

**Submission of Associate Professor Kimberlee Weatherall to the
Joint Standing Committee on Treaties/Senate Standing Committee on
Foreign Affairs, Defence and Trade References**

Korea-Australia Free Trade Agreement

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I am an Associate Professor in law at the University of Sydney, specialising in intellectual property law. I have written and published on intellectual property (“IP”) generally, and on the relationship between IP provisions in trade agreements and domestic IP law specifically, and am currently engaged in a number of research projects relating to IP and IP enforcement. Appendix 3 to this submission includes a list of my publications in the area of IP and international trade; I am happy to supply copies of any relevant articles on request. I have been an observer and commentator on Australian IP policy in a trade context since the Australia-US Free Trade Agreement of 2004. I make this submission in my own name and not in any representative capacity.

I am more than happy to answer any questions that arise from this submission.

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1 Introduction and Executive Summary

This submission is concerned only with the intellectual property (IP) chapter of the Korea-Australia Free Trade Agreement (KAFTA) (chapter 13) and, to a lesser extent, its interaction with the Investor-State Dispute Settlement chapter (chapter 11).

As an academic expert specialising in both domestic and international IP law, I have a number of concerns about the IP chapter of KAFTA. In particular, the chapter:

1. Locks in existing Australian IP law in ways that will constrain Australia's domestic flexibility to make IP and innovation policy;
2. Is unsupported by any economic or other evidence suggesting a need for extensive or new IP provisions in this particular trade agreement;
3. Creates unprecedented, binding international rules which constrain Australia's domestic flexibility to make IP and innovation policy, in undesirable ways, for the foreseeable future;
4. Contains provisions which reflect bad policy and are contrary to the trends in IP law reform internationally, including provisions explicitly criticised by expert committees established to consider reform of Australian IP law;
5. Contains provisions which are extremely difficult to interpret and are hence of uncertain scope; and
6. Lacks important balancing provisions to protect the rights of the public, users, and defendants in enforcement actions.

I do not suggest that the Committee should reject KAFTA on the basis of concerns about IP alone: it is beyond my expertise to comment on the costs and benefits of the agreement as a whole. However, the Committee *can* specifically find that certain provisions in the IP chapter are contrary to Australia's national interest and/or represent bad IP policy. Such a finding should (a) feed into the Committee's overall assessment whether KAFTA is in the national interest, and (b) provide feedback relevant to DFAT's future IP negotiations. I would therefore recommend that the Committee should:

1. Reject the Department of Foreign Affairs and Trade's (DFAT's) negotiating stance on IP: namely, that provisions which match or do not require changes to present Australian law are desirable. JSCOT should recommend that DFAT's negotiating stance in IP depend on an assessment of Australia's national interest, based on evidence not assumption, and informed by analysis focused *specifically* on (a) whether Australian stakeholders are experiencing specific issues in IP in the other negotiating Party or Parties, (b) whether those issues can be (best) addressed through a trade agreement, and (c) the impact of any solutions on Australian interests, including the interests of other stakeholders and the broader public interest in freedom to make innovation policy.

2. Condemn the many constraints which chapter 13 of KAFTA places on Australian innovation and IP policy-making;
3. Find the extensions to Australia's international obligations (outlined in detail in Appendix 1 to this submission) are contrary to Australia's national interest;
4. Reject the assertion in the National Interest Analysis that the Australia's existing free trade agreements with Singapore and the US, and KAFTA chapter 13, require reversal of the High Court's decision in *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16. Australia does not have an obligation to impose liability on internet access providers for their users' copyright infringements;
5. Condemn the failure of Australia's trade negotiators to include **any** serious balancing provisions reflecting the public interest in IP law, or to protect the interests of the public, IP users, and defendants and other parties subject to IP enforcement actions; and
6. Carefully consider the extension of Investor-State Dispute Settlement provisions in KAFTA to allow IP owners to raise disputes over the impact of policy changes on IP rights.

2 Existing Australian law is not the appropriate starting point for international negotiations in IP law

Chapter 13 of KAFTA establishes a very detailed set of obligations on IP that in most cases closely follow current Australian IP law.

IP chapters in Australia's bilateral trade agreements should not be written this way. IP chapters of this kind are harmful to Australia's long term interests. The mere fact that Australia was required to accept a detailed chapter in the Australia-US FTA of 2004 is not a good reason to continue this approach in negotiations with other countries.¹ Provided that a country already has IP law which conforms to international standards (which Korea does), then the Australian national interest is better served by general IP provisions which preserve a large measure of flexibility to amend IP law in the future.

The National Interest Analysis (NIA) asserts that the IP chapter of KAFTA 'will ensure that Australian innovators and Australian creative industries enjoy high levels of protection in the ROK broadly equivalent to protections provided in Australia'.²

¹ Even IP Australia, the government agency tasked with management of industrial IP rights (ie patents, trade marks, designs, and plant breeders' rights) has cautioned against the inclusion of IP provisions that 'are mere reproductions of provisions from previous FTAs that are of no particular interest to Australia and would simply advance the interests of other countries': Productivity Commission, *Bilateral and Regional Trade Agreements*, Research Report (November 2010), 259.

² National Interest Analysis, Free Trade Agreement between the Government of Australia and the Government of the Republic of Korea (Seoul, 8 April 2014) [2014] ATNIA 8, [7].

This is factually incorrect. The IP interests of Australian innovators and Australian creative industries in Korea are already secure. Korea is *already* obliged to provide strong protection for Australian IP laws as a result of Korea's free trade agreement with the United States. Australian nationals are entitled to national treatment and most-favoured-nation treatment in relation to the protection of IP in Korea.³ As outlined below, there are differences between the US-Korea FTA IP chapter and the provisions of KAFTA, but it is difficult to identify any areas where Australian creators and innovators would be significantly disadvantaged if there were no IP chapter in KAFTA at all.

DFAT's ongoing stance, as reflected in the NIA, is that IP treaty provisions that match, or do not require (significant) changes to, present Australian law are desirable. There are at least three problems with this stance.

