in a particular Act. Parliament manifests its intention by the use of language, and it is by determining the meaning of that language, in accordance with principles of construction established by the common law and statute, that courts give effect to the legislative will. This is a familiar judicial exercise.³⁶

As Kitto J said, references to intention must not divert attention from the text, for it is through the meaning of the text, understood in the light of background, purpose and object, and surrounding circumstances, that the legislature expresses its intention, and it is from the text, read in that light, that intention is inferred. The words 'intention', 'contemplation', 'purpose', and 'design' are used routinely by courts in relation to the

³⁴ Ibid [49]. (Footnotes omitted.)

³⁵ *Singh v Commonwealth of Australia* [2004] HCA 43, [12].

³⁶ *Wilson v Anderson* (2002) 213 CLR 401, 417–419. (Footnotes omitted.)

meaning of legislation. They are orthodox and legitimate terms of legal analysis, provided their objectivity is not overlooked.³⁷

The modern approach to statutory interpretation is one that pays respect to the words of the statute but justifies meaning to the ‘interpretive community’³⁸ through a set of interpretive rules. The reason for legislating or purpose is dominant but this is in turn confined by notions of sensibility and fit along with respect for fundamental liberties yet parliamentary supremacy in the end must prevail in the instance of clear words subject to the overriding duty to uphold any constitutional imperative.

There seems to have been very little consideration of context and fit in the judicial reasoning of the Full Federal Court. Lindgren J spends a great deal of time ascertaining purpose yet does not afford much consideration to the context of the legislative provision. In my mind there are at least five arguments Stevens should make on appeal denying the legitimacy of the ‘practical effect’ approach. All are based on rules of statutory interpretation.

Rule 1: Consequences cannot alter statutes, but may help fix their meaning³⁹

Proposition 1: The approach of the Full Federal Court leads to the absurd consequence that a lawfully acquired piece of tangible property cannot be modified by a commercial provider of such services to allow ‘interoperability’ or operation with lawfully acquired accessories. ‘You mean to say I cannot be supplied with new rims on my wheels on which to accommodate these wider and safer tyres?’

According to the Full Federal Court decision in *Sony v Stevens*, a lawfully acquired PlayStation console (a chattel) cannot be modified by a commercial provider of modification services at the owner’s request, in order to allow the machine to operate with a lawfully acquired accessory (such as PlayStation game purchased in the USA)

³⁷ *Singh v Commonwealth of Australia* [2004] HCA 43, [19].

³⁸ S Fish, *Is There a Text in the Class* (1980).

³⁹ *Re Rouss* 116 NE 782, 785 (Cardozo J) (1917).

or to view lawfully acquired content.⁴⁰ Except for safety considerations where else is our right to use/own private property (chattel) so severely restricted in the name of other property owners or citizens?⁴¹ Zoning of real property is the only analogy.

The proper interpretation of this statute is that it operates in relation to content and not at the point of interoperability or co-operation of lawfully acquired assets. The approach of Sackville J reconciles this dilemma by rejecting the 'practical effect' test which allows the copyright owner broad compass to reduce the functionality of the lawfully acquired PlayStation console. The purpose of the anti-circumvention provisions of the *Copyright Act* such as s 116A in implementing art 11 *WIPO Copyright Treaty 1996* (WCT) [93] and art 18 *WIPO Performers and Phonograms Treaty 1996* (WPPT) is to preserve copyright in the digital environment. However to argue for an interpretation that would seriously encumber the lawful functionality of a chattel is a serious departure from the existing state of legal affairs. While proportionality⁴² has never explicitly been a criterion of statutory interpretation one wonders if the caution of Cardozo J reproduced above in essence calls for an interpretation to be proportionate with context.

If contrary to the holding of Lindgren J, back up copies can be made of computer programs and there are very strong reasons for this counter-argument, then the reasoning of the Full Court is extra-ordinary. It would mean a lawfully acquired games platform could not be modified to use or implement or operate a lawfully made spare or back up copy. This would be a ridiculous situation in which the copyright owner would control far beyond what they need or are entitled to.

The provisions in s 47C(1) of the *Copyright Act* allow for the making of a back up copy of a computer program if done by or on behalf of the owner or licensee of the

⁴⁰ Sony could attempt to licence a game for use only within a territorial area. This would require characterisation of the consumer transaction as a licence not a (first) sale and also that competition/antitrust law did not invalidate the transaction.

