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**LETTER FROM NEW ZEALAND: MEGAUPLOAD IN NEW ZEALAND'S HIGHEST COURT**

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### I. INTRODUCTION

With the long-awaited November 2020 decision of the Supreme Court of New Zealand in *Ortmann et al. v. United States of America*<sup>1</sup> an important milestone was reached in the saga involving the allegations of criminal copyright infringement against the individuals involved with the Megaupload group of companies. Four of the individuals — the appellants in the case — have been resident in New Zealand for a number of years.<sup>2</sup> Holding in favor of the United States, this country's highest judicial body held that the criminal provisions in the New Zealand Copyright Act 1994 provide a legal basis for extradition to the United States. While the New Zealand chapter is not quite completed (a number of administrative law matters require further determination),<sup>3</sup> the copyright law aspects of the case are now closed, and fully resolved against the appellants. It should be noted, however, that the case was concerned only with whether the appellants were extraditable. The final decision — *to extradite* — is vested in the Minister of Justice, an exercise of discretion that could, in theory, itself be subject to judicial review.<sup>4</sup>

For readers of this *Journal*, the case raises three points of interest. First, we see the New Zealand judiciary struggling with outmoded legislation that, on its face, appears not to have kept pace with new forms of criminal piracy via digital networks. While many other parts of New Zealand's copyright legislation reflect a commitment to technological neutral-

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<sup>1</sup> [2020] N.Z.S.C. 120.

<sup>2</sup> See Kate Chapman, *Dotcom Convicted as New Zealand Gave Residency*, N.Z. HERALD, (Mar. 9, 2012), <https://www.stuff.co.nz/auckland/6548232/Kim-Dotcom-convicted-as-NZ-gave-residency> (discussing the residency status of one of the lead appellants).

<sup>3</sup> *Ortmann*, [2020] N.Z.S.C. 120, ¶¶ 559-562. In *Ortmann v United States of America*, [2021] NZSC 9, the Supreme Court remitted these matters to the Court of Appeal. The outstanding matters do not raise copyright issues.

<sup>4</sup> New Zealand courts have held that decisions of Ministers of the Crown are amenable to judicial review. See *Rowling v. Takaro Props, Ltd.*, [1975] 2 N.Z.L.R. 62.

ity, its criminal provisions do not. Secondly, the case illustrates the relevance of international copyright law in domestic law controversies. International law was invoked by the Court to explain its expansive interpretation of the criminal provisions. International law was also invoked by the appellants, in an attempt to narrow the application of the same provisions, an argument that ultimately failed. Finally, the case offers a perspective on “copyright transplants,” aspects of one nation’s copyright laws incorporated into those of another. The relevant provisions were the New Zealand equivalent of the safe harbor provisions in § 512 of the Copyright Act 1976 (U.S.). *Ortmann* advances a unique approach to the safe harbors, holding that they formed part of the substantive case against the appellants. The United States was required to establish, as an element of liability, that the safe harbors did not apply — quite a different approach from that suggested by the precursor U.S. legislation. Section 512 of the U.S. Copyright Act merely limits the remedies to which an internet service provider is exposed.<sup>5</sup> While the Court’s reasoning on this point is difficult to reconcile with the statutory text or its legislative provenance, the Court’s conclusion is unlikely to make much of a difference in future cases: facts establishing that a civil or criminal defendant could not shelter in the safe harbors are likely to be the same facts that would also establish liability.

“Megagroup,” the collective term used by the Court to denote the various firms involved in the Megaupload endeavor, had once operated the Internet’s largest and most heavily used cyberlocker services, at one point accounting for some 4% of worldwide Internet traffic.<sup>6</sup> It was once ranked the thirteenth most visited site on the web, and allegedly hosted over 25 million gigabytes of user-uploaded data.<sup>7</sup> At the time Megaupload was operating, cyberlocker services had emerged as major contributors to the piracy of movies and other audio-visual content. While many cyberlocker services are legitimate, some operators found new ways to monetize copyright piracy, by encouraging users to upload unlicensed material, which could then be streamed or downloaded by others, often with links posted to third-party sites. As the allegations against the Megaupload appellants recount, monetization could be augmented by advertising or sales of subscriptions offering faster downloads or longer streaming times.<sup>8</sup> The damage Megaupload was alleged to have inflicted on copyright owners is suggested by research indicating that when it was

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<sup>5</sup> See text at note 56 *infra*.

<sup>6</sup> Bret Danaher & Michael D. Smith, *The Impact of the Megaupload Shutdown on Movie Sales*, 33 INT’L J. INDUS. ORG. 1, 2-3 (2013).