First, it assumes that current Australian IP law is appropriately tailored to provide optimal support for creativity and innovation at present. This is highly contested. A number of reviews have questioned Australia's existing IP law. For example, the final report of the Review of the National Innovation System, which noted 'mounting evidence' that the patent system 'is impeding rather than stimulating innovation',⁴ and the Australian Law Reform Commission recently recommended a significant re-working of Australia's copyright exceptions to better fit Australian copyright law for the digital environment.⁵

Second, DFAT's stance assumes that present Australian IP law will be appropriate in the long term. This is naïve and contrary to all evidence from the last decade or more. IP law changes in response to economic, social, and technological developments. IP law has been amended countless times in the last 15 years. Technology has changed even more in that time. How can we presume to predict how technology will operate and what an appropriate IP law will look like in even 5 years, let alone 20? 'Locking in' present law harms Australia's long-term national interests in having flexibility to amend its innovation policies.

Third, DFAT's stance assumes that the details of domestic IP law can and should be written into treaties. International agreements are difficult to amend once adopted. Treaty text is usually written using general language and generally-stated principles, so as to allow individual countries to adapt rules to local circumstances and local institutions and to adapt laws over time. The IP chapter of KAFTA does not provide appropriate flexibility and is written with a degree of specificity and detail appropriate only to domestic legislation which can be more readily amended in the future.

Independent analysis by the Productivity Commission found that DFAT's stance on including detailed IP provisions in bilateral agreements is not in Australia's interests.⁶ The Productivity Commission concluded that:

³ *Agreement on Trade-Related Aspects of Intellectual Property Rights* (one of the WTO Agreements).

⁴ Cutler & Company, *venturousaustralia: building strength in innovation* (2008), 84.

⁵ Australian Law Reform Commission, *Copyright and the Digital Economy*, Report No 122 (2013)

⁶ Productivity Commission, *Bilateral and Regional Trade Agreements*, Research Report (November 2010), 257–264.

*... the Australian Government should not seek to include intellectual property provisions in Australia's BRTAs as an ordinary matter of course, and should only include such provisions after an economic assessment of the impacts, including on consumers, in Australia and partner countries.*⁷

No such analysis has been done, and the interests of consumers are not protected by this chapter, as outlined below.

The Committee should reject DFAT's negotiating stance on IP and find that provisions on IP should only be included where there is evidence of actual and sufficiently significant problems, suffered by Australian IP owners, in the territories of trading partners, that will be resolved by specifically targeted IP treaty obligations.

3 KAFTA imposes new international IP obligations and constraints on Australia with no good justification

Australian policymaking freedom in IP law is already significantly constrained as a result of the TRIPS Agreement (the WTO IP agreement), and the Australia-US Free Trade Agreement (AUSFTA). KAFTA adds to this problem.

Chapter 13 of KAFTA is an odd *bricolage* of text taken from the IP chapter (ch 17) of AUSFTA, the Anti-Counterfeiting Trade Agreement (ACTA), and some new and unprecedented text. It is difficult to interpret, even for an expert, especially since the text introduces grammatical and other minor variations on the AUSFTA text as well as substantive changes (and the two are not easy to separate).

Careful analysis does, however, reveal a number of areas where chapter 13 imposes new international IP obligations in Australia: obligations not found in any other multilateral or bilateral agreement, including AUSFTA.

DFAT's NIA offers no justification for taking on new international IP obligations in KAFTA: no evidence has been cited in that analysis to suggest that Australian right holders were suffering particular difficulties in Korea, and Australians already receive a high degree of protection in Korea owing to the fact that Korean IP law reflects its obligations under the Korea-US FTA. On the other hand, the new IP obligations in KAFTA constrain Australian policy-making freedom, in that they effectively create rights for IP right holders from every member of the WTO, not merely Australia and Korea.

New obligations and constraints are summarized in a table included as Appendix 1 to this submission. In summary, Australia will undertake, in KAFTA, **for the first time:**⁸

⁷ Ibid, xxxii.

⁸ To the best of my knowledge, having looked at the AUSFTA, the Singapore-Australia FTA and our various multilateral conventions. Given the number of IP chapters and IP obligations to which Australia is now subject at a multilateral and bilateral level, it is becoming increasingly difficult to keep track of all the obligations – a problem to which KAFTA only contributes. I have done my best to ascertain the current state of Australian obligations.

1. An unclear, potentially extensive undertaking to ‘provide measures’ to ‘curtail’ ‘repeated copyright infringement on the Internet’ (note – not copyright piracy; not copyright infringement causing substantial prejudice to copyright owners – but any repeated infringement);⁹
2. Presumptive validity for both patents and trade marks in enforcement proceedings – in a world where both patents and trade marks are of doubtful quality, and with the likely result of encouraging a flood of patent applications and patent litigation, including litigation by ‘patent trolls’;
3. A criminal ‘camcording’ provision to prohibit all recording of movies in a public exhibition facility (regardless of commercial motivation; regardless of whether the copy is distributed or likely to be distributed in any way);
4. Extensive, AUSFTA-style copyright protection for broadcasts (in a world where convergence in media and its relationship to copyright is a hotly debated issue);¹⁰
5. Term extension for copyright in broadcasts to 50 years (from the existing international term of 20 years). Although Australia currently provides for a 50 year copyright term for broadcasts,¹¹ the Australian government has on at least one occasion previously decided that the term of an IP right should be *reduced* to the international minimum standard, on the basis that it is not in Australia’s interests to provide a period of protection higher than that required by our international obligations.¹² It is precisely this kind of flexibility, to amend features of IP rights like duration, that we lose by including provisions like this in KAFTA.

The Committee should find the extensions to Australia’s international obligations (outlined in detail in Appendix 1 to this submission) are contrary to Australia’s national interest.

⁹ Discussed further below in Part 5, page 7ff.

¹⁰ Current international obligations do not require Australia to provide copyright protection for broadcasts at all: rather, Australia is obliged to prevent certain kinds of signal piracy, through some legal mechanism. In light of changing media technologies, the benefits of protecting broadcast through copyright (while simultaneously denying any similar protection to other content curators and distributors) are highly debateable: this ‘locking in’ of the current copyright approach is very regrettable. I have discussed this in more detail in my forthcoming article ‘Culture Clash: The Australian Law Reform Commission’s discussion of retransmission and the world of broadcast’ (forthcoming *Australian Intellectual Property Journal* 2013). I am happy to supply a pre-publication copy on request.

