

A Copyright Tale of Two Collecting Societies: *Public Performance Malaysia Sdn Bhd & Anor v PRISM Berhad*

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I. Introduction

Under the Copyright Act 1987 ('CA 1987'), a society or organisation which is set up to negotiate and grant copyright licences for and on behalf of copyright owners is referred to as a 'licensing body'. Essentially, a licensing body grants licences and collects royalty on behalf of its members who are copyright owners. In *Public Performance Malaysia Sdn Bhd & Anor v PRISM Berhad*,¹ the High Court presided over a dispute between two licensing bodies which centred on the issue of copyright ownership in a number of licensing documentations used in the course of royalty collection. It is the first reported case involving licensing bodies in Malaysia.

II. Legal Context

A 'licensing body' as defined in section 3 of the CA 1987 means a society or organisation which is declared as a licensing body under section 27A of the Act. Section 27A(1) requires any society or organisation which intends to operate as a licensing body for copyright owners or for a specified class of copyright owners to apply to the Controller of Copyright to be declared as a licensing body. Every licensing body operates within the terms of its own licensing scheme. Pursuant to section 27AA(2), a licensing scheme is a scheme which sets out both the following matters. First, it sets out the types of activities in relation to the copyright work which the licensing body or the person on whose behalf it acts, is willing to grant copyright licenses. Secondly, it sets out the terms on which licences would be granted.

Prior to the enactment of the Copyright (Amendment) Act 2012 ('CA(A) 2012'), a licensing body need not apply to the Controller of Copyright to be declared as a licensing body. However, over time, it was recognised that there was a need for governmental supervision and control over licensing bodies in order to prevent potential abuse of power on their part. As a result, section 27A of the CA 1987 was amended to require any society or organisation which intends to operate as a licensing body for copyright owners to apply to the Controller of Copyright to be declared as a licensing body. With the coming into effect of the Copyright (Licensing Body) Regulations 2012 on 1 June 2012, all existing and proposed licensing bodies have to apply for the Controller's declaration to operate

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¹ [2015] AMEJ 1736.

as collective licensing bodies for and behalf of their members. The government does not determine the rate of royalty fixed by the licensing bodies but leaves it to the private parties involved to determine the rates on a contractual basis.

Although there is no requirement for a proposed licensing body to submit to the Controller the terms of the licensing scheme which the licensing body intends to operate, section 27B allows any organisation which represents persons claiming that they require licences under any proposed licensing scheme to refer to the Copyright Tribunal the terms of the scheme for determination. The Tribunal is empowered to confirm or vary the licensing scheme or licence. Disputes between the operator of a licensing scheme and applicants for a licence under a licensing scheme may also be referred to the Copyright Tribunal. In addition, a person who claims that he has been refused a licence by the operator of a licensing scheme is also entitled to apply to the Tribunal for an order.

Historically, the collective administration of copyright for and on behalf of copyright owners was first introduced into Malaysian copyright landscape in the late 1980s, shortly after the passage of the CA 1987. In a sense, the setting up of bodies to collectively administer copyright was a late arrival in the country's copyright scene bearing in mind that the historical origin of Malaysian copyright law may be traced back to as early as 1902.² The earliest collective management body that was established in Malaysia was the Public Performance Malaysia Sdn Bhd ('PPM') which was set up in 1988 to act for Malaysian and international recording companies in the collective management of the public performance rights in sound recordings in Malaysia. PPM is a private shareholding company and is a wholly-owned subsidiary of the Recording Industry Association of Malaysia ('RIM'). PPM will only act as the collecting body for sound recording companies who are members of RIM. The public performance may be live or recorded, from broadcast stations as well as mobile and online service providers.

In 1989, the Music Authors' Copyright Protection ('MACP') was incorporated as a public company limited by guarantee to grant copyright licences to users of music including radio and television stations, entertainment outlets, shops, online and mobile service providers and to pay the songwriters and publishers when their works are broadcast and publicly performed.

