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CASE NOTE

TCN CHANNEL NINE V NETWORK TEN (NO 2)

[2005] FCAFC 53 (26 May 2005)

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[249] After four years and five decisions, including an appeal to the High Court, the squabble between Channel Nine and Channel Ten over the use of extracts from Channel Nine broadcasts on *The Panel* has finally been resolved.[2] Unfortunately for the producers of *The Panel*, and more importantly for Australian copyright law and the Australian public, the decision reflects a disturbing development in copyright jurisprudence.

PROCEDURAL HISTORY

Briefly, the case concerned the re-broadcast of 20 short extracts (between eight and 42 seconds), from programmes which had originally been broadcast on Channel Nine, on the weekly light entertainment programme *The Panel*. At first instance, Conti J considered the question of whether the copying onto videotape and the re-broadcast of the extracts was an infringement of copyright.[3] He concluded in relation to each section that Channel Ten had not taken the whole or a substantial part of any of the Channel Nine broadcasts. As [250] there was no preliminary finding of infringement, it was therefore unnecessary for him to consider further the availability of the fair dealing defences. However, he considered the limited case law on the topic and concluded that, had there been any infringement, fair dealing would have excused

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[2] See *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* [2001] FCA 108; 50 IPR 335 (20 February 2001); [2001] FCA 841 (4 July 2001) (Conti J); *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* [2002] FCAFC 146; 55 IPR 112 (20 May 2002) (Full Federal Court: Sundberg, Finkelstein and Hely JJ); *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* [2004] HCA 14 (11 March 2004) (McHugh ACJ, Gummow, Hayne, Kirby and Callinan JJ). For analysis of these decisions see: Melissa de Zwart, 'Seriously Entertaining: *The Panel* and the Future of Fair Dealing' (2003) 8 *Media & Arts Law Review* 1; Melissa de Zwart, 'Copyright in Television Broadcasts: *Network Ten v TCN Channel Nine*: "A Case Which Can Excite the Emotions"' (2004) 9 *Media & Arts Law Review* 277; Michael Handler, '*The Panel* case and Television Broadcast Copyright' (2003) 25 *Sydney Law Review* 391; Michael Handler and David Rolph, '"A Real Pea Souper" *The Panel* Case and the Development of the Fair Dealing Defences to Copyright Infringement in Australia' (2003) 27 *Melbourne University Law Review* 381.

[3] Channel Nine had originally claimed that Channel Ten had breached s 87(c) *Copyright Act* by re-broadcasting segments of the relevant programmes. It later amended its statement of claim to include a claim that Channel Ten had also infringed s 87(a) of the *Act* by making a copy of the relevant programmes for the purpose of re-broadcasting the extracts. Conti J issued a separate judgment in relation to each claim: s 87(c) re-broadcasting: [2001] FCA 108; and s 87(a) making a cinematograph film of the broadcast: [2001] FCA 841.

such use in relation to eleven of the twenty extracts, on the basis of either criticism or review (s 103A *Copyright Act*) or reporting the news (s 103B).

Channel Nine appealed the matter to the Full Federal Court, which disagreed with Conti J's interpretation of what constituted a 'television broadcast'. Conti J had concluded that a broadcast must consist of a programme or a segment of a programme 'if a programme is susceptible to subdivision by reason of the existence of self-contained themes.'[4] Essentially, the Full Court held that copyright in a television broadcast subsisted in the 'visual images and accompanying sounds'[5] and that by re-broadcasting those images and sounds Channel Ten had infringed the entire Channel Nine broadcast. It was held on appeal that the fair dealing defence was available in respect of nine of the extracts, although there was no clear consensus regarding the application of fair dealing to those extracts.[6]

Channel Ten then appealed the matter to the High Court solely on the question of what constituted a substantial part of a television broadcast. The High Court was divided on the question of what constituted 'a television broadcast', with the majority (McHugh ACJ, Gummow and Hayne JJ) holding that:

> [t]here can be no absolute precision as to what in any of an infinite variety of circumstances will constitute 'a television broadcast'. However, the programmes which had been identified by Channel Nine as the subject of the infringement action, would each qualify as they were put out to the public, the object of the activity of broadcasting, as discrete periods of broadcasting identified and promoted by a title, such as *The Today Show, Nightline, Wide World of Sports*, and the like which would attract the attention of the public.[7]

The High Court left open the question of whether anything less than a complete programme, such as a discrete segment of a news bulletin, would constitute a broadcast.