¹¹ *Copyright Act 1968* (Cth) s 95.

¹² Australia decided, in 2003, to reduce the maximum term of design protection from 16 years to 10 years (the TRIPS minimum standard). The Explanatory Memorandum to the Designs Bill 2002 recognises at [16] that it would not be in Australia’s interests to provide a period of protection higher than what our international obligations require.

4 KAFTA locks in provisions that are bad policy

KAFTA closely follows, in many ways, the text of the Australia-US Free Trade Agreement signed in 2004, with some innovations noted above and in Appendix 1.

Admittedly KAFTA does not include some of the most controversial provisions from AUSFTA, including provisions on parallel importation;¹³ provisions on ‘impairment’ of trade mark rights;¹⁴ provisions on the relationship between approval processes for pharmaceuticals and patent processes;¹⁵ extended protection for clinical test data;¹⁶ limitations on exceptions to copyright ‘anti-hacking’ laws;¹⁷ or the extension of criminal liability to non-commercial activities.¹⁸

But KAFTA includes other provisions from AUSFTA that have been strongly criticized. This includes the AUSFTA copyright term extension (which imposes costs on Australian consumers seeking access to copyright material and costs on Australian public institutions trying to digitize their collections and make material available to the public in accordance with their charters); prohibitions on formalities for copyright (in a world where formalities are increasingly simple and efficient and the absence of registration for copyright increasingly problematic); extensive enforcement provisions; and protection for temporary copies in copyright (massively extending copyright owner control in an online environment). These provisions may be in Australian law currently, but they are bad IP policy for all the reasons that were extensively discussed during assessment of AUSFTA.

Another example is art 13.5.14 of KAFTA, which prohibits Australia from permitting retransmission of television signals over the Internet. This limitation on Australia’s ability to introduce statutory licences for retransmission was noted by the Australian Law Reform Commission as a constraint on copyright policy-making that precluded policy options that were advocated by some stakeholders; the ALRC’s policy suggestions were in part influenced by the fact that some options on the table would require renegotiation of AUSFTA.¹⁹ It is not at all obvious why Australia would introduce *another* treaty requiring possible renegotiation in light of convergence in media technologies.²⁰

It might be argued that, having undertaken such obligations in AUSFTA, there is no additional harm or cost to reaffirming such commitments in KAFTA. This is false. The more treaties to which Australia becomes a party which include these detailed IP provisions, the more ‘locked in’ bad policies become, and the more difficult it becomes to renegotiate or shift IP and innovation policy. The Australian Productivity Commission carefully considered, and **rejected**, the argument that provisions which merely replicated

¹³ AUSFTA art 17.9.3.

¹⁴ AUSFTA art 17.2.3.

¹⁵ AUSFTA art 17.9.6–8.

¹⁶ AUSFTA art 17.10.

¹⁷ AUSFTA art 17.4.7(e) and (f).

¹⁸ AUSFTA art 17.11.26.

¹⁹ Australian Law Reform Commission, *Copyright and the Digital Economy*, Report 122, ch 18.

²⁰ The interaction between copyright and broadcast/media policy is discussed in my forthcoming journal article, ‘Culture Clash: The Australian Law Reform Commission’s discussion of retransmission and the world of broadcast’ (forthcoming *Australian Intellectual Property Journal* 2013). I am happy to supply a pre-publication copy on request.

those found in earlier trade agreements were desirable and/or imposed no additional harms or costs.²¹

The Committee should condemn the inclusion of bad and contentious IP policy in the KAFTA IP chapter.

5 Does Australia need to overturn the *iiNet* decision?

The National Interest Analysis for KAFTA asserts that Australia's existing free trade agreements with Singapore and the US, and KAFTA chapter 13, require reversal of the High Court's decision in *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16. In that case, the High Court of Australia held, unanimously, that in all the circumstances of that case, general purpose internet access provider iiNet was not 'authorising' copyright infringement committed by its customers who were using BitTorrent to download films and television programs.

In my view, the assertion in the NIA is simply incorrect. Australia does not have an obligation – under AUSFTA, or even under KAFTA if ratified – to impose liability on internet access providers for their users' copyright infringements.

The relevant obligation in AUSFTA (art 17.11.29) (which is titled '**limitations** on liability for service providers') states that:

Consistent with Article 41 of the TRIPS Agreement, for the purposes of providing enforcement procedures that permit effective action against any act of copyright infringement covered under this Chapter, including expeditious remedies to prevent infringements and criminal and civil remedies, each Party shall provide, consistent with the framework specified in this Article:

- (a) legal incentives for service providers to cooperate with copyright owners in deterring the unauthorised storage and transmission of copyrighted materials; and*
- (b) limitations in its law regarding the scope of remedies available against service providers for copyright infringements that they do not control, initiate, or direct, and that take place through systems or networks controlled or operated by them or on their behalf, as set forth*

It would be ironic if a provision intended to provide *limitations* on service provider liability were to require Australia to impose new liabilities on ISPs. But that result is not required.

AUSFTA art 17.11.29(a) is a high level obligation referring to service providers generally. It does not require specific 'incentives' for every possible type of service provider. If the provision required legal incentives for any and all service providers to cooperate with copyright owners, arguably significant extensions of copyright liability

²¹ Productivity Commission, *Bilateral and Regional Trade Agreements*, Research Report (November 2010), 257–264.

would be required to provide incentives for all kinds of service providers, including, for example, courier companies and warehousing companies (the text is not, after all, limited on its face to digital activities). This cannot of course be intended. One interpretation therefore is that provided incentives exist for important service providers involved in significant infringement, Australia fulfils its obligations under art 17.11.29(a).

Australian law does provide legal incentives for ‘service providers’ to cooperate with copyright owners. Search engines, web hosts, and others who take no action to cooperate with copyright owners to deter unauthorised transmission risk liability for authorising copyright infringement by their users (and possibly direct liability). Indeed, at present, these service providers have *stronger* incentives to cooperate than in Europe, the US, or many other countries, because Australian law presently provides *no* safe harbours from copyright liability for anyone apart from ‘carriage service providers’ (a much narrower category than ‘online service providers’).²² Thus most (online) service providers’ *only* protection from being sued in Australia, short of not undertaking activities here, is to cooperate with copyright owners.

