

## Cover sheet for response to an Ofcom consultation

### BASIC DETAILS

Consultation title: Online Infringement of Copyright and the Digital Economy Act 2010

To (Ofcom contact): Campbell Cowie

Name of respondent: Susie Winter

Representing (self or organisation/s): Alliance Against IP Theft

Address (if not received by email):

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Name Susie Winter

Signed (if hard copy)



## **OFCOM CONSULTATION ON ONLINE INFRINGEMENT OF COPYRIGHT AND THE DIGITAL ECONOMY ACT 2010: DRAFT INITIAL OBLIGATIONS CODE**

### **RESPONSE FROM THE ALLIANCE AGAINST IP THEFT**

#### **INTRODUCTION**

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Established in 1998, the Alliance IP Theft is a UK-based coalition of 20 associations and enforcement organisations with an interest in ensuring intellectual property rights receive the protection they need and deserve. With a combined turnover of over £250 billion, our members include representatives of the audiovisual, music, video games and business software, and sports industries, branded manufactured goods, publishers, retailers and designers.

The Alliance is concerned with ensuring intellectual property rights are valued in the UK and that a robust, efficient legislative and regulatory regime exists, which enables these rights to be properly protected.

The Alliance Against IP Theft strongly supports the measures to address online copyright infringement contained in the Digital Economy Act 2010 and believes they are of crucial importance if rights and content are to be respected and valued in the digital environment and welcomes the opportunity to comment on the draft Online Infringement of Copyright Initial Obligations Code.

Although we refer to the account holder as the 'infringer' as short hand throughout our submission, we recognise that the system is designed to identify internet accounts that are being used for infringing activity and for those who are responsible for those internet accounts to be notified accordingly. This is an important point that is relevant throughout the process but will be particularly relevant to the question (and costs) of appeals.

#### **RESPONSES TO THE CONSULTATION QUESTIONS**

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**QUESTION 3.1: Do you agree that Copyright Owners should only be able to take advantage of the online copyright infringement procedures set out in the DEA and the Code where they have met their obligations under the Secretary of State's Order under section 124 of the 2003 Act? Please supply supporting arguments.**

The Alliance has a number of concerns about the Government's proposal for defining a qualifying copyright owner.

The proposal which requires copyright owners to be able to provide upfront estimates to each qualifying ISP of the number of CIRs it intends to issue in any given notification period is a)

potentially detrimental to small copyright owners and b) may result in a limit on the number of CIRs issued by larger copyright owners because they will not know how much each CIR will cost. This is of concern given the success of the Digital Economy Act's Initial Obligations relies on behavioural change taking place on a mass scale which in turn requires significant numbers of CIRs to be issued.

These concerns were outlined in our response to the recent Government consultation on 'Online Infringement of Copyright (Initial Obligations) Cost Sharing'. This can be found at <http://www.allianceagainstiptheft.co.uk/downloads/consultations/current/Online%20Infringement%20of%20Copyright%20Cost%20Sharing%20%20Alliance%20Against%20IP%20Theft%20Response.pdf>

**QUESTION 3.2: Is two months an appropriate lead time for the purposes of planning ISP and Copyright Owner activity in a given notification period? If a notification period is significantly more or less than a year, how should the lead in time be varied? Please provide supporting evidence of the benefits of an alternative lead time.**

The Alliance agrees with a lead in time of two months for initial notification period. However, the Alliance believes lead in times for subsequent notification periods should be one month, given that systems will be up and running. This will allow Copyright Owners to be far more accurate as to the level of infringement they are detecting and therefore the number of CIRs that will be issued - taking into account upcoming release schedules.

The consultation document currently assumes a notification period of one year. This is too long for a number of reasons:

- Not all Copyright Owners will know up to a year in advance whether they have content they wish to protect. This will particularly be the case if the proposed fixed fee is too high; it would mean such owners having to be highly selective as to which of their content they sought to protect.
- It would also be prejudicial against smaller Copyright Owners who may have content requiring protection for a short period i.e. in the immediate weeks surrounding a new release. Such release dates can commonly be moved, therefore making it necessary for such an owner, in order to take advantage of the Act, to sign up for a whole notification period that they may not end being a part of.
- One year is too long to wait to bring an ISP into scope if significant levels of infringement have moved onto its network.