⁴¹ In relation to patented items there is an implied right to use, and repair and arguably modify, by a lawful purchaser of the patented item: *Solar Thompson Engineering v Barton* [1977] RPC 537; *Bottom Line Management Inc v Pan Man Inc* 228 F 3d 1352 (Fed Cir 2000); *Hewlett Packard Co v Repeat-O-Type Stencil Manufacturing Corp Inc* 123 F 3d 1445 (Fed Cir 1997); *Surfco Hawaii v. Fin Control Systems Pty Ltd* 264 F3d 1062 (Fed Cir 2001).

⁴² B Fitzgerald, 'Proportionality and Australian Constitutionalism' (1993) 12 *University of Tasmania Law Review* 363; *Coleman v Power* [2004] HCA 39; B Fitzgerald, 'Characterisation Proportionality and Constitutional Legislative Validity' (1995) (Unpublished manuscript).

copy from which the reproduction is made, primarily for the purpose of ensuring that the program may be used if the original copy is lost or damaged (see in particular s 47(1)(c)(ii)). The provisions do not apply if the back-up copy is made from an infringing copy of the program, if the owner of the copyright in the computer program has designed the program in a way that copies of it cannot be made without modifying the program or if the licence to use the program has expired.⁴³

However the words of Lindgren J in *Sony v Stevens*⁴⁴ have cast some doubt on the inherent right of a user to make a backup copy of a computer program under Section 47C. Following Jacob J's description of a similar submission in one of the leading English cases, *Sony v Edmunds* as 'rather fanciful',⁴⁵ Lindgren J stated in *Sony* that:

It is difficult to conceive of the conditions referred to in subs 47C(1) or (2) ever being satisfied in the case of Sony PlayStation games. Implicit in the use of the word [94] 'licensee' in both subsections is a requirement that the making of the copy be permitted by the copyright owner. The making of a copy of a PlayStation game lies outside the licence granted by Sony. Subsections 116A(2)–(4) of the Act set out, by way of exception to subs 116A(1), purposes for which a circumvention device may be used. The purpose of making of back-up copies is not one of them. Finally, the CLRC Final Report stated (at 10.17): 'The right to make a back-up copy should not extend to copies of computer programs that have been 'locked' by the copyright owner against the making of copies.'⁴⁶

This interpretation largely negatives the impact of the provision and makes the subjective intent of the copyright owner the paramount consideration. With respect

⁴³ Section 47C(4). Nic Suzor has made the further point. 'It may be argued that PlayStation 2 games, the Boot ROM and the RAC have been 'designed [such] that copies [...] cannot be made without modifying the program' (s 47C(4)), with the result that back-up copies cannot be lawfully made. It is submitted that this argument cannot succeed unless the game itself needs to be modified to make a copy. In most cases, the game is not modified to make a back-up copy — it is directly copied from the original medium. The fact that the access code is not copied does not make the resulting copy a modified version of the original game — the game and the access code are separate works. Further, a requirement that something be done at a later time to another component in order to render a copied work useful is not the same act as the prior making of the copy. Section 47C(4) requires that a program not be modified in order to make a copy of it, but cannot be extended to a requirement that no machine that utilises the copy can be modified, nor should the explicit reference to a copy being made be read expansively to include acts that may occur after a copy is made.' Email Correspondence 15/11/04.

⁴⁴ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157 [40], [134]–[137].

⁴⁵ *Sony Computer Entertainment v Edmunds (t/as Channel Technology)* (2002) 55 IPR 429, 432 (Jacob J). See also *Sony v Ball* [2004] EWHC 1738 (Ch).

⁴⁶ *Ibid* [135–6].

this interpretation strays too far from the actual words of the section. Is Lindgren J suggesting that a consumer that becomes the owner of a copy of the program cannot make a back up copy unless the copyright owner agrees? Whether the consumer becomes the owner of a copy of the program is a question that must be determined on the evidence before the court including the nature of the consumer transaction.⁴⁷ The court would need to consider whether the consumer transaction of buying the game resulted in a sale of a copy of the program (not the copyright) or merely a licence of the copy. It is arguable that a consumer purchasing a Sony PlayStation 2 game becomes the owner of the copy of the program.

Regardless of whether you are an owner of a copy or a licensee, s47H would seem to suggest in prohibiting contractual ouster of the back up right, that the copyright owner cannot control the right of the owner or licensee of the copy to authorise a back up copy in the circumstances stipulated in s 47C.⁴⁸ At most it could be argued that 'or' in s 47C means 'and' and that the licensee must have permission of the owner of a copy, however even this seems to fit awkwardly with the intention of the section.