In the year 2000, in response to Malaysia's international obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights, the CA 1987 was amended to introduce some degree of protection for performers through the inclusion of performers' rights. Pursuant to section 16B of CA 1987, performers are entitled to an equitable remuneration for the public performance, broadcast or other communication to the public of a sound recording. What amounts to 'equitable remuneration' or its calculation is not provided in the CA 1987. However, it would appear that the quantum of the remuneration would depend on the work that is used, the economic importance of the work to the licensee and the royalty collected. Following the introduction of section 16B, in March 2001, the licensing body known as Performers & Artistes Rights (Malaysia) Sdn Bhd ('PRISM Sdn Bhd') was set up to protect and enforce the rights of performers who are its members and to collect and administer royalties for its members in respect

² Khaw, LT, *Copyright Law in Malaysia* (LexisNexis: Petaling Jaya: 2008) 3rd ed. at p. 2.

of performers' rights. It is the first entity that was set-up to represent performers' rights in Malaysia.³ In 2012, PRISM Sdn Bhd was dissolved and its function in protecting performers' rights and granting licences accordingly ceased. In its place, a new entity known as the Performers Rights and Interest Society of Malaysia, which has the acronym PRISM Berhad, was established to collect, distribute and protect the rights of performers.⁴ In addition, in 2012, another licensing body for performers known as the Recording Performers Malaysia Berhad ('RPM Bhd') was established to represent the interests of recording artistes and musicians. Currently, PPM is authorised by RPM Bhd to issue licences and collect royalties for and on behalf of RPM's members in respect of the public performance, broadcast or other communication to the public of all commercial sound recordings containing their performances.

At the time of writing, there are four organisations that operate as licensing bodies under the CA 1987. They are the PPM, MACP, RPM Bhd and PRISM Berhad.

III. Facts

In the present case, both the first plaintiff and defendant are licensing bodies set up under the CA 1987. The first plaintiff operated as a licensing body in 1988 while the defendant was declared a licensing body by the Copyright Controller in 2013. As a licensing body, the first plaintiff had the mandate and responsibility to collect royalties on behalf of recording companies who were members of its parent company, which was RIM. The royalties were in relation to licences which were granted to third parties to publicly perform sound, music videos and karaoke recordings of RIM members. The second plaintiff was the Chief Executive Officer of RIM. The defendant acted on behalf of the recording performers being artistes, musicians and persons entitled to performers' rights in any sound recording.

In the year 2002, the first plaintiff entered into an agreement with a licensing body, PRISM Sdn Bhd, under which PRISM Sdn Bhd authorised the first plaintiff to collect and administer royalties for its members who were all performers. As mentioned above, PRISM Sdn Bhd was the first entity in Malaysia that was set up to represent performers' rights on behalf of performers in Malaysia. It had the responsibility to protect and enforce the rights of performers as well as to collect and administer royalties for its members. Pursuant to that agreement, the first plaintiff was authorised by PRISM Sdn Bhd to issue licences and collect royalties for the public performance, broadcasting and communication to the public of recordings of performances of PRISM Sdn Bhd's members. The first plaintiff's administrative charges for carrying out this task was deducted from the royalties collected and the balance remitted to PRISM Sdn Bhd for distribution to its members.

For the purpose of issuing licences on behalf of PRISM Sdn Bhd under the agreement, the first plaintiff directed its employees to prepare three sets of documentation.

³ Unfortunately, Performers & Artistes Rights (Malaysia) Sdn Bhd was wound up in 2015.

⁴ See the website of Performers' Rights and Interest Society of Malaysia at www.prismberhad.com.my Site accessed on 10 November 2016.

These were the application form for a PRISM copyright licence, the terms and conditions of the licence agreement and the list of standard public performance tariff. In 2011, the agreement was terminated by the first plaintiff. The first plaintiff then acted for another licensing body, RPM, to issue licences in respect of performers' rights and collect royalties. PRISM Sdn Bhd remained inactive after that and was wound up in 2015.

In June 2012, by virtue of its Board and Management Resolution, PRISM Sdn Bhd handed over the three sets of documentation prepared by the first plaintiff's employees to the defendant which succeeded PRISM Sdn Bhd. The defendant's role was to grant licences to the public and collect royalties from licensees in respect of the public performance of recorded performances controlled by its members, who were all performers. The defendant used the licensing documentations which were handed to them by PRISM Sdn Bhd in connection with its licensing activities with the public and music users.