**QUESTION 3.3: Do you agree with Ofcom's approach to the application of the Code to ISPs? If not, what alternative approach would you propose? Can you provide evidence in support of any alternative you propose?**

The Alliance advocates an approach which sees all services providing access to the internet as being bound by the Code (all fixed line ISPs and mobile providers) but with certain ISPs initially 'in-scope'.

This allows the process to start with only the seven fixed line ISPs identified at 3.14 of the consultation document, but crucially allows for other providers to be brought in as the process develops without the need to resubmit the code to Europe under the terms of the Technical Standards Directive each and every time. This would introduce unnecessary and unacceptable delay should those providers waiting to come into scope have high levels of infringing activity on their networks.

E.g. The Code would be deemed to apply to mobile providers but with them given an exception for 18mths in order to bring their systems into line.

We also believe the Code should apply from the outset to ISPs which operate virtually as monopoly providers such as KCOM in Kingston-upon-Hull.

In addition, the migration of infringers to ISPs to whom a derogation applies need to be closely monitored. We believe the criteria applied to bring ISPs into scope should take into account the percentage increase of infringement taking place on that ISPs network as well as the percentage of CIRS to subscribers. Ofcom must review these criteria on an ongoing basis and ensure that the time period between an ISP coming into scope and being able to accept and process CIRS is as short as possible. This is important in order to stop the creation of infringement 'safe-havens'. The regularity of these reviews will provide an incentive for those ISPs to whom the Code does not yet apply to have processes in place to ensure infringement levels never reach such a level as to bring them into scope of the Code.

We do not believe that 'costs and feasibility of requiring those ISPs to comply with the obligations' should be a factor as to whether they are required to comply with the Code (3.18). If infringement is happening over an ISP's network to such a scale as to bring them into scope, they should be required to comply with the Code.

**QUESTION 3.4: Do you agree with the proposed qualification criteria for the first notification period under the Code, and the consequences for coverage of the ISP market, appropriate? If not, what alternative approaches would you propose? Can you provide evidence in support of any alternative you propose?**

As stated above, we have no issue with the proposed qualification criteria for the first notification period. Our connected issues are twofold: first, there needs to be an effective mechanism for the Code to apply to ISPs who do not have to comply with it initially; second, the notification period, for the reasons outlined above, is too long.

**QUESTION 3.5: Do you agree with Ofcom's approach to the application of the 2003 Act to ISPs outside the initial definition of Qualifying ISP? If you favour an alternative approach, can you provide detail and supporting evidence for that approach?**

To avoid confusion there should be clearer reference within the Code to those ISPs more commonly known as 'white board' or 'virtual ISPs' e.g. The Post Office. The Qualifying ISP should provide details to Ofcom of those ISPs to whom they provide downstream access including IP address allocations available to those downstream providers of internet access.

**QUESTION 3.6: Do you agree with Ofcom's approach to the application of the Act to subscribers and communication providers? If you favour alternative approaches, can you provide detail and supporting evidence for these approaches?**

The Alliance appreciates the perceived challenges around definitions of 'subscriber' and 'communication provider' particularly in relation to wi-fi networks provided by shops, hotels, museums and education establishments. However, these issues can be easily resolved, as they have already been by establishments such as the University of Leeds and other higher education establishments, by the owners of the network blocking access to certain protocols. This would greatly reduce, if not stop, infringement taking place over their network and mean CIRS would not be issued against them.

**QUESTION 4.1: Do you agree with the proposed content of CIRS? If not, what do you think should be included or excluded, providing supporting evidence in each case?**

While we agree with the proposed content for the CIRs we have an important amendment to recommend.

At present there is an assumption that the infringing content will be identifiable by a 'filename'. While traditional file-sharing does indeed involve the sharing of static files e.g. mp3s and avi files, not all infringement will relate to such a file, identifiable by a file name. In particular, when a television broadcast is pirated and streamed over a peer-2-peer network, the technical mechanism does not involve all users in the network sharing a "file" which sits (in whole or in part) on their hard drives.

As drafted, Copyright Owners are required to list a filename. Whilst we recognised that CIRs need to include clear identification of how the infringement is occurring, it would frustrate the purpose of the legislation (which is to reduce online copyright infringement) to require a filename to be listed in every case. Therefore, we recommend 3.3 (e) of the draft Code be amended to read "a description of the apparent infringement, which may include (by way of example only) the filename, URL or other means of identifying the infringing content, a description of the infringing content and the contents of any associated data, and (where appropriate) hash code of the infringing content".