There is no right to make backup copies in relation to cinematographic films. Therefore, the issue arises as to whether computer games, which have been deemed to be compositions of computer programs and cinematographic films⁴⁹ should be regarded a computer programs or films, remembering films on DVDs have been held not to be computer programs.⁵⁰ The better view, reinforced by the approach of the judges in this case, is that computer games are computer programs for the purpose of s 47C.

In summary under the Full Federal Court approach the criterion of liability is the interoperability of platform and accessory when it should be the infringing of rights in

⁴⁷ See further: *DSC v Pulse Communications Inc* 170 F 3d 1354 (Fed Cir1999); B Fitzgerald, 'Commodifying and Transacting Informational Products Through Contractual Licences: The Challenge for Informational Constitutionalism' in CEF Rickett and GW Austin (eds), *Intellectual Property and the Common Law World*, 35; B Fitzgerald, 'Commodifying and Transacting Informational Products through Contract' (2002) 20 *Copyright Reporter* 56; C Bartlett and B Fitzgerald, 'Consuming Digital Entertainment: Key Legal Issues' forthcoming (2005).

⁴⁸ B Esler, 'Judas or Messiah: The Implication of the Mod Chip Cases for Copyright in an Electronic Age' (2004) 1 *Hertfordshire Law Journal* 1 at 8-9 <http://perseus.herts.ac.uk/u/uhinfo/library/u20277_3.pdf>.

⁴⁹ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157 [62], [63].

⁵⁰ *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd* (2001) 114 FCR 324.

the content. To hold otherwise gives the copyright owner enormous influence over the way in which lawfully acquired property can be used.

Proposition 2: The approach of the Full Federal Court would mean that recent amendments to the Copyright Act 1968 removing restrictions on the parallel importation of computer games — Copyright Amendment (Parallel Importation) Act 2003 — would be made ineffectual and redundant as copyright owners can simply use Regional Access Coding reinforced by anti-circumvention law to segment markets through a technologically imposed restriction on parallel importation. ‘You say I can walk on the beach for free but interpret the law so as to allow beachfront land owners to fence off the dunes’

If RAC is a TPM we have what Professor Lessig might call the operation of ‘code as law’ — that is technology supplants legislation as the primary mode of regulating behaviour.⁵¹ On the interpretation provided by the [95] Full Federal Court parallel importation is in effect coded back into ‘law’ thereby defeating the benefits of greater competition that the legislature had intended.⁵² In repealing restrictions on parallel importation in 2003 the legislature could not have intended that these restrictions would be reinforced and reimposed through a technological measure given support by a statute enacted in 2001. Would it be so careless? The very great concern is that the approach of the Full Federal Court defines regional coding — a technological form of market segmentation — as a TPM thereby reducing cross market competition in copyright products, the very thing the Australian Parliament in 2003 said it wished to promote.⁵³ Once again this approach seems to fail the basic consequentialist test suggested by Carodozo J and restated above as calling for an ‘interpretation that is proportionate with context.’

⁵¹ L Lessig, *Code and Other Laws of Cyberspace* (1999).

⁵² See Intellectual Property and Competition Review Committee, *Final Report* (2000) <www.ipcr.gov.au>.

⁵³ *Senate Official Hansard*, No 16 2002, Second Reading Speech, Copyright Amendment (Parallel Importation) Bill, Senator Coonan, 10 December 2002: ‘The central aim of the bill is to improve access to a wide range of software products and printed material on a fair, competitive basis by permitting the parallel importation of such goods. ... The bill offers the prospect of cheaper prices and increased availability of products for all Australians, but especially for small businesses, parents and the education sector.... Australian consumers and businesses will be able to get the best deal on legitimate printed material and software products.’ See further: A Fitzgerald and B Fitzgerald, *Intellectual Property in Principle* (2004) 152–3.

And if we are mindful of allowing contract or private ordering to override the policy of copyright legislation — see the extensive report of the Copyright Law Review Committee *Copyright and Contract (2002)* <www.clrc.gov.au> and s 47H of the *Copyright Act* — we must be alert to the same issues in relation to technology/code.⁵⁴ A consumer buying a computer game sold anywhere in the world would expect as an aspect of digital liberty that they should be able to use and view that game in Australia, a country where the legislature has deemed it good policy to be able to import copyright games without restriction.

