

DALLAS BUYERS CLUB LLC v IINET LTD
[2015] FCA 317 (7 APRIL 2015)

I INTRODUCTION

In the case of *Dallas Buyers Club LLC v iiNet Ltd*,¹ Perram J of the Federal Court of Australia exercised the Court's discretion under r 7.22 of the *Federal Court Rules 1979* (Cth) ('FCR') and ordered for the preliminary discovery of certain account holder details held by the six internet service provider ('ISP') respondents. However, cautious of Dallas Buyers Club LLC's ('DBC') endeavours, his Honour stayed the order pending the applicant satisfying certain requirements. This case note considers the reasonableness of Perram J's judgment against the backdrop of the FCR, as well as domestic and international case law. It then evaluates the influence of the decision upon the broader Australian society. This case note concludes with the acceptance of Perram J's reasoning, however questions the impact of the decision in light of recent legislative and market reform in the sphere of illegal downloading.²

II BACKGROUND

A Factual Background

The factual details of DBC's application were relatively brief. Using software called Maverik Monitor 1.47 ('Maverik Monitor'), DBC contended that it had identified 4,726 IP addressees³ that had unlawfully shared its copyrighted film, Dallas Buyer's Club, via BitTorrent (a peer-to-peer file sharing network).⁴ DBC alleged that such sharing amounted to an infringement of their copyright under the *Copyright Act 1968* (Cth). And, while DBC could not personally identify the infringers, it submitted that the evidence arising from the Maverik Monitor indicated that each of the ISPs possessed unique IP account information that could assist in the culprits' identification. Therefore, DBC asked the Court to exercise its r 7.22 powers and order that the ISPs produce such information for DBC's examination.

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¹ [2015] FCA 317 (7 April 2015) ('*Dallas Buyers Club*'). The application was brought by United States corporation Dallas Buyers Club LLC and its United States parent corporation, Voltage Pictures LLC ('Voltage').

² Although copyright infringement pursuant to the *Copyright Act 1968* (Cth) does not amount to a criminal offence, the common phrase 'illegal downloading' will be employed to connote a breach of civil law in the context of online piracy.

³ Internet Protocol addresses.

⁴ *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [1].

In a more broader, nationwide context, the application was brought at time when the issue of illegal downloading was amongst considerable scrutiny — and for good reason. Reports have shown that over one quarter of Australian internet users regularly engage in illegal downloading activities, primarily targeting music tracks, films, television programmes and video games.⁵ Further, pirating in Australia is said to cost the domestic economy alone an estimated \$900 million each year.⁶ Interestingly, in defence of their misbehaviour, pirates often assert that the legal means of obtaining their downloaded content is excessively (and unjustifiably) priced.⁷ Thus ironic, it would seem, that the Dallas Buyer's Club film is about a HIV-positive male who, unable to afford overly priced medication, circumvents the law in order to treat both himself and other sufferers of the HIV/AIDS virus. That aside, however, given the heightened issue of illegal downloading in Australia, the *Dallas Buyers Club* decision was closely monitored by aggrieved filmmakers, anxious pirates and the like.

B Legislative Framework

Similar to the operation of a 'Norwich Pharmacal Order' in equity,⁸ under r 7.22 of the *FCR*, where a 'prospective applicant'⁹ believes they have a right to obtain relief against an unidentified party, they may seek the assistance of the court to identify that person. Rule 7.22 relevantly provides:

- (1) A prospective applicant may apply to the Court for an order under subrule (2) if the prospective applicant satisfies the Court that:
 - (a) there may be a right for the prospective applicant to obtain relief against a prospective respondent; and
 - (b) the prospective applicant is unable to ascertain the description of the prospective respondent; and
 - (c) another person (the other person):
 - ...
 - (ii) has, or is likely to have, or has had, or is likely to have had, control of a document that would help ascertain the prospective respondent's description.
- (2) If the Court is satisfied of the matters mentioned in subrule (1), the Court may order the other person:

⁵ TNS, 'Online Copyright Infringement Research: A Marketing Research Report' submission to the Department of Communications, 24 June 2015, 3.

⁶ Australian Content Industry Group, 'The Impact of Internet Piracy on the Australian Economy' (February 2011) Australian Policy Online <<http://apo.org.au/research/impact-internet-piracy-australian-economy>>.

⁷ TNS, above n 5, 5.

⁸ Deriving from the UK case, *Norwich Pharmacal Co v Commissioners of Customs & Excise* [1974] AC 133.

⁹ As defined by r 7.21.

...