This will enable the requirements of the CIRs to be flexible enough to allow Copyright Owners to specify appropriate identifiers for infringing content other than filenames. Alliance members would be happy to suggest such appropriate identifiers which reflect the technical mechanisms currently being used in the unauthorised retransmission of television broadcasts, such as URLs. However, Copyright Owners should not be tied in to having to use any particular identifier since technologies will inevitably adapt and future infringements will not necessarily occur in the same ways as they do now. More general (and future proofed) language, as recommended above, is needed that will allow Copyright Owners to identify all types of infringement whilst recognising the need for an appropriate degree of precision in that identification.

In addition, due to the nature of peer-2-peer streaming, there may be multiple port numbers used rather than just a single one. As such, we suggest (i) be amended to read "relevant port numbers used to conduct apparent infringement".

We further support the Premier League's proposed amendment to (j) given that online infringements may not always take place via a "website" or "protocol". Therefore, (j) should be amended to read "the website, protocol, application, online location or internet-based or internet-based system via which the apparent infringement occurred".

**QUESTION 4.2: Do you agree with our proposal to use a quality assurance approach to address the accuracy and robustness of evidence gathering? If you believe that an alternative approach would be more appropriate please explain, providing supporting evidence.**

The Alliance believes the proposed Quality Assurance Reports might be a sensible way of providing the needed reassurance as to the robustness of industry's detection methods, but must be managed in a manner that minimises the extra cost burdens that preparation of these reports will cause. These reports must not be used to develop set standards or promote one detection method over another. Ofcom must develop appropriate safeguards to protect commercial sensitivities and proprietary information and we would want assurance from Ofcom that such information would not be disclosed under any circumstances.

In addition, where a CIR has been issued using the method set out, and approved, in the Quality Assurance Report, this should create a rebuttable presumption that the evidence is correct.

**QUESTION 4.3: Do you agree that it is appropriate for Copyright Owners to be required to send CIRs within 10 working days of evidence being gathered? If not, what time period do you believe to be appropriate and why?**

A balance needs to be struck between ensuring the CIR, and therefore any subsequent notification, gets issued as soon after the infringement occurred as possible, and enabling copyright owners to conduct detection in a cost-effective manner – which may involve receiving infringement data from their detection agencies on a weekly basis. Given this, we believe 10 working days for the issuing of CIRs from the point at which the evidence is gathered is acceptable.

**QUESTION 5.1: Do you agree with our proposals for the treatment of invalid CIRs? If you favour an alternative approach, please provide supporting arguments.**

It is very important that Copyright Owners are notified as quickly as possible if an ISP is not processing a CIR, and certainly as soon as an ISP has made that decision

We have a number of major concerns regarding the list of grounds for not processing a CIR (4.3 of the draft code).

- *The IP address was not allocated to the ISP at the time of the alleged infringement.* Of course, this would be a valid reason for an ISP not to process a CIR.
- *The IP address was not used by one of the Qualifying ISP's subscribers at the relevant time.* We believe this point seeks to address the issue of an ISP acting as a wholesaler providing internet access on behalf of a 'white board' or 'virtual' ISP. If this is the case, this **should not be a ground for not processing a CIR**. If an ISP has such a business relationship with another ISP, it is surely beholden on them to ensure the correct procedures are in place for this CIR to be forwarded to the correct 'white board' or 'virtual' ISP. In addition, 3.27 of the consultation document makes it clear that in situations regarding retail providers buying IP address from a wholesale provider, it is dependent on the retail provider to ensure they have the correct processes and contracts in place with the wholesale provider to enable them to access relevant information.
- *The Subscriber using the IP address at the time of the alleged infringement cannot reliably be identified.* We have concerns over a potentially broad interpretation of reliability. Given the use of a universal time stamp, the Code must specifically state for an IP address to be deemed to be unreliable, it must have been reallocated to another subscriber within 2 minutes of the infringement taking place.
- *The CIR refers to an account that is no longer active.* **This should not be a ground for not processing a CIR**. Even if the subscriber has subsequently left that ISP, they were a customer when the infringement occurred and therefore the ISP must be required to process the CIR, and where appropriate, issue a notification. To do otherwise would create a 'Churner's Charter' whereby people realised they could avoid CIRs and notifications by simply switching ISP. This is something the ISP should also support given their concerns over the notification process encouraging their customers to switch to other suppliers. In addition, the notifications will contain important educational information which is relevant whether they are currently a customer of that ISP or not.
- *The subscriber cannot be notified because the Qualifying ISP does not hold an electronic or postal address for the subscriber and it is not reasonably practicable for the Qualifying ISP to obtain this information.* **This should not be a ground for not processing a CIR**.
  - o The Communications Act states that if ISPs are providing telephony services they need to maintain billing records. Given that at the end of Q1 2009, nearly half of UK

