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Two, Four, Six, Eight Retransmit Don't Wait

Paul Mallam & Kristine Palm discuss the recent Federal Court decision concerning the re-transmission of free-to-air broadcast signals by a cable Pay-TV network.

On 20 October 1995 the Federal Court dismissed an application brought by the proprietors of the Channel 7, Channel 9 and Channel 10 commercial free-to-air television networks in Sydney and Melbourne against cable pay TV operator, Foxtel Digital Cable Television Pty Limited ("Cable"), and its associated company, Foxtel Management Pty Limited ("Management"). The commercial networks unsuccessfully sought to restrain the Foxtel companies from retransmitting the commercial networks' programs as part of Cable's pay TV service. The decision, which raises fundamental issues about protection of broadcast signals, is currently under appeal.

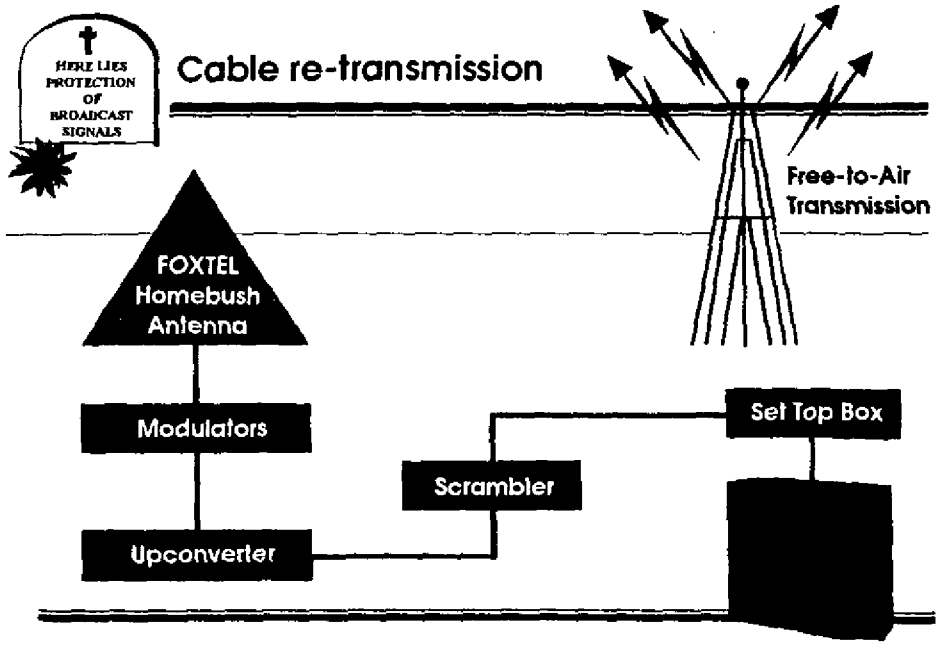
Facts

Cable holds 20 subscription television broadcasting licences under the Broadcasting Services Act 1992 (Cth) (the "BSA") to provide 17 pay TV channels. As part of Cable's pay TV service, Management (which does not hold a licence under the BSA) proposed to retransmit the programs broadcast by the commercial networks.

The Foxtel companies' standard subscription agreement with each subscriber provides that Cable will for a fee provide certain channels and Management will, as a separate service and without further charge, retransmit the free-to-air broadcasts (which includes the commercial networks' broadcasts).

The process to be used by Management to retransmit the commercial networks' programs involves:

- receiving the commercial networks broadcast signals by high quality antennas;
- passing the signals through upconverters to convert the signal to a higher frequency that formed part of the Foxtel package of frequencies;
- scrambling the signals and then transmitting the scrambled signals via cable to a set top unit in the subscriber's premises;
- de-scrambling the signal at the set-top unit so that it could be accessed by the subscriber (refer to the diagram below).



INSIDE THIS ISSUE

Issues

In dismissing the commercial networks' application, the Federal Court was required to consider the following issues (which are discussed in more detail below):

- whether the re-transmission of the commercial networks' programs by Management would be protected by section 212 of the BSA;
- whether there was a breach of the principles of the BSA because receipt of the commercial networks' free-to-air broadcasts was conditional on payment of Cable's subscription fees;
- whether the Foxtel companies could rely on the statutory immunity in respect of copyright under section 199(4) of the Copyright Act 1968 (Cth); and
- whether the re-transmission of the commercial networks' programs would be an infringing use of the commercial networks' registered trademarks.

Section 212 of the BSA

Section 212(1) provides that the regulatory regime established by the BSA does not apply to *"a service that does no more than re-transmit programs that are transmitted by a commercial broadcasting licensee... within the licence area of that licence..."*. Section 212(2) provides that no action lies against a person who engages in such a re-transmission unless that person is also a licensee.