The dispute between the parties arose because the first plaintiff alleged that the defendant had *inter alia* infringed its copyright in the three sets of documentation.⁵

IV. Reasoning of the High Court

The court found that the defendant had infringed the first plaintiff's copyright in the three sets of documentation based on the following reasons:

- (1) In a claim of copyright infringement, the onus is on the plaintiff to establish, on the balance of probabilities, three elements. First, the work is eligible for copyright protection. Secondly, the plaintiff owns the copyright in the work. Thirdly, the defendant has infringed the plaintiff's copyright.
- (2) The first plaintiff's licensing documents came within the category of literary works as defined in section 3 of the CA 1987. This is because section 3 defines a 'literary work' as including 'novels, stories, books, pamphlets, manuscripts, poetical works and other writings and tables or compilations, whether or not expressed in words, figures or symbols and whether or not in a visible form'. In addition, in the landmark English case of *University of London Press Ltd v University Tutorial Press Ltd*,⁶ it was held that a literary work for the purpose of copyright law need not be one of high quality or style but it suffices if the work is expressed in print or writing.
- (3) Apart from establishing that the licensing documents came within one of the categories protected by copyright, it was also necessary to prove that the work was original in character. The court cited section 7(3) of CA 1987 which provides that a literary work shall not be eligible for copyright unless sufficient effort has been expended to make it original in character. In elaborating on the scope of this section, the court referred to an earlier decision in *Kiwi Brand (Malaysia) Sdn Bhd v Multiview Enterprises Sdn Bhd*⁷ where the High Court held that:

⁵ The other cause of action brought against the defendant in the suit was for passing off. As the remit of this chapter is confined to copyright issues involving licensing bodies, the passing off aspect will not be dealt with in the chapter.

⁶ [1961] 2 Ch 601.

⁷ [1998] 2 CLJ Supp 194 at para [14].

[t]he word original that appears in section 7(3)(a) of the Copyright Act 1987 does not mean that the work must be the expression of original or inventive thought. I am of the considered view that the originality, which is required, relates to the expression of the thought; it does not require that the expression must be an original or even novel form. The work must not be copied from another work. It should originate from the author.

On the facts adduced before the court by the second plaintiff, who was the Chief Executive Officer of the first plaintiff, it was clear that the licensing documents were created by the employees of the first plaintiff as those were needed when the first plaintiff became the exclusive agent of PRISM Sdn Bhd to issue licences and collect royalties in respect of performers' rights.

- (4) The issue of subsistence of copyright in the licensing documents as required by section 10 of CA 1987 was also satisfied because the work, being created by the employees of the first plaintiff, was made in Malaysia. Under section 10(3) of the Act, copyright shall subsist in every work eligible for copyright if the work is made in Malaysia.
- (5) Having determined that the licensing documents enjoyed copyright protection, the court considered the issue of ownership of the copyright in the documents as literary works. Evidence was given by the second plaintiff that the first plaintiff's employees, in the course of their work, used the first plaintiff's resources and materials in creating the documents. The second plaintiff approved and finalised the format, style and content of the documents. Accordingly, the copyright in the licensing documents, which vested initially in the employees as the authors pursuant to section 26(1) of the CA 1987 was deemed transferred to the first plaintiff as the employer under section 26(2)(b). Furthermore, the statutory declaration affirmed by the second plaintiff pursuant to section 42 of the Act was evidence of the first plaintiff's ownership in the licensing documents. Referring to the Court of Appeal's decision in *Elster Metering Ltd & Anor v Damini Corp Sdn Bhd & Anor*,⁸ the court reiterated the five requirements of section 42 when a statutory declaration was used as a means to prove ownership. First, the statutory declaration must be made by or on behalf of the person claiming to be the copyright owner. Secondly, it must state that copyright subsisted in the work at the time specified. Thirdly, it must state that the person named in the statutory declaration is the owner of the copyright. Fourthly, a true copy of the work must be annexed to the statutory declaration. Fifthly, the person who is authorised to act on behalf of the copyright owner and who signed the statutory declaration must produce such authorisation in writing. Upon satisfaction of the five requirements, the statutory declaration shall be admissible in evidence in a court proceeding and shall be *prima facie* evidence of the facts contained therein. Having considered the statutory declaration of the first plaintiff, the court held that it had complied with section 42 of the Act in establishing *prima facie* evidence of copyright ownership. Once the statutory declaration is admitted as