Even assuming, for the sake of argument, that Australia is required to have legal incentives for internet access providers *specifically* to cooperate with copyright owners, Australian law as it currently stands meets that minimal requirement.

First, internet access providers remain at some risk of both direct and authorisation liability in copyright. Direct liability has been interpreted broadly by Australian courts,²³ and the judgment of the High Court in *Roadshow Films Pty Ltd v iiNet Ltd* is not a ‘get out of jail free’ card for authorisation liability all circumstances. As the High Court emphasised in that judgment, assessment of whether a party authorises infringement is a fact- and case-specific analysis. An interpretation of the High Court’s judgment in that case as deciding that internet access providers can never be liable for copyright authorisation is therefore untenable.²⁴ Indeed, in *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187, internet service provider E-Talk Communications Pty Ltd was held liable for authorising copyright infringement in different circumstances.

The risk is low, perhaps – but article 17.11.29 of AUSFTA must also be read in the context of part (b) of that provision. Under art 17.11.29(b), internet access providers must be shielded from full copyright liability provided they take two, extremely minimal steps. They must have a policy on termination of repeat infringers, and must not interfere with standard technical measures (art 17.11.29(b)(vi)). Because this safe harbour *is* available, and because these obligations *are* so minimal, even a relatively low risk of liability for copyright infringement provides a ‘legal incentive’ to ISPs to cooperate to the extent set out in art 17.11.29.

²² *Copyright Act 1968* (Cth) Part V Div 2AA. Safe harbours available under US law apply to all ‘online service providers’: 17 USC §512. In the European Union, safe harbours protect entities providing ‘information society services’ from copyright liability – again a broad category covering internet access providers and other online service providers including web hosts and search engines: *Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market*, Official Journal L 178 , 17/07/2000 P. 0001 – 0016.

²³ *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59.

²⁴ It should be noted that in

Nor is the AUSFTA provision specific as to the *kind* of legal incentives required or the kind of *cooperation* required. Copyright infringement can be deterred in a number of ways, including through direct infringement actions brought by copyright owners against individual infringers, as has occurred in the US in the past. Australian law provides not merely *incentives* but *requirements* for ISPs to cooperate with legal proceedings that copyright owners might seek to bring against individual infringers through the mechanism of preliminary discovery.²⁵ The fact that the form of cooperation incentivised by Australian law is not right holders' (currently) *preferred* form of cooperation does not put Australia in breach of AUSFTA.

It is also worth noting that in no case that I am aware of has a general purpose internet access provider been sued for, or held liable for, use of BitTorrent or file-sharing by its users in the US. Lawsuits in the US testing the safe harbours have, as far as I know, been confined to operators of hosting and information location services. Given the requirements of contributory liability and vicarious liability in the US, it is difficult to imagine an ISP in the position of iiNet being held liable for copyright infringement. It is inconceivable that AUSFTA requires ISPs in Australia to be subjected to a higher risk of liability than in the US.

The Committee should therefore **reject** the assertion in the National Interest Analysis that the Australia's existing free trade agreements with Singapore and the US requires reversal of the High Court's decision in *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16. Australia does not have an obligation to impose liability on internet access providers for their users' copyright infringements.

In my view, art 13.9.28 of KAFTA, although badly drafted and undesirable, does not change this position. Art 13.9.28 requires that:

Each Party shall provide measures to curtail repeated copyright infringement and related right infringement on the Internet.

There are many reasons to deplore inclusion of this text in KAFTA:

- Both Korea and Australia are already obliged, by multiple treaty obligations in multiple agreements, including TRIPS, to have effective enforcement procedures in place. This (as explained below) adds little to Australia's actual obligations but creates yet another stick for militant right holders to beat policymakers over the head with every time they feel their rights are being disrespected;
- It extends to copyright *infringement* and is not limited to copyright *piracy*. Thus on its face it extends to good faith commercial activity where a person believes they have a defence to infringement but a court takes a different view;
- It is not limited to infringement which has a substantial impact on copyright owners: there is no requirement of harm;
- In a context where Australian copyright defences are limited, many legitimate activities involve infringement. Basing a search engine in Australia's territory would involve infringement of copyright under current Australian law. Is

²⁵ *Federal Court Rules* 2011 (Cth) Rule 7.22.

Australia obliged to curtail search engine activities? (No, as argued below, but some will interpret the provision this way for rhetorical or other purposes);

- The provision (and, as outlined below, KAFTA generally) contains no requirements that any measures be proportionate, effective, efficient, cost-effective, respect the rights of other entities to conduct legitimate business, or respect due process or privacy rights of persons subjected to such ‘measures’. It is, on its face, unqualified.

Contrast this provision to what might be an equivalent provision in ACTA, art 27.2:

[Each] Party’s enforcement procedures shall apply to infringement of copyright or related rights over digital networks, which may include the unlawful use of means of widespread distribution for infringing purposes. These procedures shall be implemented in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce, and, consistent with that Party’s law, preserves fundamental principles such as freedom of expression, fair process, and privacy.

Despite the egregiously overbroad drafting of KAFTA art 13.9.28, its impact is rhetorical rather than legal. The provision does *not* require *any* change to Australian law as it currently stands. Like art 17.11.29 of AUSFTA, the obligation is a high level one, to provide ‘measures’ to curtail online copyright infringement. Australia has many such ‘measures’, including:

- Procedures to enable copyright owners to enforce their copyright against direct infringers (including repeat infringers) and including the potential for additional damages against flagrant infringers (*Copyright Act 1968* (Cth) s 115(4));
- A provision to facilitate proof of harm in online copyright actions (*Copyright Act 1968* (Cth) s 115(5)–(6));
- Criminal provisions that can be applied against online infringers, even if their activity is not commercially motivated (*Copyright Act 1968* (Cth) s 132AC);
- Liability for authorisation of copyright infringement that has allowed for actions against providers of software and websites which facilitate widespread infringement.²⁶

The Committee should therefore condemn the inclusion of KAFTA art 13.9.28 as it provides a rhetorical tool which will be wielded against Australian policymakers every time right holders are unhappy with copyright law. The Committee should also strongly **reject** the assertion in the National Interest Analysis that the Australia’s existing free trade agreements with Singapore and the US, and KAFTA chapter 13, require reversal of the High Court’s decision in *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16. Australia does not have an obligation to impose liability on internet access providers for their users’ copyright infringements.