The commercial networks argued that section 212 must be given a strict interpretation and therefore did not apply to Management's re-transmission of the commercial networks' signals because:

- having regard to the legislative history of the section, the purpose of the section was to enable persons including self-help community groups to obtain improved reception; it was not designed to permit pay TV operators (or their associated companies) to transmit the commercial networks' programs as part of a subscription TV service;
- the service to be provided by the Foxtel companies does more than retransmit programs that are transmitted by the commercial networks, in that, the service to be provided by Management is part of one service to be provided jointly by the Foxtel companies whereby subscribers to Cable's pay TV service receive 20 pay TV channels and the free-to-air channels, and the word *"service"* in section 212(1) is used in a broad sense and encompasses the type of service that the Foxtel companies would provide to their subscribers;
- Management would not be merely retransmitting the commercial networks' programs because it would be retransmitting the programs on the basis that Cable was paid a fee and, unlike the commercial networks, it promised that the re-transmission would be efficient and trouble free;
- the technical process to be used by Management to retransmit the commercial networks' programs would amount to more than just a mere re-transmission of the commercial networks' programs; and
- Management would not be engaging in re-transmission because most of its subscribers would be already able to receive the commercial networks' programs on their TV sets.

The Federal Court rejected each of the commercial networks' arguments and held that:

- the re-transmission of the commercial networks' programs by Management would be protected by section 212(1);
- the word "service" in section 212(1) meant the output of one channel;
- Management's promise that the re-transmission of the commercial networks' programs would be efficient and trouble free was part and parcel of a re-transmission and within the legislator's contemplation of re-transmission;
- the term "does no more than" in section 212(1) does not refer to the

CONTENTS

techniques by which re-transmission occurs;

- all that mattered was that there was no difference in what appeared on the subscriber's television set to what appeared on another person's television set;
- given that Management would use one channel for the broadcasts of each of the commercial networks, Management would be doing no more than, on each channel, retransmitting programs that were transmitted by a commercial network; and
- Management would be retransmitting the commercial networks' broadcasts because it would be receiving the broadcasts by wireless at one place and would be sending them on by cable to other places.

The Court noted that cable re-transmission was one of the means of re-transmission which Parliament had in mind in drafting section 212 and that the BSA was intended to be technologically neutral, encompassing a multitude of technologies.

The Court noted that it was probably unnecessary to discuss section 212(2), but it made the following observations on section 212(2) in any event:

- the reference to "the person is also a licensee" in section 212(2) is to be restricted to a person who held a licence for the particular service which was being retransmitted; it was not meant to include all persons who had any form of licence under the BSA; and
- the section intended to protect persons who were not responsible for the original broadcast but who merely retransmitted it.

Free-to-air

The commercial networks argued that as free-to-air broadcasts was conditional on payment of a subscription fee, there was a breach of the BSA. This was because it was an implication of section 212 that the re-transmitted signal remained "free" to the receiver - the section did not permit the re-transmitting entity to do what a free-to-air service could not (i.e. receive payment for the service).

Although the Federal Court accepted that a fee would be charged for the re-transmission of the commercial networks' free-to-air programs, the Court did not consider this to be a breach of the principles established by the BSA because the provision of free-to-air signals by cable was an additional facility for which a charge could be levied.

Section 199(4) of the Copyright Act 1968 (Cth)

Section 199(4) of the Copyright Act provides an exemption from an action for breach of copyright for a person who by the reception of an *"authorised television broadcast"* causes various works to be transmitted to subscribers of a diffusion service (which is defined to include a cable service). A reference to *"television broadcast"* in this section is defined in section 199(7) of the Copyright Act to include a broadcast made by the holder of a licence granted under the Broadcasting Act 1942 (Cth).

To determine whether the Foxtel companies could rely on the exemption under section 199(4), the Court had to decide firstly whether the licences currently held by the commercial networks were granted under the Broadcasting Act 1942 or the BSA. The Court held that, as a result of the Broadcasting Services (Transitional Provisions and Consequential Amendments) Act 1992 (Cth), which repealed most of the Broadcasting Act, the commercial networks now held licences under the BSA.

Having formed this view, the Court then had to decide whether the reference in section 199(7) to the Broadcasting Act could be read as a reference the BSA. The Court concluded that section 10 of the Acts Interpretation Act had this effect. Section 10 provides that where an Act is "repealed and re-enacted, with or without modifications", the reference to the former Act is a reference to the new Act. Thus, the reference to the 1942 Act was to be read as a reference to the BSA. The Court held that:

- for the purposes of section 199(7), there was a repeal and re-enactment with modifications of the Broadcasting Act; and
- although there were many differences between the Broadcasting Act and the BSA most of the differences concerned procedural matters rather than the substantive effect of the broadcasting licences.