⁸ [2011] 8 MLJ 253.

prima facie evidence of copyright ownership, the burden is shifted to the infringer to rebut the prima facie evidence. The court referred to the decision of the Court of Appeal in *Microsoft Corporation v Yong Wai Hong*⁹ on this point. In attempting to rebut the prima facie evidence of ownership, the defendant stated that pursuant to PRISM Sdn Bhd's Board and Management Resolution, the Chairman of the Board of Directors of PRISM Sdn Bhd had agreed to transfer ownership of the documents to the defendant. However, no evidence was adduced by the defendant to prove that copyright in the licensing documents belonged to PRISM Sdn Bhd and that it was in a position legally to transfer copyright to the defendant. In the absence of this, the court held that there was no dispute to the first plaintiff's assertion that copyright in the licensing documents vested in the first plaintiff.

- (6) The mere fact that PRISM Sdn Bhd was in possession of the licensing documents did not mean that it owned the copyright in the documents. Copyright did not vest in a person solely because of his physical possession of the work. Neither is there any provision in CA 1987 that vests copyright in a person by reason only of physical possession.
- (7) As copyright in the documents clearly vested in the first plaintiff, the defendant had to prove that there had been an assignment of the copyright in the first plaintiff's licensing documents to PRISM Sdn Bhd or the defendant. The assignment had to be proved by the existence of a written document because section 27(3) of CA 1987 provides that an assignment of copyright must be in writing. However, the defendant did not adduce any evidence of an assignment from the first plaintiff to them or to PRISM Sdn Bhd.
- (8) The issue as to whether the defendant had infringed the first plaintiff's copyright in the documents by reproducing or causing the reproduction of the documents or a substantial part thereof without the licence of the first plaintiff was determined by section 36(1) read with section 13(1) of CA 1987. Section 36(1) provides that copyright is infringed by any person who does, or causes any other person to do, without the licence of the owner of the copyright an act the doing of which is controlled by copyright. Section 13(1) spells out the exclusive rights of a copyright owner. Referring to the decision in *Megnaway Enterprise Sdn Bhd v Soon Lian Hock*,¹⁰ which in turn cited the English authority of *Purefoy Engineering Co Ltd v Sykes Boxall & Co Ltd*,¹¹ the court summarised the three elements that had to be established in an action for direct infringement. First, there must be sufficient objective similarity between the original work or a substantial part thereof, and the infringing copy. Secondly, there must be a causal connection between the original work and the infringing copy, that is, the infringing work must have been copied from the original work, whether directly or indirectly. Thirdly, the portion that has been infringed must constitute a substantial part of the original work.

⁹ [2008] 6 CLJ 223.

¹⁰ [2009] 2 MLJ 525.

¹¹ (1955) 72 RPC 89.

Insofar as objective similarity is concerned, the court quoted the passage from the House of Lords decision in *Designers Guild Ltd v Russell William (Textiles) Ltd*¹² where it was stated that:

... the first step in an action for infringement of artistic copyright is to identify those features of the defendant's design which the plaintiff alleges have been copied from the copyright work. The court undertakes a visual comparison of the two designs, noting the similarities and the differences. The purpose of the examination is not to see whether the overall appearance of the two designs is similar, but to judge whether the particular similarities relied on are sufficiently close, numerous or extensive to be more likely to be the result of copying than of coincidence. It is at this stage that similarities may be disregarded because they are commonplace, unoriginal, or consist of general ideas. If the plaintiff demonstrates sufficient similarity, not in the works as a whole but in the features which he alleges to have been copied, and establishes that the defendant had prior access to the copyright work, the burden passes to the defendant to satisfy the judge that, despite the similarities, they did not result from copying.