²⁶ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] FCA 1242; *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187.

6 IP provisions which are difficult to interpret and are hence of uncertain scope

Less important than the other arguments in this submission, but still worth noting, is the incomprehensible drafting of KAFTA chapter 13. The chapter is full of text which is confusing and/or unclear. Some examples are summarized in the following table.

Provision	Relates to	Issues
13.7.1(b) and footnote 72	Sets out broadcasts that will receive copyright protection	Footnote 72 appears to contradict the standard for protecting broadcasts set out in the text. The text suggests that broadcasts are protected for broadcasting organisations headquartered in a Party or sent from transmitters in a Party. The footnote says a Party can require both conditions to apply.
13.8.4 footnote 74	Sets out grounds for revocation of a patent. Sets out specific grounds for revocation for Australia (anti-competitive conduct) and Korea (continuous working in Korea).	By making certain grounds of revocation specific to Australia or Korea, the text might suggest that Australia is not entitled to introduce the Korean ground of revocation and vice versa. There is no reason why the text should not have been written to simply allow these grounds of revocation. Indeed, there is no reason why the text could not have been written to allow for additional grounds of revocation in accordance with the Parties' respective laws, in order to guarantee future policy freedom for both Parties. Other grounds for revocation are being discussed internationally, including a ground to allow for revocation where a Party has failed to recognise traditional knowledge incorporated into/used to come up with an invention.
13.9.6(b)	Measures of damages may include the value of the infringed good or service measured by market or retail price.	The ordering of the wording of this provision (and ordering of the wording) differs from both AUSFTA and ACTA. The impact, including whether the text assumes or mandates that retail price <i>is</i> a legitimate measure of value, is unclear. There is considerable dispute about the legitimacy of using retail price as a legitimate measure of damage, especially in the case of premium goods.
13.9.8	Seizure of allegedly infringing goods, materials and implements.	Allows for seizure of materials and implements 'relevant to' the act of infringement. AUSFTA allows for seizure of implements/materials 'related to' the act of infringement. Unclear whether this has a different meaning.
13.9.9(a) and footnote 78	Destruction of pirate/counterfeit goods.	The text states that Parties <i>shall</i> provide that goods <i>shall</i> be destroyed in exceptional circumstances; footnote suggests this can be implemented through the 'exercise of judicial discretion'. The mandatory nature of the text seems inconsistent with the discretion

		allowed in the footnote. ²⁷
13.9.27 and footnote 84	Camcording provision prohibiting recording of a movie in a cinema, and transmitting the work to the public.	The footnote allows parties to confine criminal procedures/penalties to activity ‘on a commercial scale’. Such a limitation is desirable, but as a matter of logic, it is hard to work out how <i>recording</i> the movie (by definition a singular act) could occur <i>on a commercial scale</i> ?

There are some provisions of particular concern: where an apparent effort by the negotiators to simplify or streamline treaty language may have (perhaps unintended) substantive effects. The best example of this relates to the anti-circumvention provisions (protection of effective technological measures, KAFTA art 13.5.9). Anti-circumvention law makes it illegal to ‘hack’ (circumvent) technologies used to control access to copyright works (eg encryption or passwords) or which protect copyright rights (eg anti-copying technologies). Anti-circumvention laws have been controversial because these technologies can be used to extend copyright owner’s rights – for example by enabling them to prevent both infringing and non-infringing uses (like fair dealing).

The AUSFTA anti-circumvention provisions (AUSFTA art 17.4.7) are exceedingly detailed and include a number of egregious flaws that were identified, and criticized, by the House of Representatives Standing Committee on Legal and Constitutional Affairs.²⁸ In KAFTA, much of the detail found in AUSFTA has been removed, leaving basic obligations more detailed than the leading multilateral convention on the topic (the WIPO Copyright Treaty, art 11) but much less prescriptive than AUSFTA.

Streamlining and generalizing of treaty text is good, and removal of some of the more ridiculous flaws from AUSFTA is commendable. However, in this case, the negotiators may also have left out some of the limitations and qualifications on anti-circumvention laws in the process:

- Where both AUSFTA²⁹ and ACTA³⁰ contain text that *specifically* relates this kind of protection to its purpose: ie protection of copyright and the exercise of copyright rights, KAFTA simply requires protection against circumvention of technological measures ‘that control access to a protected work’. The limiting language in AUSFTA and ACTA helps support an interpretation of the treaty that allows policymakers to limit legal protection in cases where what is sought is not really protection against *copyright* infringement.³¹ There is a good argument that

²⁷ Admittedly this problem/inconsistency is also present in AUSFTA article 17.11.10(a). That does not make it acceptable.

²⁸ House of Representatives Standing Committee on Legal and Constitutional Affairs, *Inquiry into technological protection measures exceptions* (2006). See eg [3.118]; [3.130].

²⁹ AUSFTA, art 17.4.7(a) introductory text which states that the purpose of protection is to provide legal protection to technological measures *that authors, performers, and producers of phonograms use in connection with the exercise of their rights and that restrict unauthorised acts*.

³⁰ ACTA art 27.5 (similar language to AUSFTA cited in immediately preceding footnote).

³¹ Australia has taken advantage of the flexibility here to limit its definition of technological measures: see *Copyright Act 1986* (Cth) s 10 (definition of access control technological protection measure). Thus we exclude from the definition of a protected access control technologies that are used to ‘control geographical market segmentation’ of movies and software (ie region-coding), and technologies designed to control

the interpretation of KAFTA art 13.5.9 should still be limited by reference to copyright,³² but on the face of it, the text here looks less limited in application than AUSFTA. There was no need for, or justification for, removing this qualifying language from KAFTA.