In summary the point to be highlighted is that in sponsoring an interpretation that facilitates the technological segmentation of the market in digital entertainment products worldwide through limiting the ability of the consumer and lawful owner to make modifications to the games platform, when the legislature has acted to prevent this, is contrary to common sense. The mod chip is a technological bulwark of the liberty of digital consumers, yet to hold RAC is a TPM, gives an imprimatur and power to copyright owners to engage in conduct that will make markets for digital entertainment products less competitive and products more expensive for the consumer.

Rule 2: It is settled law that a Court should not impute to a legislature an intention either to abolish or to modify a common law right or privilege unless the relevant legislation makes such an intention unambiguously clear⁵⁵ (The Coco Rule).

[96] *Proposition 3: The approach of the Full Federal Court ignores the principle enunciated throughout the history of the High Court that our common law liberty — 'the common law rule [is] that 'everybody is free to do anything, subject only to the*

⁵⁴ As mentioned above the extent to which contract can be used to structure a user right or licence that limits use in a territorial district in the face of competition law is an interesting question that is yet to be fully tested.

⁵⁵ *Coco v Queen* (1994) 179 CLR 427 (Deane and Dawson JJ) [2]; see also (Mason CJ, Brennan, Gaudron and McHugh JJ) [9]–[10]; *Baker v Campbell* (1983) 153 CLR 52, 96, 116, and 123; *Daniels Corporation International Pty Ltd v ACCC* (2002) 213 CLR 543, 553 (Gleeson CJ, Gaudron, Gummow and Hayne JJ); *Plaintiff S157/2002 v Commonwealth* (2003) 211 CLR 476, 492 [30]; *Coleman v Power* [2004] HCA 39 (Gummow and Hayne JJ) [185], (Kirby J) [250]–[251]; *Marquet* (2003) 78 ALJR 105, 133 [160]; *Bropho v WA* (1990) 171 CLR 1, 18 (Mason CJ, Deane, Dawson, Toohey, Gaudron and McHugh JJ); *Potter v Minahan* (1908) 7 CLR 277, 304; *Corporate Affairs v Yuill* (1991) 172 CLR 319; A MacAdam and T Smith, *Statutes* 3rd ed, 262; *A v Boulton* [2004] FCAFC 101; *Al-Kateb v Godwin* [2004] HCA 37 [19] (Gleeson CJ), [193] (Kirby J), [241] (Hayne J); *Singh* [19] (Gleeson CJ).

provisions of the law”⁵⁶ — should not be construed to have been taken away unless the statute does this by clear words or necessary implication.

The fundamental liberty here can be conceptualised in two ways. Firstly the right to enjoyment of private property — the PlayStation console and/or the game purchased in another region (or depending on the High Court’s approach possibly a back up copy) — recognised in the s 51(xxi) of the *Constitution*, Art 17 of the *Universal Declaration of Human Rights 1948* and the common law, has been taken away without clear words. The words making up the definition of technological protection measure do not by clear words or necessary implication⁵⁷ take away the fundamental liberty a person has to full enjoyment of their lawfully acquired property.

Secondly, the principle of interoperability is fundamental to many things we do in life and is reinforced at various points in our legal system.⁵⁸ My right to choose what tyres I wish to have on my car and the ability to have different brands of tyre interoperate with my car is in part a consequence of competition law. Likewise in copyright law in Australia,⁵⁹ the US⁶⁰ and Europe⁶¹ the notion of allowing interoperability of platform and product — largely for reasons of prospering competition and digital diversity — is facilitated by the various copyright laws allowing reproduction of software for the purpose of developing interoperable products.⁶² Interoperability is a fundamental or core principle of the digital environment making up one of the handful of key principles of what I broadly term ‘digital constitutionalism’⁶³ of which digital liberty

⁵⁶ *Coleman v Power* [2004] HCA 39 (Kirby J) [253] citing *Cunliffe* (1994) 182 CLR 272, 363, *Lange* (1997) 189 CLR 520, 564.

⁵⁷ On this notion see: *A v Boulton* [2004] FCAFC 101.

⁵⁸ On interoperability as a key principle of government IT policy see: AGIMO, *OSS Position Paper*, 31 August 2004, <<http://www.agimo.gov.au/infrastructure/oss>>.