Based on the above-quoted passage, the court made a visual comparison between the first plaintiff's licensing documents and the defendant's licensing documents. It found that there were substantial similarities in both documents with regard to the format used, the headings, the lay-out and the wordings appearing in them. Indeed, almost the whole of the first plaintiff's licensing documents had been copied and reproduced by the defendant's infringing documents.

In relation to causal connection between the first plaintiff's licensing documents and the defendant's documents, the court held that it must be shown that the defendant's licensing documents had been copied from the first plaintiff's licensing documents. Based on the decision in *Plastech Industrial Systems Sdn Bhd v N&C Resources Sdn Bhd & Ors*¹³ where it was held that prior access to the copyrighted work may establish causal connection between the works in issue, the court noted that the defendant had itself conceded that it had prior access to the first plaintiff's licensing documents through PRISM Sdn Bhd. The fact that the defendant had no knowledge of the first plaintiff's copyright in the licensing documents was irrelevant in copyright infringement proceedings. The court referred with approval to the Court of Appeal decision in *Elster Metering Limited & Anor v Damini Corp Sdn Bhd & Anor*¹⁴ where it was held that in copyright infringement proceedings, it is no defence that the defendant was unaware that what he was doing infringed the copyright of the plaintiff's work. No knowledge or intent to commit infringement is required. As the court pointed out:

¹² [2000] 1 WLR 2416 at 2425.

¹³ [2012] 5 MLJ 258.

¹⁴ [2011] 8 MLJ 253.

... neither intention to infringe, nor knowledge that he is infringing on the part of the defendant ... is a necessary ingredient in the cause of action for infringement of copyright. Once the two elements of sufficient objective similarity and causal connection are established, it is no defence that the defendant was unaware (and could not have been aware) that what he was doing infringed the copyright of the plaintiff's work.¹⁵

V. Legal Analysis

A. Copyright Ownership

The fundamental principle that copyright subsists in a work automatically if the prerequisites are met without the need for any formality or registration raises a unique difficulty which does not exist in the case of intellectual property rights which are acquired by way of registration such as patents, registered trade marks or registered industrial designs. Establishing copyright ownership can be difficult because it entails the production of relevant evidence to prove the creator of the work or, in the case of assignments, the supporting documents to prove the transfer of copyright or changes in copyright ownership.

Obviously, the best way of proving ownership is for the copyright owner himself to be present as a witness in court to adduce evidence of his copyright ownership. However, this may not always be feasible especially if the work emanates from overseas and it is too inconvenient, impracticable or uneconomical in terms of time and finance for the copyright owner to be present in this country to testify during the trial in court. As a result, Parliament enacted section 42 of the CA 1987 to provide an additional means of establishing copyright ownership. The purpose is to facilitate and ease the process of proving copyright ownership.¹⁶ Nevertheless, this mode of proving ownership, though advantageous in many ways, has its drawbacks as is evident from court decisions over time. For instance, in *Solid Gold Publishers Sdn Bhd v Orang-Orang Yang Tidak Dikenali Yang Kononnya Berniaga Sebagai Shenton Video Centre (Terengganu) Sdn Bhd & Anor*,¹⁷ the defendant successfully argued that the plaintiff had failed to comply with the requirements of section 42, particularly with regard to the need for a sworn declaration by the copyright owner or the agent authorised by him. Also, in *Ultra Dimension Sdn Bhd v Ketua Pengarah, Lembaga Penggalakan Pelancongan Malaysia & Ors*,¹⁸ a true copy of the photograph in which the copyright ownership was in dispute was not annexed to the affidavit filed pursuant to section 42. It was held that the affidavit was defective as the requirements of section 42 were not complied with.

The CA(A) 2012 introduced a further means of proving copyright through a voluntary notification system of the copyright work with the Controller of Copyright.

¹⁵ [201] 1 AMEJ 1736 at para [43], quoting the Court of Appeal's judgment in *Elster Metering Ltd & Anor v Damini Corp Sdn Bhd & Anor* [2011] 8 MLJ 253 at para [12].

¹⁶ *Rock Records (M) Sdn Bhd v Audio One Entertainment Sdn Bhd* [2005] 3 MLJ 552, 560.

¹⁷ [1998] 5 MLJ 122.

¹⁸ [2010] 8 CLJ 245.