- AUSFTA specifically includes a ‘no technological mandate’ provision, stating that ‘neither Party shall be obligated to require that the design of, or the design and selection of parts and components for, a consumer electronics, telecommunications, or computing product provide for a response to any particular technological measure’.³³ Again there is a good argument that no obligation arises under KAFTA either despite the absence of this text – but there is no good reason why the negotiators should have removed limiting principles like this and hence allowed for the argument that the obligations in KAFTA are more absolute.

7 The lack of balancing provisions

Intellectual property law is not just about providing protection for creators and innovators. It must also protect and promote other important interests, including the public interest in access to knowledge and information; freedom of expression; and the public interest in free competition in markets for goods and services. Other public interests can also be important, including the need to ensure access to medicines at a reasonable price and the government’s interest in promoting public health. In framing enforcement procedures, other rights and interests become relevant: rights to due process; the rights of third parties impacted by enforcement procedures (especially seizures); and the need for proportionality in procedures and remedies.

Recent IP agreements, multilateral (TRIPS and various WIPO treaties) and plurilateral agreements include provisions that recognise these interests and concerns.

KAFTA contains almost nothing recognising these important interests. There is mention of the *Doha Declaration* (with commendably strong text) and there are various footnotes recognising parties’ rights to introduce exceptions including through new multilateral negotiations (which is also commendable). It is not sufficient to leave out (as admittedly KAFTA chapter 13 does) some of the most egregiously ones-sided aspects of AUSFTA and include a couple of random protective provisions.

There is no general recognition in KAFTA of non-right holder public interests in the shape of IP law; there are few if any safeguards for persons caught up in enforcement actions. There is no equivalent to the ACTA requirement that enforcement procedures be fair and equitable. I would be happy to provide the Committee with a more detailed and

aftermarkets for spare parts. This ensures that copyright owners cannot use the anti-circumvention laws to achieve anti-competitive ends not related to the prevention of copyright infringement.

³² Under art 31(1) of the *Vienna Convention on the Law of Treaties*, a treaty is to be interpreted in good faith, terms are given their ordinary meaning and account is to be taken of the object and purpose of the treaty. The ‘object and purpose’ of chapter 13 of KAFTA is the protection of IP rights, not other powers or activities of IP owners beyond the powers or exclusive rights granted by IP law.

³³ AUSFTA art 17.4.7(c).

itemized list of public-interest oriented texts and safeguards found in other agreements that this chapter omits, but to give just a few examples:

- The recently-concluded *Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired, or Otherwise Print Disabled* (adopted by WIPO Diplomatic Conference, 27 June 2013) recognizes both ‘the importance of copyright protection as an incentive and reward for literary and artistic creations’ and ‘the need to maintain a balance between the effective protection of the rights of authors and the larger public interest, particularly education, research and access to information’ (preamble);
- The *Beijing Treaty on Audiovisual Performances* (adopted by the Diplomatic Conference on the Protection of Audiovisual Performances in Beijing, on June 24, 2012) preamble also recognizes the ‘need to maintain a balance between the rights of performers in their audiovisual performances and the larger public interest, particularly education, research and access to information’;
- The *Anti-Counterfeiting Trade Agreement* (which Australia signed but has not ratified), which is specifically targeted at improving cooperation on enforcement includes a range of interpretive provisions and safeguards, including:³⁴
 - Contains a preamble which recognises the need to address infringement ‘in a manner that balances the rights and interests of the relevant right holders, service providers and users’;
 - Specifically affirms articles 7 and 8 of TRIPS (which recognize that TRIPS members may ‘adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development’);
 - Protects against disclosure of confidential information and personal data in accordance with a Party’s laws (art 4);
 - Requires that procedures adopted for enforcement ‘be fair and equitable, and ... provide for the rights of all participants subject to such procedures to be appropriately protected’ (art 6.2); and
 - Requires that, in implementing enforcement procedures, ‘each Party shall take into account the need for proportionality between the seriousness of the infringement, the interests of third parties, and the applicable measures, remedies and penalties’ (art 6.3).

In short, there is copious, recent, multilateral and plurilateral international precedent for balancing provisions in IP Agreements – even in agreements directed at IP enforcement. In *failing* to include meaningful balancing provisions, KAFTA chapter 13 is like the AUSFTA IP chapter, but with far less excuse. The AUSFTA IP chapter was criticized for its unbalanced nature, including by parliamentary committees that considered the agreement.³⁵ IP negotiations since have often included safeguards and balancing provisions, as well as preambular text to make it clear that the provisions are to be interpreted in such a way as to recognise countervailing interests and the promotion of the public interest.

³⁴ Notably, ACTA has been perceived as unbalanced *despite* these balancing provisions, and has been rejected in many countries.

³⁵ Eg Senate Select Committee on the Free Trade Agreement between Australia and the United States of America, *Final Report* (2004), xvii; Joint Standing Committee on Treaties, *The Australia-United States Free Trade Agreement*, Report No 61 (2004), [16.50].

The absence of balancing provisions has a number of problematic potential impacts. Not only does it fail to protect or promote the public interest, but it encourages an interpretation of the agreement (for example, in the context of any future dispute between the Parties) in favour of strong rights for right holders. It also encourages the general impression in the broader public that trade agreements, and IP chapters in trade agreements, are negotiated in secret to protect and promote 'big corporate' interests at the expense of the public. This brings trade agreements generally, and IP agreements in particular, into disrepute. This is undesirable even from an IP owner perspective, because it hampers attempts to garner public support for IP law. Given the ease with which infringement can be undertaken using today's technology, public support for IP law is more necessary than ever before.

The Committee should strongly condemn the failure of Australia's trade negotiators to include any serious balancing provisions reflecting the public interest in IP law, or to protect the interests of the public, IP users, and defendants and other parties subject to IP enforcement actions.

8 Investor-State Dispute Settlement

I have previously made a submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade Inquiry into the Trade and Foreign Investment (Protecting the Public Interest) Bill 2014, which directly addresses the question of the relationship between IP chapters and Investor-State Dispute Settlement. That submission considers the relationship between chapters 11 and 13 of KAFTA. That submission is included in this document as Appendix 2 (pages 22 and following). I have nothing new to add to those arguments and would ask the Committee to consider them in the context of this inquiry.