homes bought communications services in 'bundles'<sup>1</sup> it is increasingly unlikely that ISPs will not have the information necessary to send a notification.

- The EU Data Retention Directive also requires ISPs to keep customer records for up to a year<sup>2</sup>, making an ISP in breach of the Directive if they do not have the required information.
- *The IP address relates to a subscriber which does not receive a fixed internet access service from the Qualifying ISP. **This should not be a ground for not processing a CIR.*** While the Code will initially apply to fixed line providers only, our understanding is that mobile providers are to be brought into scope at a later date. Therefore, such a provision, which relates to a group to whom the Code does not even apply, is redundant. Similarly, to have such a provision when the Code does apply to mobile providers does not make sense.
- *There is some other reason why, in the reasonable opinion of the Qualifying ISP, the CIR should not be processed.* This is unacceptable, potentially gives ISP the ability to reject CIRs on totally spurious grounds and **should not be a ground for not processing a CIR.** The grounds on which ISPs may rely to not process a CIR must be exhaustive in order to give all parties the high degree of certainty which is necessary to ensure confidence in the system. Copyright Owners can surely not be expected to submit CIRs and incur the associated costs in the knowledge that an ISP may reject them for an as yet undefined reason.

In summary the only reasons why an ISP should not process a CIR are the following:

- The IP address was not allocated to the ISP at the time of the alleged infringement
- The subscriber using the IP address at the time of the alleged infringement cannot reliably be identified (but note comments above)
- The CIR does not comply with the requirements of the Code

Given the grounds listed under 4.3, the Alliance is unclear as to the relevance of 4.2.1 and recommend it is deleted for clarity.

**QUESTION 5.2: Do you agree with our proposal to use a quality assurance approach to address the accuracy and robustness of subscriber identification? If not, please give reasons. Of you believe that an alternative approach would be more appropriate please explain, providing supporting evidence.**

As with the quality assurance reports required by Copyright Owners, for the same reasons we are similarly supportive of such reports being required by ISPs to give robustness to the process of subscriber identification. Again, we imagine that ISPs will want assurance from Ofcom that commercially confidential information will not be disclosed under any circumstances.

**QUESTION 5.3: Do you agree with our proposals for the notification process? If not, please give reasons. If you favour an alternative approach, please provide supporting arguments.**

We are very supportive of the proposal that sees the issuing of subsequent notifications being linked to a time based process. We have the following specific comments:

- 1) Given the sheer amount of illegal filesharing it may prove difficult to identify the same infringer twice in a 6 month period; this is not to say that the individual has not been infringing, just that this infringement has not been detected. If this was the case, the process would be logging people as first time infringers who are in reality repeat infringers. This is particularly pertinent for smaller rights holders who may not have the infrastructure and finances to run constant detailed searches for infringing content. Given the aim of the

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<sup>1</sup>The Communications Report 2009 <http://www.ofcom.org.uk/research/cm/cmr09/keypoints>

<sup>2</sup>[http://www.opsi.gov.uk/si/si2009/draft/ukdsi\\_9780111473894\\_en\\_1](http://www.opsi.gov.uk/si/si2009/draft/ukdsi_9780111473894_en_1)

Act is to reduce online copyright infringement the process needs to be made as accessible as possible to all.

Therefore, we recommend that the subscriber must, therefore, be sent a Second Notification if they have received a First Notification within the previous 12 months, not 6 months as proposed in 5.6.1 of the draft code.