One of the major problems with the case has been the failure to consider the issues of substantiality and infringement together with a detailed consideration of the

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[4] *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 50 IPR 335, 369.
[5] *TCN Channel Nine v Network Ten* [2002] FCAFC 146, [85] (Hely J); 55 IPR 112, 129.
[6] See de Zwart, 'Seriously Entertaining', above n 2, 10–12.
[7] [2004] HCA 14, [75]; BC200400864.

application of fair dealing. As fair dealing is a defence to infringement, logically it should only be considered after infringement has been found. However, because the trial judge's conclusions regarding fair dealing were not challenged on appeal, it was not available for consideration. Kirby J recognised the artificiality of this situation in his judgment, stating:

> It is mainly by the operation of the fair dealing defence, and not by the artificial, uncertain and contextual proposition propounded by the appellant, that the battleground of the present dispute was to be fought in the manner contemplated by the *Act*.[8]

This has had some profound consequences for the re-consideration of the matter by the Full Federal Court.

[251] THE FULL FEDERAL COURT DECISION — TAKE TWO

All three judges concluded that Channel Ten had taken a substantial part of several Channel Nine programmes. However, they disagreed, yet again, regarding which programmes they were. Finkelstein J (with whom Sundberg J concurred) concluded that infringement had occurred with respect to the extracts from the Inaugural Allan Border Medal Dinner, Midday (Prime Minister singing Happy Birthday), Wide World of Sports (Grand Final Celebration/Glen Lazarus cartwheel), Australia's Most Wanted (re-enactment of stabbing by party gatecrashers), Pick Your Face (Kerri-Anne Kennerley) and The Today Show (child yawning). Hely J would have found infringement with respect to only the Midday Show, Australia's Most Wanted and Pick Your Face.

The outcome is less disturbing than the trend evidenced in Finkelstein J's leading judgment to approach Australian copyright law solely from an economic purpose, importing elements of unfair competition into the consideration of substantial part, and to merge issues of infringement with concepts traditionally associated with the defence of fair dealing. Further, he makes reference to US case law without distinguishing the difference between Australian and US copyright law, which despite the conclusion of the US–Australia Free Trade Agreement, remains significant.

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[8] Ibid [103].

FINKELSTEIN J'S JUDGMENT

Finkelstein J begins his judgment with a consideration of the substantial part test with respect to broadcast copyright. He notes:

> There is no fixed rule for determining how much of a copyright work must be taken for it to be a substantial part of the work. The area of substantial similarity is at the heart of copyright law, yet it remains one of its most elusive aspects. The general rule is that substantiality depends on quality not quantity: *Ladbroke (Football) Ltd v William Hill (Football) Ltd*.[9]

However, noting the difficulty of applying a visual or oral comparison test where only a small amount is copied, His Honour observes that other factors must be considered. He identifies these as including 'the economic significance of that which has been taken'[10] and 'the use which the defendant makes of the copied portion of the plaintiff's work.'[11] He continues: 'An unfair use, as when the defendant intends to go into competition with the plaintiff, may be a determining factor.'[12]

In supporting these assertions, His Honour makes reference to a number of seminal copyright cases which defined the early boundaries of the still evolving copyright law, including *Bramwell v Holcomb, Bell v Whitehead* and *Chatterton v Cave*.[13]

[252] Finally, Finkelstein J notes: 'This whole area is neatly summed up by Story J in *Folsom v Marsh*' at which point he cites the following passage from that judgment:

> It is certainly not necessary, to constitute an invasion of copyright, that the whole of the work should be copied, or even a large portion of it, in form or in substance. If so much is taken, that the value of the original is sensibly diminished, or the labours of the original author are substantially to an injurious extent appropriated by another, that is sufficient, in point of law, to constitute a piracy *pro tanto*…Neither does it necessarily depend upon the quantity taken…[i]t is often affected by other considerations, the value of the materials taken, and the importance of it to the sale of the original work…In

[9] [2005] FCAFC 53, [9];BC200503457, referring to [1964] 1 WLR 272, 293.
[10] Ibid [11].
[11] Ibid [13].
[12] Ibid.
[13] *Bramwell v Holcomb* (1836) 3 My & Cr 732; 40 ER 1110; *Bell v Whitehead* (1839) 8 LJ Ch 141; *Scott v Stanford* (1867) LR 3 Eq 718; *Bradbury v Hotten* (1872) 8 LR Ex 1; *Chatterton v Cave* (1878) 3 App Cas 483; *Weatherby & Sons v International Horse and Agency and Exchange Limited* [1910] 2 Ch 297. Discussed ibid at [11]–[13]. For a detailed analysis of the evolution of copyright law see Brad Sherman and Lionel Bently, *The Making of Modern Intellectual Property Law* (1999).