- (b) to produce to the Court at that examination any document or thing in the person's control relating to the prospective respondent's description; and

Importantly, although a party may satisfy the basic requirements of r 22(1), the inclusion of the term 'may' in r 22(2) signifies that any order remains at the discretion of the court.

III ISSUES

The ISPs sought to object DBC's application on a number of technical, arguably 'ambitious' bases.¹⁰ Indeed, as Perram J noted, the strategy of the respondents placed 'nearly everything in issue'.¹¹ Nonetheless, notwithstanding the volume of matters before the Court, the application gave rise to three broad questions. First, does the application meet the threshold requirements of preliminary discovery under r 7.22? Second, if the answer to the first question is yes, should the Court exercise its discretion and order that the ISPs provide DBC with the subject account holder details? And third, if the Court is to exercise its discretion, should it impose conditions upon its order?

IV DECISION

After having determined that the 'matter be listed [at a later date] for the making of orders',¹² on 6 May 2015 Perram J ordered for the preliminary discovery of relevant account holder names and residential addresses — subject, however, to specific conditions regarding the use of the disclosed information.¹³ So as to enforce compliance, Perram J further ordered that the process of discovery be stayed until his Honour was satisfied that DBC had met the set requirements.¹⁴

The reasoning of Perram J's decision will now be discussed in detail. However, as stated above, his Honour's verdict involved the consideration of a broad range of issues. As such, this case note will be limited to the discussion of legal matters central to the decision.¹⁵

¹⁰ *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [30].

¹¹ *Ibid* [4].

¹² *Ibid* [110].

¹³ *In Dallas Buyers Club LLC v iiNet Limited (No 3)* [2015] FCA 422 (6 May 2015).

¹⁴ *Ibid*.

¹⁵ The consideration of all tenuous contentions raised by the respondents, such as the reliability of the Maverik Monitor or the true owner of the Dallas Buyers Club film, offers little value to the understanding of the Court's decision.

A *The Operation of Rule 7.22*

In the context of the *Dallas Buyers Club* decision, the wording of r 7.22 is relatively straightforward. An applicant (DBC) must illustrate to the court that it *may* have a right to obtain relief against a party that it cannot independently identify. Furthermore, the applicant must show that another person (each ISP) has, or is likely to have, a document *that would help ascertain* the identity of the alleged wrongdoer. On its face, therefore, DBC's application would appear satisfactory.

1 *The Strength of the Prospective Action*

It was put forth by the ISPs that the evidence obtained by the Maverik Monitor failed to reveal 'substantial' copyright infringement.¹⁶ This argument arose from the expert report filed by DBC,¹⁷ which detailed the general process of downloading a file from the BitTorrent network.¹⁸ Notably, the expert report revealed that each file downloaded from the network is broken down into many 'pieces'¹⁹ for the 'efficient distribution to participants.'²⁰ Hence, each BitTorrent user will effectively download various 'slivers of a film from ... multiple computers.' And, in turn, each user will only distribute small slivers of a film to other BitTorrent participants. Thus, the ISPs argued, the alleged offenders did not, as provided in s 86 of the *Copyright Act 1968* (Cth), 'communicate the film to the public'. Put simply, the account holders had not infringed upon DBC's copyright.²¹

Nevertheless, Perram J appropriately dismissed this argument, observing that the term 'communicate' is defined under s 10 of the *Copyright Act 1968* (Cth) to encompass actions that 'make [the film] available online'.²² His Honour accepted that, even if a user made 'a single sliver of the film' available online, this would still provide 'strong circumstantial evidence' that the user had infringed upon DBC's copyright.²³ Furthermore, for the purposes of an application under r 7.22, Perram J noted that DBC need only show that the foreshadowed claim 'has some prospect of succeeding', as opposed to having to establish a 'prima facie case of infringement'²⁴ Indeed, this is the position at common law.

In the Full Court of the Federal Court's decision of *Hooper v Kirella Pty Ltd* it was held that an applicant seeking preliminary discovery is not required to satisfy

¹⁶ *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [28].

¹⁷ Being the expert report of German resident, Dr Simone Richter.

¹⁸ See *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [27].

¹⁹ Sometimes being no more than a few hundred kilobytes.

²⁰ *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [27].

²¹ *Ibid* [28]-[29].

²² *Ibid* [29].

²³ *Ibid* [30].