<sup>7</sup> *Id.*

<sup>8</sup> *Ortmann*, [2020] N.Z.S.C. 120, ¶¶ 320-323.

eventually shut down, revenues of major media platforms increased by between six and eight percent.<sup>9</sup>

The United States secured an indictment against individuals behind Megaupload in the Eastern District of Virginia in 2012,<sup>10</sup> reciting various crimes arising out of large-scale copyright infringement, including conspiracy to commit racketeering, conspiracy to commit copyright infringement, conspiracy to commit money laundering, criminal copyright infringement, and wire fraud. The request for extradition against the parties resident in New Zealand worked its way through every level of the New Zealand court system, with a first instance decision in the District Court,<sup>11</sup> and subsequent appeals to the High Court,<sup>12</sup> the Court of Appeal,<sup>13</sup> and, finally, to the Supreme Court of New Zealand. Along the way, difficult questions relating to New Zealand's extradition regime required consideration.<sup>14</sup> There was also a number of side proceedings disputing the legality of searches and seizures.<sup>15</sup> The legality of asset freezing continued to be contested in U.S. litigation.<sup>16</sup>

For the category of offences that had been alleged in the *Ortmann* case, New Zealand extradition law requires that the criminal offences alleged by the requesting nation be punishable by at least twelve months' imprisonment under both the law of the requesting country, and the law of

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<sup>9</sup> See Danaher & Smith, *supra* note 6, suggesting that when the Megaupload services were eventually shut down, digital revenues for three major movie studios increased by between 6.8-8.5%).

<sup>10</sup> See Indictment, *United States v. Kim.com*, No. 1:12CR3 (E.D. Va. Jan. 5, 2012), [https://www.washingtonpost.com/wp-srv/business/documents/megaupload\\_indictment.pdf](https://www.washingtonpost.com/wp-srv/business/documents/megaupload_indictment.pdf)

<sup>11</sup> *United States v. Dotcom*, D.C. North Shore CRI-2012-092-1647, 23 Dec. 2015.

<sup>12</sup> *Ortmann v. United States*, [2017] N.Z.H.C. 189.

<sup>13</sup> *Ortmann v. United States*, [2018] 3 N.Z.L.R. 475.

<sup>14</sup> The Extradition Act § 4(2) (N.Z.) requires an offence to be a crime under both the law of New Zealand and the requesting country. Earlier Court of Appeal authority had held that double criminality was not required where the Treaty on extradition between New Zealand and the United States, 791 U.N.T.S. 253, (signed 12 January 1970, entered into force 8 December 1970) applied. Double criminality requires a showing that the crime be punishable by twelve months' imprisonment according to the law of both the requesting country and that of New Zealand. In *Ortmann v. United States*, [2018] 3 N.Z.L.R. 475, the Court of Appeal overturned this earlier decision, a holding approved by the Supreme Court. [2020] N.Z.S.C. 120, ¶ 148. It followed that the United States was required to establish double criminality in the Megaupload litigation.

<sup>15</sup> *Dotcom v. Attorney-General*, [2015] 1 N.Z.L.R. 745.

<sup>16</sup> *United States v. Batato*, 833 F.3d 413 (4th Cir. 2016); *Batato v. United States*, No. 16-1206, *petition for cert. filed*, 2017 WL 1315036 (U.S. Apr. 7, 2017). See Melissa J. Sachs, *Megaupload Execs Ask High Court About Civil Forfeiture for 'Fugitives'* (U.S.), 2017 WL 1371076.

New Zealand.<sup>17</sup> As a result, the Court’s task was to determine whether the appellants’ alleged activity, had it occurred in New Zealand, would have amounted to crimes under New Zealand law. The case was thus not a final determination as to the criminality of the appellants’ activities on the facts. If the Ministerial discretion is eventually exercised against the appellants, and they are extradited to the United States, all factual determinations as to criminality will be for U.S. courts to decide, applying U.S. criminal law.<sup>18</sup>

## II. DIGITAL PIRACY AND TANGIBLE OBJECTS

The key interpretive question for the Court centered on the meaning of a provision in the Copyright Act 1994 (N.Z.) that criminalizes various kinds of (mostly commercial) dealings with “an object that is, and that the [accused] knows is, an infringing copy of a copyright work.”<sup>19</sup> The operative parts of the provision have been in place since the Copyright Act 1994 came into force. There had been no change to the text of the statute since the 1990s to take account of forms of commercial piracy effected through digital networks. On its face, the provision seems to anticipate commercial dealings with discrete items of property — not multiple streams and downloads from digital servers. The appellants therefore urged that their activities (assuming the allegations were true), involving uploading to and streaming from the cyberlocker service, were not covered by the statutory wording.<sup>20</sup>

The Court saw the issue as being whether this provision, now contained in § 131(1) of the Act, “applies to copies in tangible form.”<sup>21</sup> The Court thus appeared to treat “intangible” and “digital” as synonyms. That is, the Court understood the issue to be whether the term “object” included digital copies. Framing the issue in this way offered a straightforward path to its resolution. The Court observed that successive amendments to New Zealand’s copyright legislation had pursued an agenda of technological neutrality, including a 2008 change to the meaning of “copying” to include reproducing a work in any material form, including any digital format.<sup>22</sup> It was a short step to conclude that the provision

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<sup>17</sup> Extradition Act § 4 (N.Z.).