> short, we must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.[14]

It is at this point that the judgment makes an unfortunate leap, merging the consideration of the principles of substantiality with those of factors more appropriate to a consideration of the defence of fair dealing. The passage cited from *Folsom v Marsh* contains the classic articulation of US fair use doctrine, the four factors identified by Story J surviving to become the model for the codification of fair use law in s 107, *Copyright Act 1976* (US):

> Limitations on exclusive rights: Fair use:
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> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.
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> In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
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> (4) the effect of the use upon the potential market for or value of the copyrighted work.
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> The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Finkelstein J continues: ‘The test of substantiality may involve a broader enquiry, an enquiry which encompasses the context of the taking.’ He then identifies four key points:

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[14] *Folsom v Marsh*, 9 Fed Cas 342, 348 (Mass 1841) cited in [2005] FCAFC 53, [14]; BC200503457.

> 1. Copyright is granted to protect the owner's financial interest in his property.[15] [253]
> 2. The level of financial harm [to the plaintiff] may indicate that the use of that labour is unfair.[16]
> 3. The 'clear case' of copyright infringement is where the defendant sells a cheaper version of the plaintiff's work, causing the plaintiff financial harm.' Finkelstein J refers to this as the 'paradigm of piracy'.[17]
> 4. [T]he concept of 'value', which denotes more fully than the word 'quality' a financial dimension as well as the notion of originality or artistic merit.[18]

With respect, this analysis gives undue weight to the financial interests of the copyright owner and current notions of piracy, which are being heavily promoted by copyright owner interest groups.[19] Further, it incorporates a concept of 'unfair' appropriation or use which has not been a concept considered under the question of substantiality in modern copyright law.

Finkelstein J considers the qualitative and quantitative test as they have been applied in the only two decisions to consider substantiality with respect to non-original subject matter: *Nationwide News Pty Ltd v Copyright Agency Ltd*,[20] a decision of the Full Federal Court, and *Newspaper Licensing Agency Ltd v Marks and Spencer plc*,[21] a decision of the House of Lords. He concludes that the quantitative test endorsed by the House of Lords in *Newspaper Licensing* was supported by the High Court in *Network Ten Pty Ltd v TCN Channel Nine*. How such a test is to be applied depends upon the subject matter of the case, as it must be 'assessed by reference to the interest protected by the copyright', per Sackville J in *Nationwide News*.[22]

Finkelstein J therefore identifies the process for determining substantiality as involving answering the question: 'Does what has been taken amount to "essentially

[15] [2005] FCAFC 53, [15]; BC200503457.
[16] Ibid.
[17] Ibid.
[18] Ibid.
[19] For a discussion of the use of the term 'piracy', see Peter Drahos and John Braithwaite, *Information Feudalism: Who Owns the Knowledge Economy?* (2002) 19–38.
[20] (1996) 65 FCR 399.
[21] [2003] 1 AC 551.
[22] *Nationwide News Pty Ltd v Copyright Agency Limited* (1996) 65 FCR 399, 418, cited by Finkelstein J [2005] FCAFC 53, [20].

the heart" of the copyrighted work?'[23] He then cites as support for this conclusion seven US authorities.[24] This is perhaps one of the more perplexing aspects of the judgment. No explanation is given regarding why His Honour suddenly draws so heavily on US precedents.

[254] Although both founded upon the common law of England, Australian and US copyright law have evolved separately for over two hundred years. In particular, US copyright law is shaped and influenced by the Constitutional grant of power[25] and its relationship with the First Amendment.[26] Neither of these is relevant in the Australian context. Further, although extensive developments have taken place at a multilateral and bilateral level to 'harmonise' Australian and US copyright law, these cases predate the conclusion of those treaties. There is nothing which as yet justifies a wholesale reliance upon US case law to explain a concept under the Australian *Copyright Act*.

Whilst the consideration of similar laws is acceptable and desirable, Finkelstein J does not explain why he suddenly makes such a divergence, some justification is needed, particularly where such an important test is being proposed.