⁵⁹ *Copyright Act 1968* (Cth), s47D, as amended by *Copyright Amendment (Computer Programs) Act 1999* (Cth); A Fitzgerald and C Cifuentes ‘Pegging Out the Boundaries of Computer Software Copyright: The Computer Programs Act and the Digital Agenda Bill’ in A Fitzgerald, B Fitzgerald, P Cook and C Cifuentes (eds) *Going Digital 2000: Legal Issues for E Commerce Software and the Internet* (2000).

⁶⁰ *Sega Enterprises Ltd v Accolade, Inc* 977 F 2d 1510 (9th Cir 1992); *Sony v Connectix* 60 203 F 3d 596 (9th Cir 2000); *Digital Millennium Copyright Act 1998* (DMCA) s1201 (f) (4)

⁶¹ *Directive on the Legal Protection of Computer Programs* Directive 91/250 OJ 1991 L122/42, art 6.

⁶² B Fitzgerald, ‘Intellectual Property Rights in Digital Architecture (including Software): The Question of Digital Diversity?’ [2001] EIPR 121.

⁶³ B Fitzgerald, ‘Software as Discourse: The Power of Intellectual Property in Digital Architecture’ (2000) 18 *Cardozo Journal of Arts and Entertainment Law* 337 (Part IV — ‘Power and The New Constitutionalism’) at 382–5; B Fitzgerald, ‘Digital Property: The Ultimate Boundary?’ (2001) 7 *Roger Williams University Law Review* 47, 143ff.

and digital diversity are subsets. The Dworkinian notion of a principle is of a broad based concept that mediates power relations and finds more precise embodiment in rules.⁶⁴ The approach of the Full Federal Court does not appear to be informed by any respect for this fundamental principle of interoperability. In fact the interpretation endorsed privileges the rights of the copyright owner at the expense of the notion of interoperability in the absence of clear words or necessary implication in the definition of technological protection measure. Nowhere does the notion of 'inhibiting infringement' expressly or by necessary implication evince an intention for interoperability of lawfully acquired products to be denied.

It is worthwhile to note that the Federal Circuit Court of Appeal when recently asked to interpret similar yet different legislation enacted in the US to implement Art 11 of the WCT as was s 116A of the *Copyright Act*, was at pains to point out that in enacting the DMCA, 'Congress attempted to balance the legitimate interests of copyright owners with those of consumers of copyrighted products ...The DMCA [97] does not create a new property right for copyright owners. Nor, for that matter, does it divest the public of the property rights that the *Copyright Act* has long granted to the public'.⁶⁵ In other words we must look very closely at any claim that anti-circumvention laws encumber the right to full enjoyment of lawfully acquired property in furtherance of the rights of copyright owners.

Further an amici curiae brief filed by US Intellectual Property Law Professors (convened by Professor Peter Jaszi) in *Davidson and Associates Inc v Internet Gateway Inc* (ED Missouri)⁶⁶ — a case currently on appeal to the 8th Circuit looking at the contractual ousting of reverse engineering rights in relation to software — argues that 'privileges for reverse engineering are pro-consumer and pro-competitive. They help to assure that more and better products and services are available to consumers and to assure that copyright owners do not succeed in leveraging their limited rights into something that they were never intended to enjoy'⁶⁷ Similar arguments can and have been made here in relation to the mod chip. The amici curiae

⁶⁴ R Dworkin, *Law's Empire* (1986); *Al-Kateb v Godwin* [2004] HCA 37 at f/n 64 and [69] (McHugh J).

⁶⁵ *The Chamberlain Group Inc v Skylink Technologies Inc* 381 F.3d 1178 at 1203, 1204 (Fed Cir 2004).

⁶⁶ On the history of this case see <http://www.eff.org/IP/Emulation/Blizzard_v_bnetd>.

⁶⁷ Dated 21/2/04 — available at <http://www.eff.org/IP/Emulation/Blizzard_v_bnetd>.

brief also highlights how arguments based on copyright misuse are being made in US courts in the face of claims that the exclusive rights of the copyright owner can override privileges held by consumers and citizens to facilitate diversity of thought, choice and life.⁶⁸

Rule 3: A judge-made rule is legitimate only when it can be effectively integrated into the mass of principles, rules and standards which constitute the common law and equity. A rule which will not 'fit' into the general body of the established law cannot be the subject of judge-made law.⁶⁹

Proposition 4: The approach of the Full Federal Court does not fit with the existing body of principles within the Australian legal landscape.