With this notification system, a Register of Copyright was created. Pursuant to section 26B(5) of the CA 1987, the registration serves as evidence in any court proceedings of copyright ownership. Certified extracts of the Register of Copyright are admissible in evidence and are prima facie evidence of ownership of copyright in the works concerned.

On the facts of the case under discussion, PRISM Sdn Bhd had authorised the first plaintiff to act on its behalf in issuing licences and collecting royalties for its members. From the royalties collected, the first plaintiff was paid a certain amount for its services. In this regard, the nature of the work carried out by the first plaintiff for the defendant was essentially a commissioned work. More specifically, it cannot be doubted that the parties to the agreement would have contemplated that documents relating to the licensing and royalty collection, such as the application form for copyright licences, terms and conditions of the licence agreement and the public performance tariff would be part and parcel of the commissioned work. Pursuant to section 26(1) of the CA 1987, copyright shall vest initially in the author. However, where the work is a commissioned work, section 26(2)(a) provides that the copyright is deemed to be transferred to the person who commissioned the work. It is submitted that one plausible argument that could have been raised by the defendant in rebutting the prima facie evidence of copyright ownership adduced by the first plaintiff via the section 42 statutory declaration was to assert that the work that was carried out by the first plaintiff was in the nature of a commissioned work. Being a commissioned work, copyright in the licensing documents would have been transferred from the first plaintiff's employees as authors to PRISM Sdn Bhd as the party who commissioned the work. In turn, PRISM Sdn Bhd, through its Board and Management Resolution, assigned the copyright in the licensing documents to the defendant by way of a letter in June 2012.

B. Copyright Infringement as a Strict Liability Tort

In attempting to exculpate itself from liability for copyright infringement, the defendant testified that it did not know that copyright in the relevant documents belonged to the plaintiff. To demonstrate its innocence, the defendant adduced evidence that the Board of Directors of PRISM Sdn Bhd had written to the defendant stating that the documents pertaining to tariffs and licences would be given to the defendant. In addition, the Board of Directors also stated that PRISM Sdn Bhd owned the copyright in the tariffs and licensing documents and it would be transferred to the defendant. As rightly noted by the court, mere possession is not good evidence of copyright ownership. More relevant to the present discussion is the court's reiteration that intent or knowledge of infringement is not a prerequisite in an action for copyright infringement. Copyright infringement is a strict liability tort. This is also the position in the United Kingdom and Australia. In the United States ('US'), knowledge or intent is also not a requirement to establish direct copyright infringement. However, there is provision in the US Copyright Act 1976¹⁹ for liability to arise as a result of contributory infringement. A person who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing activity

¹⁹ 17 U.S.C. § 106.

may be held liable as a contributory infringer. Knowledge is an essential element for contributory copyright infringement. However, the concept of contributory infringement does not exist in Malaysian copyright law.

C. Commercial or Industrial Significance

The immediate commercial consequence of the decision on the defendant is that it had to create afresh its own set of licensing documentations independently without copying from the first plaintiff's licensing document. This would be unlikely to pose any serious obstacle to the defendant's business operation. However, as an industry, the continued collection of fees from music users by the defendant on behalf of performers for the public use of their music is currently plagued with a major problem. This is because there are two licensing bodies in Malaysia which collect royalties on behalf of performers. These are the defendant and RPM. As a result, at times, music users find themselves having to pay two collecting societies for the use of the same copyright. The need for such double payments has caused much dissatisfaction among business owners, such as shopkeepers, restaurant owners, retailers and the like. A resolution of this difficulty is unlikely to be easy. This is because the Controller of Copyright, though empowered to declare a society or organisation as a licensing body under section 27A(1) and check its accounts, balance sheet and auditor's report under section 27A(5), may only revoke the declaration under the circumstances mentioned in section 27A(6). None of the circumstances therein deal with the overlap which arises when two licensing bodies collect fees in respect of the public use of the same musical work. In the light of this, it is submitted that the proper channel to address this issue is the Copyright Tribunal. Pursuant to section 28(2), the Copyright Tribunal has the power to hear and decide on any reference made to it by a licensing body. It remains to be seen how this issue may be resolved for the joint benefit of music users and performers.