Applying this test, Finkelstein J concludes that the re-broadcast of nine seconds of a much longer programme constitutes a substantial part of that programme, particularly where the assessment as to what constitutes the 'heart' of the copyright work can be so subjective. For example, with respect to the footage showing a child yawning

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[23] [2005] FCAFC 53, [27].

[24] *New Era Publications International v ApS Carol Publishing Group* 904 F 2d 152, 158 (2nd Cir 1987); *Cable/Home Communication Corporation v Network Productions Inc* 902 F 2d 829, 844 (11th Cir 1990); *Salinger v Random House* 881 F 2d 90, 99 (2nd Cir 1987); *Hi-Tech Video Productions Inc v Capitol Cities/ABC* 804 F Supp 950, 956 (WD Mich 1992); *New Boston Television Inc v Entertainment Sports Programming Network Inc* 215 US PQ 755, 757 (D Mass 1981); *Roy Expert Company Establishment of Vaduz Lichtenstein, Black Inc v Columbia Broadcasting System Inc* 503 F Supp 1137, 1145 (2nd Cir 1980); *Los Angeles News Service v CBS Broadcasting, Inc* 305 F 3d 924, 940 (9th Cir 2002).

[25] Article I, Section 8, Clause 8 US Constitution provides: '[The Congress shall have power] To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.'

[26] The First Amendment to the US Constitution provides that Congress shall make no law respecting the establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances. See also the recent decision of the US Supreme Court in *Eldred v Ashcroft* 123 S. Ct 769 (2003).

during an interview by Richard Wilkins, Finkelstein J concludes that it is substantial on the basis that: 'It is a memorable part of the interview.'[27] Hely J, on the other hand concludes that: 'The part taken is fleeting in nature and on the periphery of the original broadcast, making little, if any, contribution to the subject matter of that broadcast. The footage taken is only incidental to the source broadcast, and is trivial, inconsequential or insignificant in terms of that broadcast.'[28] This demonstrates the subjective nature of such an enquiry into what constitutes the 'heart' of a particular piece of footage.

Finkelstein J's heavy reliance upon the older authorities, discussed above, may have distorted his understanding of the law relating to substantiality. Many of the authorities upon which he relies in his discussion of the relevant test of substantiality are more appropriate to a consideration of fair dealing.[29] The concept of fair dealing evolved only gradually and incrementally within the law of copyright, as the boundaries of what was protected by copyright gradually increased. As initially conceived, copyright was only a very narrow right, granting protection against copying. As the rights granted to the copyright owner were expanded by statute, judges developed the doctrine of fair dealing to balance such rights. However, initial consideration of the factors that were to become the foundation for fair dealing were blurred with a consideration of infringement itself. Finkelstein J's discussion of competitive and unfair use with respect to determining substantiality therefore appears more appropriate to a consideration of fair dealing.

HELY J'S JUDGMENT

Like Finkelstein J, Hely J confirms from his review of relevant authorities that: 'Whether a substantial part has been taken of subject matter in which copyright subsists is to be assessed by reference to the interest protected by copyright.'[30] This concept is complicated with respect to Part IV subject matter as [255] what is

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[27] [2005] FCAFC 53, [37]; BC200503457.
[28] Ibid [65].
[29] For example, ibid [13]: *Bradbury v Hotton* (1872) 8 LR Ex 1 and *Chatterton v Cave* (1878) 3 App Cas 483.
[30] Ibid [52], citing Sackville J in *Nationwide News Pty Ltd v Copyright Agency Ltd* (1996) 65 FCR 399, 418.

protected is not originality, as it is with works, but rather the cost to, and skill of, broadcasters transmitting the programmes.[31]

Hely J states:

> For that reason, the notion that reproduction of non-original matter will not ordinarily involve a reproduction of a substantial part of a copyright work can have no application in the case of Part IV copyright. Nonetheless, the High Court's observation that the element of 'quality' bears on the substantiality question, and may involve consideration of the 'potency of particular images or sounds, or both', invites an assessment of the relative significance in terms of story, impact and theme conveyed by the taken sounds and images relative to the source broadcast as a whole. Whether the part taken represents one of the highlights of the source broadcast has a bearing on that assessment as does whether *The Panel* Segments were 'distinctive of' or were 'recognisable' as having come from Nine's broadcast.[32]

Hely J confirmed that consideration of both the factors of qualitative and quantitative taking are relevant, but that the use of the extracts for different objects and purposes is irrelevant. This is correct as a consideration of such matters is more appropriately dealt with at the defence stage, in determining whether there has been a fair dealing. This contradicts Finkelstein J's reliance upon his four factors which focus upon the 'context of the taking'.