<sup>18</sup> As the Supreme Court noted, the appellants deny the allegations contained in the indictments. *Ortmann v. United States*, [2020] N.Z.S.C. 120, ¶ 18.

<sup>19</sup> Copyright Act 1994 § 131(1) (N.Z.).

<sup>20</sup> This was the position adopted by the New Zealand High Court: *Ortmann v. United States*, [2017] N.Z.H.C. 189, at [191]. That holding was overturned by the New Zealand Court of Appeal. *See Ortmann v. United States*, [2018] 3 N.Z.L.R. 475, ¶ 156.

<sup>21</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 291.

<sup>22</sup> Copyright Act 1994 § 2 (N.Z.).

reached digital piracy effected through Megagroup's services. The technological neutrality reflected in parts of the Copyright Act dealing with civil liability cast a penumbral glow over the criminal provisions, even if, on its face, the actual statutory language used in the latter seems tethered to the analogue world. As is discussed below, the conclusion was bolstered by reference to the obligations to criminalize commercial piracy contained in the Agreement on Trade-Related Aspects of Intellectual Property.<sup>23</sup>

While the Court's ultimate conclusion is unassailable, we might ask whether the term "object" should have provoked any real debate as to its application to digital copies. This was, however, how the issue had been framed in the lower courts.<sup>24</sup> And yet, there are many kinds of media that are used to embed copyright-protected works in digital form that are unquestionably "objects." Consider the (now largely historical) hypothetical sale of pirated CDs. A store selling such merchandise would surely be engaging in commercial dealings with "objects." It should not matter that the task of rendering audible the music embodied therein depends on digital technology. Moreover, if "digital vs non-digital" were a relevant distinction, the commercial sale of pirated vinyl records (now perhaps not so much an historical example, given the rising popularity of vinyl) would be regarded as materially different from the sale of pirated CDs. That cannot have been the legislative intention, and it is certainly not a distinction invited by the statutory reference to "object." Thus, the deliberation over whether "object" reached digital copies seems somewhat beside the point.

The more obvious ambiguity arising out the section's dated language is exposed when we focus on technological means used by the appellants: cyberlocker cloud storage and digital servers under their control, which, in turn, facilitated downloads and/or streaming (communication) of protected works. While an individual CD embodying a commercial album clearly "is" an "object" that "is" an "infringing copy", a server containing massive quantities of unlicensed material (and, presumably other material) is less obviously described as such. A server is an "object," to be sure, but, in this context, we might more naturally say that it is an object that *contains* an infringing copy (or copies).<sup>25</sup> To invoke an example closer to home, the downloading of an unlicensed copy of Peter Jackson's movie *The Fellowship of the Ring* onto a new tablet does not transform the

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<sup>23</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments - Results of the Uruguay Round, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPs Agreement].

<sup>24</sup> Ortmann v. United States, [2018] 3 N.Z.L.R. 475, ¶ 138.

<sup>25</sup> The distinction between the singular "copy" and the plural "copies" is not material. Under the Interpretation Act § 33 (N.Z.): "Words in the singular include the plural and words in the plural include the singular."

tablet into an “object” that “*is* an infringing copy” of that movie. Though it contains an unlicensed copy, the tablet remains a tablet: it is itself not an object that is suddenly transformed into a “copy” of *The Fellowship of the Ring*. In the same way, a server containing massive quantities of unlicensed material — which, on any view, is an object — is not naturally described as a copy of each unlicensed movie it contains.

The difficulty is not necessarily resolved by treating each unlicensed file possessed by the appellants as an “object.” While in New Zealand, as in other cognate jurisdictions, the applicability of property law concepts to digital files is in a state of flux,<sup>26</sup> there is high-level authority that treats audio-visual content in digital form as something that can be stolen, at least for the purposes of New Zealand’s general criminal law.<sup>27</sup> This case, again in the New Zealand Supreme Court, concerned CCTV footage stolen from a security system at a bar.<sup>28</sup> Recognizing that the meaning of “property” relies on the relevant the statutory context,<sup>29</sup> the Court held that within the context of the Crimes Act 1961 (N.Z.), the digital footage was indeed “property,” and, as such could be possessed.<sup>30</sup> While this tells us that digital files can be property and can be possessed, at least in some statutory contexts, that is analytically distinct from the question confronting the Court in *Ortmann* — i.e., whether the defendant possessed an “object” that was an infringing copy. The criminal acts described in § 131(1) of the Copyright Act 1994 (N.Z.) do not refer to “property” at all.<sup>31</sup> Furthermore, to ground criminal liability merely on the unlawful possession of “copies” would read the word “object” out of the relevant provisions.

None of this gainsays the conclusion ultimately reached by the Supreme Court. On any reading, the purpose of the New Zealand provisions is to criminalise and deter<sup>32</sup> commercial dealings in infringing copies of copyright-protected material, suggesting that criminal defendants should not avoid liability by the addition of other material (whether infringing or

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<sup>26</sup> See Sarah Green, *To Have and to Hold: Conversion of Intangible Property*, 71 MOD. L. REV. 114 (2008).