- 2) The suggested 'grace period' in 5.6.2 of one month is too long. This gives infringers a whole month of continuing an illegal activity without any check on their behaviour. We recommend the time delay between the sending of a first and second notification is 21 days. This has clear comparisons across the legal and regulatory system. For example, an appeal to a Crown Court must be made 21 days after a conviction. 21 days is also the discount period for parking tickets and the time in which you have to appeal a penalty fare with most train companies. We understand those promoting a grace period of one month point to the fact that people may be on holiday as being a supporting factor. We think reducing this to 21 days would have limited bearing on people not having time to make necessary security arrangements because of being on holiday as research shows that the average length of the British holiday is 8.3 days<sup>3</sup>. We strongly object to a system being developed to accommodate the lowest common denominator – in this case the very small percentage of people who take three week holidays.
- 3) The system must make some acknowledgement of the fact that the subscriber has already been given time to improve their security, find legal services etc but has chosen not to. Therefore, the length of the 'grace period' between notifications should operate on a sliding scale. As stated above, the time delay under 5.6.2 should be 21 days with the time delay under 5.7.2 (the 'grace period' between the sending of the second and third notification) should be 14 days. If infringement continues, following update notifications should be issued every month. This is because it is important that the infringer appreciates his actions are still being noted, and that, as with the initial notifications, it is important for an infringer to receive notification of his/her actions as close to the point at which the infringement took place as possible in order for the notification to have any relevance.

#### **QUESTION 5.4**

**Do you believe we should add any additional requirements into the draft code for the content of notifications? If so, can you provide evidence as to the benefits of adding those proposed additional requirements? Do you have any comments on the draft illustrative notifications (cover letters and information sheet) in Annex 6?**

We agree with all the areas for inclusion listed in 5.11 of the draft code.

However, we believe further provisions are required:

1. It must be made clear in the code that ISPs may include only information relating to wi-fi and computer security and the availability of legal content services when they send the notification. It would a) be inappropriate to include general marketing material which may detract from the important message the notification is designed to communicate, and b) given the likely split of costs is not something Copyright Owners should be subsidising.
2. Given the flexibility the code provides for ISPs to formulate their own notifications (a desire which we understand), we do believe there should be a clause which states that nothing in the tone or content of the notification should undermine the initial obligations process.
3. As an additional safeguard, ISPs should be required to get approval from Ofcom of their notifications (content and form). Such approval should be in consultation with Copyright

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<sup>3</sup> <http://www.holidayextras.co.uk/news/destination/top-summer-holiday-hotspots-named-3367.html>

Owners as appropriate. For instance, while the content of the draft letters in Annex A are broadly acceptable, some amendments are required, such as:

- a. The letters refer to copyright material being illegally shared. The material has not been shared but illegally made available and distributed.
- b. The fact sheet must refer to not only what will happen to those who continue to engage in illegal filesharing but also those who continue to allow their internet accounts to be used for this activity.

However, a number of members of the Alliance do not agree with the proposed content of the First, Second and Third Notifications. They strongly believe that once a Subscriber has received a Second Notification they are a repeat infringer and as such should be placed on the Copyright Infringement List. Therefore, the statement contained in 5.15.2 in the draft Code telling the Subscriber that they are now on a Copyright Infringement List accessible by Copyright Owners, needs to replace 5.14.2. A new statement would need to be included in the Third Notification which alludes to the increased likelihood of legal action being taken.

The reasons for this proposed change are explained in the response to Question 6.1 below.

#### **QUESTION 6.1**

**Do you agree with the threshold we are proposing? Do you agree with the frequency with which Copyright Owners may make requests? If not, please provide reasons. If you favour an alternative approach, please provide supporting evidence for that approach.**

1. The initiation of legal action by Copyright Owners against repeat infringers is a factor which Ofcom is required to take into account in their assessment reports to the Secretary of State on the effectiveness of the Initial Obligations. While it is anticipated that legal action will be targeted against those people who have received three notifications, given the uncertainty surrounding the likelihood of identifying the same infringer enough times to generate three notifications, circumstances may arise when legal action is initiated against people who have received two notifications will be identified as targets for legal action by Copyright Owners.

It also gives a repeat infringer too long a period in which to continue infringing before copyright owners even see the anonymised information relating to that subscriber and send a mixed message to consumers. Ofcom rightly states in 5.13 of the consultation document when explaining its reasoning for advocating a repeat notification system based on time as opposed to number of CIRs that it ensures there are 'no "free-hit" CIRs. The same argument must apply to the Copyright Infringement List.