It therefore followed that the Foxtel companies were entitled to the immunity from suit for breach of copyright provided by s199(4). This result is curious, as the 1942 Act had not been repealed (and still has not been repealed) in its entirety. With respect, his Honour holding that section 10 applied is open to question.

Trade Marks

To be an infringing use of a trade mark, the trade mark must be used to indicate a connection in the course of trade between the trade mark and the person originating the goods or services.

The Court was satisfied that the commercial networks' registered trade marks would not be used by Management as trade marks connecting the Foxtel companies with the programs. The Court concluded that there was no infringing use of the commercial networks' registered trade marks because the re-transmission of the commercial networks' programs (and therefore the use of the trade marks) would continue to denote a connection with the commercial networks and their programs. Interestingly, these holdings are contrary to the only international decisions on cable re-transmission, where several United States courts have held (albeit on quite different trade mark provisions) that re-transmission of free-to-air signals were a breach of the relevant US trade marks. In reaching its conclusion, the Court relied on the principle that a trade mark is a badge of origin, not of control, espoused in the second-hand goods and parallel importation cases. However, it is

arguable that the principle can be directly applied to a service mark, where the very activity over which the mark is held, being "broadcasting", was being undertaken by Management.

Concluding Comments

The Federal Court's judgment appears to be couched in wide terms, and it allows any person to retransmit a free-to-air TV or radio signal with impunity, due to the effect of section 212 of the BSA. This result has a number of far-reaching ramifications for communications law and policy.

First, cable re-transmission of free-to-air broadcasts is contrary to basic principles of intellectual property, under which an owner of copyright holds and controls all rights in the copyright. As is clear from the explanatory memorandum to section 212, it is also contrary to the legislative intention of the section. The section was clearly intended to allow self-help groups to retransmit the signals of free-to-air broadcasters in areas of poor reception. It is also contrary to the recommendation of the Copyright Convergence Group. Interestingly enough, the group's recommendation to amend section 212 (and section 199(4) of the Copyright Act) is the only recommendation which the Federal Government has ignored.

It bears noting that Foxtel has justified its decision to re-transmit free-to-air broadcasts on the basis that it will provide better reception. But this is tantamount to suggesting that anyone should be entitled to take the output of another person, if they can lay claim to improving upon it. To give a simple example, no one would suggest that you should be able to re-publish the work of a novelist, because your text would use more readable print. Moreover, as a rationale for re-transmitting the free-to-air signals throughout Australia, it is nonsensical. Australia overall has some of the best quality free-to-air television reception in the world - certainly far superior to the United States, where rules permitting cable to carry free-to-air signals were originally developed (but are no longer in force).

When considered in economic terms, the cable re-transmission is even more curious. In simple terms, free-to-air broadcasters perform two functions: firstly, they create or acquire content; and secondly, they deliver that content to audiences. On the content side, the ACCC is presently considering whether free-to-air television and pay TV compete in the same market, in the context of its consideration of the Foxtel/Australis merger. No doubt a variety of views are held on this issue. But if the programs of free-to-air and pay TV compete for audiences, this makes all the more extraordinary the Government's decision not to amend section 212. In effect, it is allowing one competitor to strip the "content shelves" of another - a backward economic exercise, in this age of competition-induced economic reform.

However, even if the programs of pay TV and free-to-air do not compete, competition between them as delivery platforms must also be considered. This, of course, includes the area of actual and potential competition. At present the "vertical blanking interval" of a free-to-air television signal can be used to carry teletext and other services, thereby performing a limited role as a delivery platform for a menu of services. However, with the development of digital technology, free-to-air television will be able to carry an increased range of services. As a delivery platform, this ability would allow free-to-air to compete with pay TV, in the provision of multiple services.

The ability of free-to-air television to become a delivery platform will depend on exclusive control over its "core" programming. Without this control, the other services that could "hang off" the free-to-air signals will never develop. Thus, cable re-transmission of free-to-air will undermine a potential competitor to cable-based pay TV. One of the effects of the decision is to prevent free -to-air broadcasting becoming a wider delivery platform.

At a more general level, the result of the case is contrary to the direction of both the Australian and world economies, which are experiencing exponential growth in the information and entertainment sectors. Leaving aside cultural prejudices, the fact is that free-to-air broadcasting represents one of the major creators and surveyors of Australian culture, information and entertainment. As a society, we should be ensuring that the product of all intellectual labour, whether owned by free-to-air broadcasters or others, is properly protected, rather than allowing it to be undermined.

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