<sup>27</sup> *Dixon v. R.*, [2015] N.Z.S.C. 147.

<sup>28</sup> The footage depicted an elite sportsman in a potentially compromising situation with somebody other than his spouse. The sportsman was married to a member of the British Royal Family. The defendant had sought, ultimately unsuccessfully, to sell the footage to overseas media.

<sup>29</sup> See *Kenyon v. Spry*, (2008) 238 C.L.R. 366, ¶ 89.

<sup>30</sup> Crimes Act 1961 § 249(1)(a) (N.Z.), (criminalizing accessing a computer program to obtain property).

<sup>31</sup> The Copyright Act 1994 § 131(6) (N.Z.) does contain a reference to property in the context of a cross-reference to the sentencing provisions in § 32(1)(a) of the Sentencing Act 2002.

<sup>32</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 296.

not) to the objects in which the infringing material is embedded. Were it otherwise, a pirate selling CDs containing unlicensed material could avoid liability by selling two unlicensed movies on the same high-density disk. A CD does not cease to be an object that is an infringing copy of Movie A, merely because the disk also contains Movie B. For the purposes of § 131, size shouldn't matter — i.e., the same principle should apply whether the “object” is a hard drive, a USB stick, or a digital server.

A further difficulty for the appellants, one that was emphasized by the Court,<sup>33</sup> is that almost identical legislative wording is used in the section of the Act that imposes civil liability for various kinds of commercial dealings with infringing copies. In the context of civil infringement litigation, liability arises with respect to “an object that is, and that the person knows or has reason to believe is, an infringing copy of the work.”<sup>34</sup> The similarity in the statutory language suggests that the same approach to statutory construction should be adopted to establishing the meaning of “object” in both contexts. Adopting a narrow construction in the criminal context<sup>35</sup> would logically have also stripped copyright owners of meaningful relief against commercial actors in civil cases, a conclusion that no court would easily countenance. Tempting though it might have been, the Court was not prepared to characterize New Zealand's copyright legislation as an incoherent mess (a characterization it surely deserves) and leave it to the legislature to clean up. The Court could have chosen to say: however undesirable it might be to leave a giant hole in provisions directed to civil liability, this is Parliament's problem to fix, not the Court's. We might speculate that the unappealing nature of the allegations in *Ortmann* rendered that path less inviting than it might otherwise have been. Technological neutrality triumphed, even this result was belied somewhat by the actual statutory text.

### *The Role of International Copyright Law*

The conclusion that “object” reached the allegations recited in the indictment was supported by reference to New Zealand's international law obligations. Under TRIPs, New Zealand is required to criminalise wilful copyright piracy on a commercial scale, accompanied by penalties “suffi-

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<sup>33</sup> *Id.* ¶ 297.

<sup>34</sup> Copyright Act 1994 § 36(1) (N.Z.).

<sup>35</sup> The former rule that criminal or penal statutes are to be construed strictly has been replaced by a requirement that statutes be interpreted in the light of their text and their purpose. Interpretation Act 1999 § 5(1) (N.Z.). See Karpavicius v. R. (New Zealand) [2002] U.K.P.C. 59. (P.C.); Susan Glazebrook, *Do They Say What They Mean and Mean What They Say? Some Issues in Statutory Interpretation in The 21st Century*, 14 OTAGO L. REV. 61 (2015).

cient to provide a deterrent”, including imprisonment and fines.<sup>36</sup> The Court referenced the approach to statutory construction that assumes that the government means to comply with its international obligations,<sup>37</sup> thereby resolving the issue in favour of a construction that would allow New Zealand to comply with its TRIPs obligations. If the criminal provisions did not reach digital copies, that would have been the (diplomatically embarrassing) result. Notwithstanding the analogue flavor of the statutory wording, the Court found it “inconceivable”<sup>38</sup> that the legislature could have rendered New Zealand in breach of its TRIPs obligations.

International law had also been invoked by the appellants in support of entirely the opposite conclusion. The appellants advanced a complex argument that drew on the communication right contained in the 1996 WIPO Copyright Treaty (WCT)<sup>39</sup> to support a narrow interpretation of the criminal prohibitions in the Copyright Act 1994 (N.Z.). Interpreted in the light of the WCT, the appellants urged, New Zealand’s criminal prohibitions did not reach the facilitation of unlicensed transmissions of audio-visual works. This was the kind of thing to which the WCT-mandated communication right more naturally applies.

The argument requires a little unpacking. Though New Zealand did not join the WCT until 2018, its copyright laws were the subject of extensive review by the Ministry of Economic Development (then the government agency responsible for copyright law) in 2001 and 2002, anticipating that New Zealand would seek to become a WCT party at some future time. Though it concluded that New Zealand’s existing laws were sufficient to enable copyright owners to control reproduction in digital form, the review recommended amending the definition of “reproduction” to include digital reproduction, “for the avoidance of doubt.”<sup>40</sup> In line with the WCT’s new disciplines, it also recommended adoption of a technology-neutral right of communication. Replacing the existing broadcasting right, the right of communication would reach digital transmissions and making works available.<sup>41</sup> The New Zealand Parliament followed the recommendations with respect to the civil liability provisions in the Copyright Act 1994 (NZ), which now expressly include a communication right, but

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<sup>36</sup> TRIPs Agreement arts. 41, 61.