9 Conclusion

The recommendations arising from this submission are stated in the introduction. I recognise that KAFTA chapter 13 has some provisions which attempt to recognise public concern about IP chapters in trade agreements. But overall, these gestures are far too isolated and random, and do not answer for the many problems with chapter 13. In my view, chapter 13 of KAFTA reflects a failure to analyse the Australian national interest in IP, and an unfortunate promulgation of a deeply flawed approach to negotiating IP chapters in trade agreements. This committee has an opportunity to make findings as to the undesirability of this approach and provide important feedback to Australia's government, which sets negotiation policy, and Australia's trade negotiators, who are currently engaged in further similar negotiations at a plurilateral and bilateral level.

I thank the Committee for the opportunity to make this submission, and am more than happy to answer any questions arising from the arguments set out above.

Appendix 1: Table of new international obligations in IP introduced by KAFTA

Provision	Obligation	Comments
13.2.10	Australia cannot require recordation of trade mark licences ‘for any purpose’.	AUSFTA says Australia cannot require trade mark licences to be recorded. The KAFTA language is stronger. Currently <i>Trade Marks Act</i> allows for the recording of TM licences and s 22 protects a bona fide purchaser for value from unrecorded licences. Unclear how KAFTA provision interacts with rights of the bona fide purchaser.
13.5.1	Requires protection for temporary copies of broadcasts in any manner or form, permanent or temporary.	<p>Copyright protection for temporary copies is contentious because it can convert copyright into a ‘right to use’ digital material, and turn every user of the internet, and every user of a digital book, CD, or DVD into an infringer. AUSFTA requires protection of temporary copies but AUSFTA does not extend that protection to broadcasting organisations (because the US does not recognize ‘broadcast copyright’). There is no international copyright convention with a similar obligation.</p> <p>Note that through this and other provisions, KAFTA is the first international agreement Australia has signed that requires us to protect broadcasts with copyright. We are required, by other agreements, to protect broadcasters from certain kinds of ‘signal piracy’ but we are <i>not</i>, outside KAFTA, required to do so through copyright law. KAFTA adds a new, significant constraint on policymaking in a space which is rapidly changing due to convergence of technologies.</p>
13.5.1 footnote 65	Limits exceptions to the reproduction right to ‘certain special cases that do not conflict with a normal exploitation of the [subject matter] and do not unreasonably prejudice the legitimate interests of the right holder’; states ‘for greater certainty’ that each Party may adopt fair use “as long as any such	<p>This footnote, together with art 13.5.13, applies the well-known ‘three step test’ to copyright exceptions. Australia is already committed to the application of the three step test to limit copyright exceptions in most contexts (as a result of the Berne Convention, TRIPS, and AUSFTA).</p> <p>This footnote extends the three step test for the first time to copyright in broadcasts. This is not uncontroversial: broadcast copyright is limited in many ways to achieve the goals of media policy, and the Australian Attorney-General’s Department has previously taken the position that the exceptions we are allowed to have under the Rome Convention (which protects broadcasts) are broader than would be allowed under the three step test (this position, although contestable, is reflected in the drafting of Part XIA of the <i>Copyright Act 1968</i> (Cth)).</p> <p>The reference to fair use is odd and difficult to understand. An affirmation that Australia could introduce fair</p>

	limitation or exception is confined as stated in the previous sentence”.	use is perhaps welcome, but the final phrase is hard to interpret. My view – and that of many academics, as reflected in the recent ALRC Report on <i>Copyright and the Digital Economy</i> – would be that fair use clearly is consistent with the three step test and thus the last phrase has no force. But some might argue that the phrasing of footnote 65 suggests otherwise: for example, as allowing an exception <i>called</i> ‘fair use’ but only if <i>limited</i> to certain special cases (ie not an open-ended exception in the US style as recommended for introduction in Australia recently by the Australian Law Reform Commission).
13.5.3	No formalities for rights of authors, performers, producers of phonograms and broadcasting organisations.	AUSFTA states that formalities may not be required for the rights of performers, producers of phonograms and broadcasting organisations. It says nothing about authors and formalities (although Berne does). The ban on formalities is contentious because it creates a significant ‘orphan works’ problem (works for whom the copyright owner cannot be identified). Impact of 13.5.3 is unclear: reform proposals occasionally suggest that the Berne Convention rule prohibiting formalities could be applied only for the Berne copyright term (life of the author plus 50 years) and that formalities could be introduced for term extensions. Whether or not this is correct, KAFTA article 13.5.3 precludes that argument and obliges Australia to refrain from imposing formalities for the full (life plus 70 year) term.
13.5.4	No hierarchy of rights: broadcast included	AUSFTA requires no hierarchy between rights holders (ie, getting permission from a musical work author does not preclude a need to get permission from the owner of a sound recording, and vice versa). But AUSFTA does not include owners of broadcast copyright in that rule. Inclusion of broadcasts here removes a flexibility from TRIPS article 14.3 (which would allow Australia to protect broadcasts through giving rights to underlying content owners).
13.5.6	50 year protection term for broadcasts	The Rome Convention requires Australia to protect broadcasting organisations for 20 years. AUSFTA does not address term for broadcasts: this is the first time Australia has committed internationally to a copyright term of 50 years for broadcasts.
13.5.9	Anti-circumvention law extended to protect broadcasts	Australia is not under any other international obligation to provide generalized protection of broadcasts from circumvention of technological protection measures. AUSFTA does require certain specific protection against provision of unauthorized decoders for encrypted satellite signals (AUSFTA art 17.7). Given the reach of existing anti-circumvention provisions and the generally unprotected nature of broadcasts the impact of including broadcasts is unclear. Such an obligation ought not be taken on without careful consideration of its potential future impact.