**Therefore, as stated earlier, some Alliance members believe that the receipt of a second notification should result in that subscriber being placed on the Copyright Infringement List.**

2. The List should not be restricted to showing the infringements relating to the specific copyright owner who made the request. It should also show who else's content that subscriber has been infringing. This is important for the following reasons:
  - a) The Initial Obligations provisions in the Digital Economy Act do not introduce any new offences but are designed to make the enforcement of existing law easier. The ability to take joint legal action is a significant part of this and to do this, Copyright Owners need to be able to see who else's content a potential target for litigation has been infringing.
  - b) This ability to take joint legal action will makes it less likely that subscribers are sued by more than one copyright owner.
  - c) It makes the production of the list easier and cheaper for ISPs as they do not have to filter infringement lists for each individual copyright owner.

3. 6.6 of the draft code should be amended to allow Copyright Owners to request the List once a month. This is important to provide for a constant 'flow' of legal action as opposed to it being initiated in three month 'lumps'. Implementing 2. above would make this a less onerous and costly requirement on ISPs.

#### QUESTION 7.1

**Do you agree with Ofcom's approach to subscriber appeals in the Code? If not, please provide reasons. If you would like to propose an alternative approach, please provide supporting evidence on the benefits of that approach.**

The Alliance believes it is in the interest of all parties – subscribers, ISPs and Copyright Owners – for the appeals system to be clear, open, robust and transparent. In order for it to meet these criteria, it needs to have a high degree of certainty so all parties can have confidence in it.

There are a number of important points regarding the appeals process:

- 1) The grounds of appeal must be those set out in the DEA only. They must be clearly defined and exhaustive.
- 2) The Code should not allow a subscriber to appeal on 'any other ground' in addition to the grounds set out in the list. This provision will simply encourage frivolous, unsubstantiated or otherwise meritless appeals. It will also add significantly to the costs that might be incurred by Copyright Owners.
- 3) A decision on the length of time a Subscriber has to appeal should be left to the Appeals Body. This should be set in the Code and included in the notification sent to the Subscriber. The Alliance suggests a period of 21 days. As stated early, this is the length of time used in many other appeals system and as such is one with which consumers are very familiar.
- 4) The Appeals Body should not take into account the technical knowledge of the subscriber. This is not relevant which is why it is not referred to in the DEA. It also ignores the central purpose of the notification process which is to educate consumers and provide them with exactly such technical information. Given this, there should be no circumstances where this should be a factor.
- 5) Ofcom should stipulate a cap on the compensation the Appeals Body can award and tariff for costs.

#### QUESTION 8.1

**Do you agree with Ofcom's approach to administration, enforcement, dispute resolution and information gathering in the Code? If not, please provide reasons. If you favour an alternative approach, please provide supporting evidence on the benefits of that approach.**

The Alliance has the following points to make:

- 1) The timelines proposed in 9.7 and 9.15 of the draft Code may be too short. We recommend these are increased from 5 days to 10 days.
- 2) Similarly, we propose the timelines in 9.9 and 9.17 be increased from 10 days to 15 days.
- 3) We are concerned with the inclusion at the end of 9.11(a) of the statement "...and such conditions as Ofcom considers appropriate". This is not contained in the DEA and it is difficult to see any need for Ofcom to do anything other than to compel compliance with the Code.
- 4) The indemnity Copyright Owners are required to provide to ISPs under 9.19(d) should be limited to any **direct** loss or damage. It is a normal legal provision to limit indemnities to cover only direct loss or damage following from an error or omission.

## **ALLIANCE MEMBERS**

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Anti-Counterfeiting Group  
Authors' Licensing and Collecting Society  
British Brands Group  
BPI (British Recorded Music Industry)  
British Video Association  
Business Software Alliance  
Cinema Exhibitors Association  
Copyright Licensing Agency  
Design and Artists Copyright Society  
Entertainment and Leisure Software Publishers Association  
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Film Distributors Association  
Motion Picture Association  
Premier League  
PRS for Music  
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### **Supporters:**

Anti-Copying in Design  
British Jewellery, Giftware & Finishing Federation  
Video Standards Council

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Friday 30<sup>th</sup> July 2010