While McHugh J's adoption of the Dworkian⁷⁰ 'fit' principle is enunciated in the context of judicial law making of the common law (in the strong sense) there can be little doubt that statutory interpretation is also an act of judicial law making (in the weak sense) and must be guided by the interpretive rule requiring 'fit'.⁷¹ The interpretation of the Full Federal Court fits uneasily with competition and consumer rights bestowed upon Australians by legislation such as the *Trade Practices Act 1974* and its state counterparts.

In terms of competition law the arguments have been rehearsed above. An interpretation that reinforces anti-competitive technological market segmentation in the face of the Parliament's wish to lift restrictions on parallel importation of copyright products like computer games is simply 'no fit' with established principle. It has long been established that the accessory should not [98] be tied to the platform in order to facilitate vigorous competition. Furthermore the notion that a good be fit for the purpose for which it is sold — here to play lawfully acquired games — is ignored by the Full Court's interpretation which allows the purpose of a consumer good to be determined by the copyright owner of an accessory to that good.

⁶⁸ *Assessment Technologies of Wisconsin LLC v Wiredata Inc* 350 F 3d 640 (7th Cir, 2003); D Burk, 'Anticircumvention Misuse' (2003) 50 *UCLA Law Review*, 1095.

⁶⁹ *Burnie Port Authority v General Jones Pty Ltd* (1994) 179 CLR 520, 593 (McHugh J). See also *Al-Kateb v Godwin* [2004] HCA 37 [69] (McHugh J).

⁷⁰ R Dworkin, *Law's Empire* (1986) 228–239.

⁷¹ See further *Theophanous v Herald & Weekly Times Ltd* (1994) 182 CLR 104, 143–4.

Rule 4: The protection of intellectual property rights must be afforded in a constitutional setting which upholds other values of public good in a representative democracy.⁷²

Proposition 5: It is unconstitutional to legislate intellectual property rights for the benefit of the copyright owner, that extinguish the power of the owner of a lawfully acquired chattel to modify it and use it as they wish.

This proposition is based on either an inherent limit on intellectual property rights derived from core democratic principles or it finds support in s 51(xxi) of the *Constitution*.

Many of these arguments are rehearsed in a slightly different form above. However what must be highlighted here is that the right to hold property is a fundamental principle of democratic existence. In essence a stable system of holding and recognising property entitlements is foundational to the workings of the Australian democratic system. The approach of the Full Federal Court ignores the pre-existing entitlements of the consumer who has lawfully acquired the PlayStation and the game accessory in favour of expanding the reach of the exclusive rights of the copyright owner. This is very much a loss/gain scenario — a form of unjust enrichment — that may well fall foul of s 51(xxi).⁷³

Conclusion

The decision of the Full Federal Court in *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157 provides for an alarming alteration of consumer rights within Australia. Its effect is to say that a consumer cannot modify the capacity of a lawfully acquired machine (PS2) in order to use, read or play a

⁷² *Grain Pool of WA v The Commonwealth* [2000] HCA 14, f/n 218 (Kirby J).

⁷³ B Fitzgerald, 'Unjust Enrichment As A Principle of Australian Constitutionalism' (1995) available at <<http://www.law.qut.edu.au/about/staff/lstaff/fitzgerald.jsp>>; B Fitzgerald, 'Ownership as the Proximity or Privity Principle in Unjust Enrichment' (1995) 18 *University of Queensland Law Journal* 166; *Georgiadis v. AOTC* (1994) 179 CLR 297; *Mutual Pools & Staff Ltd v. Commonwealth* (1994) 179 CLR. 155; *Health Insurance Commission v. Peverill* (1994) 179 CLR, 226; *Newcrest Mining (WA) Ltd v Commonwealth* (1997) 190 CLR 513; *Smith v ANL* (2000) 204 CLR 493; *Air Services Australia v Canadian Airlines International Ltd* [1999] HCA 62.

lawfully acquired PS2 game. If we uphold such a principle from the outset we destine any mature notion of digital liberty (including diversity) to the proverbial dustbin.

The challenge is now set for the High Court to conceptualise and begin to map out the boundaries of digital liberty. At a general level, we must argue that our liberties in the digital environment should be no worse off than they are in real space.⁷⁴ As the foregoing explains basic interpretative principles (and potentially constitutional doctrine) dictate nothing less in this case.

⁷⁴ B Fitzgerald, 'Is a Server a 'record'? *TLC Consulting v White* and Fundamental Rights in the Digital Environment' (2003) 10 PLPR 72.