²⁴ *Ibid*.

the court of ‘the existence of a prima facie case against the prospective respondent’.²⁵ However, a court is to ensure that the process is not abused to commence ‘merely speculative proceedings.’²⁶ This language is echoed in the Supreme Court of New South Wales decision of *Stewart v Miller*,²⁷ where the Court, having considered similar preliminary discovery rules, cited the unreported decision of *Exley v Wyong Shire Council*²⁸ and stated that the court’s power should not be used for oppression or to aid speculative claims. Such line of reasoning also led Foster J, in the case of *Allphones Retail Pty Ltd limited v Australian Competition and Consumer Commission*, to state that ‘the foreshadowed claim must have some prospect of succeeding’.²⁹

Consequently, upon consideration of the relevant case law, and having specific regard to the construction of r 7.22,³⁰ one may readily side with the reasoning of Perram J; DBC’s prospective claim was much more than merely ‘hopeless’.³¹

2 *The Breadth of the Court’s Power under r 7.22(2)*

As DBC conceded, in some instances, the account holder information held by the ISPs would not directly identify the alleged copyright infringer (ie the relevant account holder would not necessarily be the same person who had downloaded the Dallas Buyers Club film).³² Therefore, the ISPs asserted that the language of r 7.22(2) operates only to allow preliminary discovery where it leads to the direct identification of a prospective defendant.³³ However, as DBC noted (and as Perram J agreed), this argument had been unsuccessfully raised in prior instances.³⁴

Both the decisions of *Roads and Traffic Authority (NSW) v Australian National Car Parks Pty Ltd*³⁵ and *Roads and Traffic Authority of New South Wales v Care Park Pty Ltd*³⁶ involved car park operators wishing to identify entrants who had used their car

²⁵ (1999) 96 FCR 1, 11 [33]. This case considered the previous Federal Court rules relating to preliminary discovery which is discussed under heading ‘2 *The Breadth of the Court’s Power under r 7.22(2)*.’

²⁶ *Ibid*.

²⁷ [1979] 2 NSWLR 128, 139.

²⁸ [1976] NSWSC (9 December 1976).

²⁹ [2009] FCA 980 [54] (emphasis added). This case was cited by Perram J in *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [30].

³⁰ Noting, most importantly, the term ‘may’ in r 7.22(1)(a) of the FCR.

³¹ As Foster J found in the decision of *Allphones Retail Pty Ltd limited v Australian Competition and Consumer Commission* [2009] FCA 980 (28 August 2009) [86].

³² *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [1].

³³ *Ibid* [56].

³⁴ *Ibid* [58].

³⁵ [2007] NSWCA 114 (15 May 2007) (‘*Australian National Car Parks*’).

³⁶ [2012] NSWCA 35 (9 March 2012) (‘*Care Park*’).

park facilities without paying.³⁷ As the drivers of each infringing vehicle were not necessarily the registered owners, the courts were required to determine whether preliminary discovery could be ordered where the information held by a third party would merely *assist* in the identification of a prospective defendant, as opposed to *reveal* the prospective defendant. In both decisions, preliminary discovery was allowed.

Significantly, the court in *Australian National Car Parks* noted that ‘the possibility that additional evidence may be required to make out a prima facie case ... does not mean that the information [sought] lacks ... utility or forensic worth.’³⁸ Indeed, all that is required is that the information sought be capable of assisting the applicant in establishing a prima facie case.³⁹ As the court in *Care Park* stated, the purpose of preliminary discovery is to ‘facilitate the enforcement of civil cases of action’⁴⁰ and, therefore, the rule ‘should be applied beneficially, purposively and not technically.’⁴¹

While the ISPs did not dispute the outcome of the cited decisions, they contended that the judgments (having been decided under the *Uniform Civil Procedure Rules 2005* (NSW)) had no application to the interpretation to the *FCR*. However, as Perram J noted, the language of the old *Federal Court Rules 1979* (Cth)⁴² largely mirrored that of the *Uniform Civil Procedure Rules 2005* (NSW).⁴³ And, notwithstanding that the wording had changed, the explanatory statement to the *FCR* relevantly provides that the altered language of r 7.22 ‘do[es] not substantially alter existing practice.’⁴⁴ Consequently, Perram J considered that he was still bound by the precedent set by the *Australian National Car Parks* and *Care Park* cases.⁴⁵ Moreover, and in any event, his Honour queried ‘why a rule designed to aid a party in identifying wrongdoers should be so narrow’.⁴⁶

On the basis of the above reasoning, Perram J properly concluded that discovery under r 7.22 is not confined to documents that identify a specific prospective defendant, but also encompasses documents that would *help* identify a specific prospective defendant.⁴⁷

³⁷ Thus in breach of the car parks’ conditions of entry. See, eg, *Australian National Car Parks* [2007] NSWCA 114 (15 May 2007), [3].

³⁸ *Ibid* [27].

³⁹ *Ibid* [27].

⁴⁰ [2012] NSWCA 35 (9 March 2012), [8].