Hely J concludes that only three of the segments constitute a substantial part of the original broadcast. They are:

1. Footage of the Prime Minister singing 'Happy Birthday' to Sir Donald Bradman:

> The re-broadcast of this potent footage provided entertainment in its own right, apart altogether from any additional contribution made by members of *The Panel*.[33]

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[31] 'The policy and objective in the recommendations of both Committees was to protect the cost to, and the skill of, broadcasters in producing and transmitting their programmes, in addition to what copyrights may have subsisted in underlying works used in those programmes. There is no indication, as Nine would have it, that, with respect to television broadcasting, the interest for which legislative protection was to be provided was that in each and every image discernible by the viewer of such programmes, so as to place broadcasters in a position of advantage over that of other stakeholders in copyright law, such as the owners of cinematograph films or the owners of the copyrights in underlying original works.' *Network Ten Pty Limited v TCN Channel Nine Pty Limited* [2004] HCA 14, [29] (McHugh ACJ, Gummow and Hayne JJ); BC200400864.

[32] [2005] FCAFC 53, [54]; BC200503457.

[33] Ibid [62].

2. Footage of the re-enactment of an unsolved stabbing from *Australia's Most Wanted*:

> The footage shown is highly dramatic, and reproduces the essence of the original story, rather than something which is merely incidental to the originating broadcast. The fact that *The Panel* used the footage as the foundation for a humorous assertion that the boys dancing in another piece of footage shown were the same gang that stabbed the partygoer does not negate substantiality.[34] [256]

3. 'Pick Your Face', where a child mistakenly identifies Kerri-Anne Kennerley from a partial image:

> In my opinion, *The Panel* Segment provided a substantial part of the entertainment value of the programme from which it is taken, and the footage re-broadcast is funny in its own right. The member of *The Panel* who introduced the footage, Mr Gleisner, described the excerpt as a 'little highlight' from the programme.[35]

Hely J rejects substantiality in respect of the remaining eight segments.

CONCLUSIONS

This decision represents an unhappy conclusion to a convoluted case. Given the importance of the television medium as the most popular source of news and entertainment, the case gives rise to major issues regarding the interaction between freedom of speech and the scope of copyright. However, none of the judges chose to tackle this question directly. Instead, the case focussed upon technical matters regarding the scope of a broadcast, failing even in this regard to fully resolve the issue. The question remains open regarding whether small segments will constitute a separate broadcast.

Further, the important issue of the rationale, scope and application of the fair dealing defences remain unresolved. The clarification of this group of defences has become even more important in the context of the Commonwealth Government's review of fair dealing and fair use in the digital environment.[36]

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[34] Ibid [63].
[35] Ibid [64].
[36] See Commonwealth of Australia, Attorney-General's Department, *Fair Use and Other Copyright Exceptions: An Examination of Fair Use, Fair Dealing and Other Exceptions in the Digital Age, Issues Paper*, May 2005, available at: <http://www.law.gov.au /agd/WWW/agdhome.nsf/AllDocs/E63BC2D5203F2D29CA256FF8001584D7?OpenDocument>.

Finally, whilst Finkelstein J's continued efforts to thoroughly research and explore the history and rationale of the relevant provisions of the *Copyright Act* relevant to the case before him[37] are to be admired, in this case he seems to have taken an unexplained detour both in his consideration of fair dealing cases in the context of substantiality and in his reliance upon US case law. It is to be hoped that the current consideration of the need to introduce fair use law in Australia does not take a similar path, without first fully considering the fundamental underpinnings of each doctrine. Fixing the holes in the fair dealing law is clearly a matter outside the functions of the courts. However, if Parliament does not carefully consider the ramifications of further amendment of the *Copyright Act*, following on from its robust approach to implementing substantial amendments pursuant to the US–Australia Free Trade Agreement, ultimately the problem of interpretation and application of any new provisions will devolve back to the courts involved in this case.

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[37] See also *Desktop Marketing Systems Pty Ltd v Telstra Corp Ltd* (2002) 20 IPR 1.