<sup>37</sup> For an insightful analysis of some of the subtleties that attend this approach to interpretation, see Treasa Dunworth, *Law Made Elsewhere: The Legacy of Sir Ken Keith*, in *SEEING THE WORLD WHOLE: ESSAYS IN HONOUR OF SIR KENNETH KEITH* 126 (Claudia Geiringer & Dean R Knight eds. 2008).

<sup>38</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 313.

<sup>39</sup> World Intellectual Property Organization Copyright Treaty, Dec. 20, 1996, S. TREATY DOC. No. 105-17. The right of “making available” is contained in article 8.

<sup>40</sup> Ministry of Economic Development, *Digital Technology and the Copyright Act 1994: Position Paper* (Dec. 2002) ¶¶ 37–38 [hereinafter “MED Position Paper”].

<sup>41</sup> *Id.* ¶ 61.



no parallel changes were made to the criminal provisions. The latter were left intact, in their pre-2001 form — with express prohibitions attaching only to dealings in the course of a business with objects that are infringing copies.

Invoking this legislative history, the appellants urged that the case against them brought by the United States was tantamount to criminalising the communication right, a step that the New Zealand Parliament had not taken. Facilitating downloads and transmissions of illegal content posted by users of the Megaupload service was, the appellants argued, more obviously captured by the communication right. By negative implication, the more limited description of criminal activities (dealings in objects) did not apply to the technically more complex processes targeted by the prohibitions against unlicensed communications. Viewed in this light, it would follow that the alleged activity, had it occurred in New Zealand, would not have constituted a crime punishable by twelve months in prison, thereby removing one of the conditions for extradition.

The argument failed. In copyright law, overlapping rights are endemic, especially in the digital environment. For example, achieving an unlicensed distribution often, if not inevitably, involves the production of unlicensed copies (or a substantial part thereof) made *en route* to the reception of the copy by the subscriber. Absent any exception or defence, it is axiomatic that the production of those unlicensed reproductions gives rise to liability even if another basis for imposing liability (communication) also applies to some parts of the overall activity. On the appellants' theory, the criminal provisions in the New Zealand Copyright Act 1994, which are trained on possession of objects that are infringing copies, do not apply if the defendant also did something that might have given rise to another form of liability which had not been expressly included in the statute. As the Court's conclusion underscores, however, copyright law no offers absolution on the basis that Parliament might have decided, but didn't, that another liability theory would have provided a better fit.<sup>42</sup>

Perhaps a more telling objection is the difficulty of reconciling the appellants' argument with fundamental principles of international copyright law. By and large,<sup>43</sup> international copyright treaties strengthen the

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<sup>42</sup> The argument is also difficult to reconcile with the historical background to the communication right. As the Supreme Court noted, the WCT adopted an “umbrella solution” to the communication right — leaving it to parties to the treaty to realise the right through either existing distribution rights or through a bespoke communication right. See MIHÁLY FICSOR *THE LAW OF COPYRIGHT AND THE INTERNET: THE 1996 WIPO TREATIES, THEIR INTERPRETATION AND IMPLEMENTATION* 500 (2002); *Ortmann*, [2020] N.Z.S.C. ¶ 253.

<sup>43</sup> A recent exception is the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, which came into force in 2016. The treaty includes a number of mandatory excep-

rights of authors and owners of copyrights. The WCT is typical, its first recital announcing a “desir[e] to develop and maintain the protection of the rights of authors in their literary and artistic works in a manner as effective and uniform as possible.” The whole purpose and thrust of the instrument is to enhance copyright protections in the digital environment — a topic that was not directly addressed by TRIPs, which was already being finalized at the time that internet access became widely available.<sup>44</sup> Furthermore, the WCT imposes no substantive law requirements in the criminal law context. The logic of drawing direct conclusions as to the scope of domestic criminal in the light of the WCT was thus already questionable.<sup>45</sup>

But the most difficult aspect of the appellants’ argument was the suggestion that domestic adoption of the new disciplines contained in the WCT *by negative implication* precluded otherwise reasonably available resolutions of interpretive ambiguities in favor of stronger protections for authors and owners of copyright. To the extent that imposition of criminal liability is an effective method of maintaining and enhancing the “protections of the rights of authors in their literary and artistic works,” invoking the WCT to confine the protections afforded to authors by the criminal law cannot easily be reconciled with the whole direction of modern international copyright relations between nations.