⁴¹ *Ibid* [55].

⁴² The predecessor to the *FCR*.

⁴³ So much so that the court in *Australian National Car Parks* [2007] NSWCA 114 at [10] stated that, in interpreting the *Uniform Civil Procedure Rules 2005* (NSW), ‘[a]ssistance may ... be gleaned from caselaw’ relating to the *Federal Court Rules 1979* (Cth).

⁴⁴ Explanatory Statement, *Federal Court Rules 2011* (Cth) 10.

⁴⁵ *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [71].

⁴⁶ *Ibid* [66].

⁴⁷ *Ibid* [49]-[72].

3 *Exercising the Court's Discretion and Conditions of Document Use*

Having being satisfied that the Court's power to order preliminary discovery was enlivened, Perram J then considered each of the eight additional objections put forth by the ISPs.⁴⁸ While his Honour nevertheless exercised the Court's discretion in favour of DBC, there were, however, two objections of considerable importance.

First, the ISPs submitted that, should DBC be granted preliminary discovery, the entity would engage in the practice of 'speculative invoicing'.⁴⁹ Justice Perram accepted this possibility, noting that Voltage had engaged in speculative invoicing previously in the US.⁵⁰ Moreover, while his Honour acknowledged that speculative invoicing is not unlawful in Australia,⁵¹ he queried whether such action amounted to 'misleading or deceptive conduct' under the *Competition and Consumer Act 2010* (Cth) or potentially unconscionable conduct under the *Australian Securities and Investments Commission Act 2001* (Cth).⁵² Regardless, the issue of speculative invoicing was of sufficient concern to Perram J, resulting in an order that any correspondence DBC intended to send the alleged infringers be first submitted to the Court for its approval.⁵³ Citing the English decision of *Golden Eye (International) Ltd v Telefonica Uk Ltd*,⁵⁴ Perram J considered that the vulnerability of the prospective respondents required the Court's protection.⁵⁵ Indeed, comparable to the *Golden Eye* decision, the prospective respondents in the current scenario may be without access to the specialised legal advice required to defend DBC's claim. Thus, they may be forced to accept DBC's settlement sum, even if they are innocent.⁵⁶

Second, the ISPs argued that the privacy protections of the *Telecommunications Act 1997* (Cth) (that each was bound by) should outweigh the need to order preliminary discovery. Justice Perram, in rejecting this notion, rightfully noted that the *Telecommunications Act 1997* (Cth) does not operate to exclude the disclosure of

⁴⁸ Ibid [73].

⁴⁹ The term 'speculative invoicing' in this context refers to the act of DBC writing to each alleged copyright infringer and claiming that they owe a substantial amount of money, but are, however, willing to accept a smaller sum for settlement (this sum would still be above the amount the DBC would expect to receive in court awarded damages) per *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [73].

⁵⁰ Ibid [81].

⁵¹ Ibid [82].

⁵² While his Honour raised these issues, he was not required to assess them beyond the purposes of assessing DBC's application for preliminary discovery.

⁵³ *Dallas Buyers Club LLC v iiNet Limited (No 3)* [2015] FCA 422 (6 May 2015) [13].

⁵⁴ [2012] EWHC 723 (Ch) ('*Golden Eye*')

⁵⁵ Approval of such monitoring methods can also be found in the Canadian decision of *Voltage Pictures LLC v John Doe* [2014] FC 161.

⁵⁶ [2012] EWHC 723 (Ch), 749-50 [119].

private information required by law.⁵⁷ Nonetheless, his Honour considered that the implied undertaking attaching to each document disclosed in court was not sufficient protection for each prospective respondent.⁵⁸ Hence, his Honour ordered that the information only be disclosed on the basis that it be used solely ‘for purposes relating to the recovery of compensation for infringement’.⁵⁹ Importantly, this condition also attached to the agents of both DBC and Voltage.⁶⁰

V BROADER IMPACT OF DECISION

Notwithstanding the outcome in *Dallas Buyers Club*, it appears the victory for filmmakers has been short lived. In the later decision of *Dallas Buyers Club LLC v iiNet Limited (No 4)*,⁶¹ upon review of DBC’s draft, Perram J refused to lift the stay order of his earlier decision. His Honour considered that DBC was attempting to engage in speculative invoicing practice and could only demand ‘the cost of an actual purchase of a single copy of the [f]ilm’, along with damages arising from the costs associated with identifying the infringer.⁶² Thus, the damages DBC originally anticipated it would receive were reduced substantially. It would seem, therefore, that the precedent set by *Dallas Buyers Club* may in the future amount to no more than ‘a mere footnote.’⁶³