### III. LEGAL TRANSPLANTS: SAFE HARBORS IN NEW ZEALAND

*Ortmann* also raised issues about the operation of New Zealand’s statutory safe harbor regime for internet service providers. New Zealand’s safe harbors are capacious. As the statutory definition of “internet service provider” set out immediately below shows, the protections are extended to any entity that hosts material that can be accessed by others. The safe harbors protect many more firms than those which contribute directly to the expansion of the internet infrastructure:<sup>46</sup>

Internet service provider means a person who does either or both of the following things:

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tions to copyright law to facilitate access to copyright-protected material by persons suffering under various print disabilities. See LAURENCE HELFER et al., *THE WORLD BLIND UNION GUIDE TO THE MARRAKESH TREATY: FACILITATING ACCESS TO BOOKS FOR PRINT-DISABLED INDIVIDUALS* (2017).

<sup>44</sup> The WCT also announces that it is a special agreement under article 20 of the Berne Convention, which are permitted only if they grant authors more extensive rights than those provided by that instrument.

<sup>45</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 312.

<sup>46</sup> This was a concern during the 2001–2002 Review. See Ministry of Economic Development, *Digital Technology and the Copyright Act 1994: A Discussion Paper* ¶¶ 144–145 (July 2001); MED Position Paper, *supra* note 40, ¶¶ 88–94.

(a) offers the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing:

(b) hosts material on websites or other electronic retrieval systems that can be accessed by a user.

With little discussion, the Court concluded that the definition reached the kind of activities undertaken by the Megagroup entities. The Court's attention then shifted to whether Megagroup could, in fact, benefit from the safe harbours. The New Zealand provisions provide shelter only if the specified activities — subscribers' use of the facilities to infringe, hosting of material uploaded by subscribers, caching — is done "without more," and on compliance with certain conditions, such as removing or blocking material once it is known that the material is infringing.<sup>47</sup> Based on the allegations in the indictment, it was clear that Megaupload was not even close to the line. The whole business design was to encourage users to infringe copyright; the *Ortmann* appellants thus did *much* more than merely provide the technical means for others to infringe. In addition, the appellants knew, or at least turned a blind eye to the reality, that the websites under their control a large amount of unlicensed copyright-protected material.<sup>48</sup> For future secondary liability cases, *Ortmann* thus offers little guidance where a more nuanced analysis might be required. It does not,

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<sup>47</sup> This discussion omits much of the legislative detail. The conditions vary depending on the particular safe harbor involved. In addition to the "without more" condition, some of the provisions stipulate that the internet service provider cannot be found liable "merely because" it engages in the protected activity. *See, e.g.*, Copyright Act 1994 § 92B(2) (N.Z.). This language implies that the safe harbours do not apply if the internet service provider does more than "merely" providing the means for subscribers to use the services for the activities specified.

<sup>48</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 386. The Court held that wilful blindness was sufficient to satisfy the knowledge requirement for the purposes of § 131(1) of the Copyright Act, and that the facts made wilful blindness an available inference. Relevant facts included four million copyright infringement notices for URLs, which, the Court noted, would have altered it to infringing files. The Court noted that, as with the defendant in *Metro Gowldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), the allegations in this case concerned a business model based on encouraging and facilitating large-scale copyright infringement. The business model included the reward system, advertising supported content, encouraging the uploading of copyright-infringing works and the seventy-two-minute limit on viewing time were alleged to be responsible for the economic success of the endeavor. *Ortmann*, [2020] N.Z.S.C. ¶¶ 315-324. The Court's endorsement of the wilful blindness standard could be crucial in future cases where, for example, defendants use encryption technologies to avoid opportunities for actual knowledge of infringing content.

for example, tell us how much more is required to take an internet service provider outside of the “without more” condition.<sup>49</sup>

The most interesting aspect *Ortmann*’s treatment of safe harbors is a point that arose in the extradition context: whether New Zealand’s safe harbor provisions should be characterized as defences. The Court of Appeal had accepted that consideration of defences was for the courts of the requesting nation, and that the safe harbor provisions were in the nature of a defence.<sup>50</sup> The appellants therefore advanced an alternative interpretation — one ultimately accepted by the court — that the safe harbour provisions formed part of the substance of the offence. This meant that the prosecution must establish that the safe harbours are *not* available. The requirement of double criminality — that the allegations also constituted crimes under New Zealand and U.S. law — thus required the United States to establish that the safe harbors did *not* apply.

Before engaging with that point, it might be helpful to ask whether the safe harbour provisions were available to the *individual* appellants at all. That the provisions can apply to a corporate entity is without doubt. New Zealand’s Interpretation Act 1999 provides that “person” includes a corporate person.<sup>51</sup> Accordingly, Megaupload was an internet service provider for the purposes of the definition of internet service providers.<sup>52</sup> An interesting question, one apparently not taken up by the Court, was whether each of the individual appellants was *also* a “person who hosts material on websites or other electronic retrieval systems.” While New Zealand corporate law enables activities of individuals to be ascribed to the corporate entity,<sup>53</sup> it need not follow that defences available to that entity are also available to all of the activities of the individuals involved. In *Ortmann*, the individual appellants played a variety of roles, roles that were not necessarily limited to the activities to which the safe harbor provisions are directed. They included: chief executive officer, chief innovation officer, chief technical officer, graphic designers, and chief marketing and sales officer, the latter being principally responsible for selling advertising space on the firms’ websites. While all these activities doubtless contributed to the economic success of the enterprise, not all of them can be characterised as, for example, hosting unlicensed material — to reference just one of the safe harbors. If their contributions to the activities of

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<sup>49</sup> See generally, *Jane C. Ginsburg, Separating the Sony Sheep from the Grokster Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs*, 50 ARIZ. L. REV. 577 (2008).

<sup>50</sup> *Ortmann v. United States*, [2018] 3 N.Z.L.R. 475, ¶ 128.

<sup>51</sup> Interpretation Act 1999 § 30 (N.Z.).

<sup>52</sup> The indictment lists a large number of additional corporate entities alleged to have been involved in the criminal activities.

<sup>53</sup> *Meridian Global Funds Mgmt. Asia, Ltd. v. Sec. Comm’n*, [1995] 3 N.Z.L.R. 7.

the defendant firm provided an independent basis for imposing criminal liability (a point not explored in the case), it is questionable whether safe harbor provisions are relevant.

Had it examined more sharply distinctions between the actions of the individuals, examined severally, and the activities of the Megaupload firms, the Court might have been encouraged to look to another kind of safe harbor. The Act contains an entirely separate provision that addresses the liability of officers of corporate entities found guilty of criminal copyright offences. The section provides that director and managers of a body corporate found guilty of an offence shall themselves also be found guilty only if can be proved that the acts constituting the offence occurred with their “authority, permission, or consent” knowing that the acts were being committed while failing to take reasonable steps to prevent it.<sup>54</sup> This section can be understood as creating a different kind of “safe harbor” for individuals involved in corporate criminality: in essence, lack of knowledge of and/or control over the acts constituting the offences. That said, had these provisions been the focus of the Court’s attention, the Court doubtless would have reached the same result. Taken in the round, the allegations against the individuals surely would have provided a sufficient basis for concluding that the appellants were *individually* liable for the activities of the corporate entity.

Had the Court focused on this issue, it might have avoided the more difficult question of the status of the safe harbor provisions - i.e. whether the safe harbors are part of the prosecution’s positive case or a defence. Their legislative provenance indicates that they are neither. New Zealand’s safe harbors were introduced into New Zealand law, to quote the Court’s own description, “to limit ISPs’ liability in certain circumstances.”<sup>55</sup> Crucially, a limitation on liability is analytically distinct from both defences and the elements of an offence (or, in the civil context, the liability theory that forms the basis of a plaintiff’s claim). That much is suggested by the Explanatory Note accompanying the amending legislation, when it was introduced into Parliament:

With regard to secondary liability, the Bill limits liability in respect of caching and storing of infringing material where the ISP does not know or have reason to believe that the material is infringing, and acts within a reasonable time to delete it or prevent access to it upon obtaining such knowledge.<sup>56</sup>

This characterization echoes § 512 of the Copyright Act 1976 (U.S.), the legislative precursor to the New Zealand provisions. The opening words of § 512 underscore its function as a limitation on liability, stipulat-

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<sup>54</sup> Copyright Act 1994 § 133 (N.Z.).

<sup>55</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 375 (emphasis added).

<sup>56</sup> Cited in *id.* ¶ 375.

ing that service providers “will not be liable for monetary relief” under the circumstances described in the section — and will be exposed to injunctive and other equitable relief only in limited circumstances. The equivalent sections in the New Zealand legislation provide similar protections against the imposition of civil remedies — and, crucially in the context of *Ortmann*, criminal sanctions. Had the safe harbors applied, one of the criteria for extraditing the appellants would have been absent: the requirement that the offence, if committed in New Zealand, be punishable by twelve months’ imprisonment.

The Court offered no reasoning in support of its conclusion that the safe harbors are not defences, a conclusion stated in one sentence: “We accept the appellants’ submission that [the safe harbors] are not defences.”<sup>57</sup> It would have been interesting, for instance, to know how the Court reconciled this conclusion with the express preservation of injunctive relief in the New Zealand safe harbor provisions. In parallel with § 512 of the Copyright Act 1976 (U.S.), injunctive relief remains available to copyright owners even if, in civil cases, the safe harbor provisions otherwise offer shelter against monetary relief.<sup>58</sup> The Court recited, without further comment, the appellants’ submission that “[t]he safe harbour provisions would serve no purpose as defences, because if they apply, there will be no infringement in any event because an essential element of infringement will not be made out.”<sup>59</sup> But if there is “no infringement,” it is difficult to know how injunctive relief could remain viable. Injunctions are always premised on liability (or a reasonably arguable case as to liability) based on breach of one other legal rights. If the Court meant to suggest that there was “no infringement” when the safe harbor provisions applied, the preservation of the power to enjoin a service provider’s activities would have no meaning.<sup>60</sup> The better view is that the safe harbor provisions are neither defences nor elements of any offence that comprises copyright liability.