Nonetheless, since the decision of *Dallas Buyers Club*, legislative change has seen the implementation of more stringent laws surrounding illegal downloading activity. Consequently, while the decision itself may not inhibit pirating activities, the new laws may. For example, on 26 June 2015 the *Copyright Act 1968* (Cth) was amended for the express purpose of reducing online copyright infringement.⁶⁴ Broadly, the amendments allow copyright owners to apply to the Federal Court of Australia for an injunction to block Australian internet users from accessing overseas websites that contain infringing material.⁶⁵

⁵⁷ As stated in s 280 of the *Telecommunications Act 1997* (Cth): *Dallas Buyers Club* [2015] FCA 317 (7 April 2015) [84].

⁵⁸ For the operation and enforceability of the implied undertaking see High Court decision *Hearne v Street* (2008) 235 CLR 125.

⁵⁹ *Dallas Buyers Club LLC v iiNet Limited (No 3)* [2015] FCA 422 (6 May 2015) [22].

⁶⁰ *Ibid.*

⁶¹ [2015] FCA 422 (6 May 2015) [22].

⁶² *Ibid* [16]-[19].

⁶³ Catherine Logan and Vanessa Ip, ‘Culture transcending the law: the future of internet piracy in Australia’ (2015) *Internet Law Bulletin* 82, 82.

⁶⁴ Explanatory Statement, *Copyright Amendment (Online Infringement) Bill 2015* (Cth) 2.

⁶⁵ *Ibid.*

Furthermore, whilst there has been delay in its implementation, the ‘Copyright Notice Scheme’⁶⁶ is soon to impact illegal downloading significantly. The proposed measures seek to implement a ‘three-strikes’ policy, whereby an ISP is required to notify and educate its customers each time it receives a notice from a copyright holder claiming that their rights have been infringed.⁶⁷ Upon an infringer receiving a third notice, the copyright holder will be able to apply to court to seek preliminary discovery of the infringer’s details.⁶⁸

However, outside these regulatory changes perhaps lies the most influential curtailer of illegal downloading — the market.⁶⁹ The recent influx of online streaming services in 2015 (such as Netflix, Presto and Stan) has seen Australian consumers being offered legally obtainable content at more accessible prices. And, as market competition rises, one may argue that the accessibility of such services should also rise. As stated above, many Australians engage in illegal downloading due to the perceived excessive pricing of market alternatives.⁷⁰ Significantly, prior to the introduction of the abovementioned streaming services, the majority of Australian digital movie consumers indicated they would voluntarily cease pirating films if a cheaper subscription service were available.⁷¹ As one author notes, albeit in the context of the music industry, the digital age of the 21st century ‘is here to stay’.⁷² Therefore, if music artists (or filmmakers) wish to limit illegal downloading, they must engage new methods in order to make their content ‘readily available at a reasonable cost’.⁷³

In any event, regardless of whether internet users are discouraged from engaging in illegal downloading due to threat of litigation, restricted website access or the availability of market alternatives, it is clear that the pirating landscape in Australia is undergoing drastic change.

VI CONCLUSION

Justice Perram’s judgment in *Dallas Buyers Club* is both carefully considered and logical. Yet, while a seemingly landmark decision for aggrieved copyright holders,

⁶⁶ Communications Alliance Ltd, ‘Copyright Notice Scheme’ (April 2015) Communications Alliance Ltd <<http://www.commsalliance.com.au/Documents/all/codes/Copyright-Notice-Scheme-Industry-Code>>.

⁶⁷ Ibid i-ii.

⁶⁸ Ibid.

⁶⁹ Logan and Ip, above n 62, 84.

⁷⁰ TNS, above n 5, 5.

⁷¹ Ibid.

⁷² Jordi McKenzie, ‘P2P File-Sharing: How Does Music File-Sharing Affect Recorded Music Sales in Australia?’ in Peter Tschmuck, Philip L Pearce and Steven Campbell (eds), *Music Business and the Experience Economy: The Australasian Case* (Springer, 2013) 79, 95-6.

⁷³ Ibid

his Honour's subsequent judgment in *Dallas Buyers Club LLC v iiNet Limited (No4)*⁷⁴ suggests that its precedent may offer no more of a threat to pirates than that of a 'toothless tiger'.

Nonetheless, although copyright holders might receive only limited benefits from the decision of *Dallas Buyers Club*, they may find a level of relief in the recent changes to the online and regulatory environments which, through both enforcement and accessibility means, should see the substantial decline of illegal downloading in Australia.

⁷⁴ [2015] FCA 422 (6 May 2015).