In subsequent cases, it will be interesting to see what lower courts make of this part of the Supreme Court’s analysis. In civil cases, lower

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<sup>57</sup> *Id.* ¶ 384. The Court said: “We accept the appellants’ submission that ss 92B and 92C are not defences. Rather, if they apply, there is no copyright infringement and, if that is the case, § 131(1) cannot apply” (footnote omitted).

<sup>58</sup> Copyright Act 1994 § 92B(3) (N.Z.) (“However, nothing in this section limits the right of the copyright owner to injunctive relief in relation to [an individual’s primary] infringement or any infringement by the Internet service provider.”).

<sup>59</sup> *Ortmann*, [2020] N.Z.S.C. ¶ 381.

<sup>60</sup> In the criminal context, to equate safe harbor compliance with “no infringement” is difficult to align with the actual statutory language, which provides that the service provider “must not be . . . subject to any criminal sanction.” Copyright Act 1994 § 92B(2)(c) (N.Z.). It is the sanction that is rendered unavailable; the statutory language indicates that the infringement itself is not expunged.

courts might be prepared to depart from the Supreme Court's holding, reasoning that it is not applicable to a copyright owner's infringement claim against a service provider. Even in the criminal context, a lower court might be brave enough to distinguish *Ortmann* on this point, reasoning that an analysis in the extradition context, even by the nation's highest court, does not control in a straightforward criminal prosecution. In the majority of cases, however, the issue is unlikely to make much of a difference. The same facts that would make out a claim that a service provider had authorised copyright infringement by another party would also establish that the service provider's actions were not "without more" or that the service provider had the requisite level of knowledge of the infringing activity. Accordingly, making out the case that the service provider is secondarily liable would also establish that the safe harbors do not apply. Thus, requiring claimants to establish, as part of the positive case, that the safe harbors do not apply might not impose such a significant burden.

#### IV. CONCLUSION

*Ortmann* offers a helpful approach to outmoded statutory language, drawing on the TRIPs Agreement to confirm the New Zealand provisions could reach digital piracy on a commercial scale. Beyond that, however, the long-awaited decision of the Supreme Court of New Zealand contains little that is helpful or illuminating. As to the application of the safe harbor provisions, assuming that the allegations contained in the indictments against Megagroup can be made out, it would be hard to imagine a business model very much farther over the line. *Ortmann* thus offers few signposts for closer cases. Certainly, the suggestion that *negating* the application of the statutory safe harbors forms part of the positive case against internet service providers offers a novel approach to the safe harbor provisions, but it is one that is supported by neither the statutory text nor its provenance. And it is disappointing that the case offers no analysis of the relationship between the safe harbors and the liability of individual corporate officers.

Perhaps the most helpful aspect of the case was not the substance of the Supreme Court's analysis, but the timing of the decision. The New Zealand government is currently conducting a review of New Zealand's copyright law, a review that remains ongoing,<sup>61</sup> notwithstanding the demands of the COVID19 crisis. *Ortmann* has exposed a number of weaknesses in the criminal provisions in the Copyright Act 1994 (N.Z.), and

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<sup>61</sup> *Innovation, and Employment, Review of the Copyright Act 1994*, MINISTRY OF BUSINESS AND EMPLOYMENT, <https://www.mbie.govt.nz/business-and-employment/business/intellectual-property/copyright/review-of-the-copyright-act-1994> (last visited Mar. 12, 2021). This review is currently on hold.

raises a number of questions about the wording and scope of the safe harbors. Fixing the former issue will require merely a simple change to the statutory wording, clarifying that the principle of technological neutrality also applies to criminal liability. The scope of the safe harbors is likely to attract greater controversy, as stakeholders line up on different sides of the issues. Fortunately, the timeframe for the government's review of New Zealand's copyright law has allowed it to take account of the alternative approach to the issues suggested by the European Union's Digital Single Markets Directive.<sup>62</sup> By the time the New Zealand government finalizes the parameters of the domestic copyright law reform exercise, there will have been enough experience with the latter instrument to assess whether it offers a better alternative to § 512 of the Copyright Act 1976 (U.S.), a model that was adopted when the risks and impacts of secondary liability looked very different.<sup>63</sup>

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<sup>62</sup> Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on Copyright and Related Rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC, art. 15, 2019 O.J. (L. 130).

<sup>63</sup> See Jane C. Ginsburg, *A United States Perspective on Digital Single Market Directive art. 17*, in EU COPYRIGHT LAW: A COMMENTARY, Irini Stamatoudi and Paul Torremans, eds., (forthcoming), citing *The Digital Millennium Copyright Act at 22: What Is It, Why Was It Enacted, and Where are We Now?*, Hearing Before the Subcomm. on Intellectual Prop. of the S. Judiciary Comm., 116th Cong. 5 (2020) (statement of Mark Schultz, Chair, IP & Tech. Law Ctr., Univ. of Akron Sch. of Law).