13.5.13	Three step test applied to broadcast copyright.	<p>As noted above re footnote 65: This provision extends the three step test for the first time to copyright in broadcasts. This is not uncontroversial: broadcast copyright is limited in many ways to achieve the goals of media policy, and the Australian Attorney-General’s Department has previously taken the position that the exceptions we are allowed to have under the Rome Convention (which protects broadcasts) are broader than would be allowed under the three step test (this position, although contestable, is reflected in the drafting of Part XIA of the <i>Copyright Act 1968</i> (Cth)).</p> <p>Footnote 68, which affirms that exceptions allowed under other multilateral agreements (existing or future) continue to be allowed despite the text most likely protects any exceptions currently allowed under the Rome Convention (and Berne, and new treaties like the Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled). A clause of this kind ought to be included in every bilateral negotiation, although it should be in <i>text</i> not stated in a footnote.</p>
13.9.4	Presumption of validity for trade marks and patents	<p>This requirement is TRIPS plus, ACTA plus, and AUSFTA plus. There is no equivalent provision in any international treaty to which Australia is a party. It is particularly troubling given that Australia presently applies a presumption at the registration stage which has been interpreted as allowing trade marks on to the register readily on the basis that they can later be challenged (<i>Trade Marks Act 1994</i> (Cth) s 33). If there is to be a presumption of validity at the litigation stage, a more rigorous approach is needed at the examination stage – which would have resource implications in terms of staffing/time at the trade marks office. It is also inconsistent with international innovations, such as in the UK, where examiners no longer consider possible conflicts with registered marks, instead leaving it to third parties to make the decision whether to oppose registration.</p> <p>A presumption of validity for patents is potentially disastrous, given international concerns over the quality of granted patents.³⁶ This change must also be assessed with regard to the impact of the chapter as a whole. KAFTA both makes it harder to challenge patents, and simultaneously gives more enforcement powers to right holders. This combination of harder to challenge, stronger rights is a likely cause for the flood of patents internationally, strains on the patent and litigation systems, and rising concerns such as concerns with ‘patent trolls’ (parties who purchase patents without investing in research and assert those patents against innovative businesses). There would also be very real questions as to what level of evidence is</p>

³⁶ This argument is elaborated at length in my research published in Kimberlee Weatherall, ‘Ignoring the science: what we know about patents suggests dire consequences from ACTA and the TPPA’ in Bryan Mercurio & Ni Kuei-Jung (eds), *Science and Technology In International Economic Law: Balancing Competing Interests* (Routledge: London, 2014) (cites omitted).

		required to ‘rebut’ a presumption (a standard that may vary from country to country: is it ‘clear and convincing’ evidence? Or just evidence sufficient to satisfy the balance of probabilities?).
13.9.10	Court power to order infringer to provide information	Article requires that courts have the power to order certain information that the infringer ‘possesses or controls’. Requiring information that the infringer controls is a new international obligation: AUSFTA only refers to information that the infringer possesses (AUSFTA art 17.11.11). The reference to ‘control’ appears to come from ACTA (art 11). Australia has not ratified ACTA (about which JSCOT has previously expressed concern), and notably ACTA contains many more procedural and balancing protections for defendants and others than KAFTA (see body of submission).
13.9.13	Injunctions to prevent importation and exportation of goods	AUSFTA addresses injunctions only in relation to exportation (17.11.14); TRIPS addresses injunctions (art 44) but with exceptions. This is a new and oddly-worded provision.
13.9.15	Alternative dispute resolution	Requirement for ADR is not in AUSFTA, ACTA or TRIPS. Why include? Just because something is a good idea (and ADR is) doesn’t mean it needs to be in a treaty?
13.9.18	Border measures must apply to ‘all points of entry to its territory’	The requirement that suspension apply to all points of entry is new compared to AUSFTA (which does not mention this point: see equivalent art 17.11.19) and removes an option under ACTA if Australia ever chooses to ratify ACTA – ACTA art 17.2 allows a party to provide that a right holder be able to request that the order for suspension apply to selected points of entry – a flexibility that appears to be precluded by the KAFTA text. The reason for removing that flexibility is not clear to me.
13.9.20	Border measures: information to be provided to right holder	KAFTA text requires that border officials be able to provide to the right holder ‘a description of the merchandise, . . . and, if known, the country of origin of the merchandise’. This new compared to AUSFTA (see art 17.11.21) and is optional in ACTA (art 22) (ACTA contains more protections for defendants/importers etc).
13.9.21	Border officials to have <i>ex officio</i> powers to initiate suspension of <i>confusingly similar</i> (ie infringing) as	This is new compared to both ACTA (which is not specific on this point) and AUSFTA (which requires <i>ex officio</i> powers only for alleged <i>counterfeit</i> goods). Seizure of alleged infringing goods is potentially problematic: determining whether something is infringing (as opposed to identical and hence counterfeit) can be a fine legal judgment. These powers do exist in Australian law but whether they are appropriate to elevate

	well as counterfeit trade mark goods.	to treaty is very debateable. Concerns have been raised that powers of this kind may have an impact on access to medicines. ³⁷
13.9.27	Camcording prohibition: criminal measures against recording a movie in the cinema.	<p>This is TRIPS-plus, AUSFTA-plus, and ACTA-plus. Only ACTA contains a camcording provision (art 23.3) and there it is optional; here it is mandatory. This is bad policy for Australia: it would add yet another criminal provision in a context where there are multiple civil and criminal provisions already applicable. Owners of copyright in film are not without civil and criminal remedies in Australia:</p> <ol style="list-style-type: none"> 1. Filming a movie is copyright infringement, for which civil action lies (s101); 2. In that civil action, a copyright owner can seek delivery up of any infringing copies and the equipment used in infringement (s116); 3. If a person uploads the film online, they can be: <ol style="list-style-type: none"> a. Civilly liable for communicating the film to the public (s101); b. criminally liable for engaging in conduct that results in copyright infringement having a substantial prejudicial impact on the owner of copyright and on a commercial scale (s 132AC); c. criminally liable for distributing articles (including electronic files) to an extent that affects prejudicially the owner of copyright (s132AI); 4. Even before the person uploads, if they plan to upload, they can be criminally liable for possession of an article with the intention of distributing it to an extent that will affect prejudicially the owner of copyright (s132AJ); <i>and</i> 5. Sitting in the cinema <i>with</i> the camera could cause a person to be criminally liable for having in their possession a device, intending it to be used to make an infringing copy of a work (s 132AL). <p>Presumably (since amendment is not mentioned in the NIA) the Australian negotiators have decided that, in light of all of these provisions, no change to Australian law will be required. However, many of these provisions <i>are</i> controversial because of the non-commercial activities they cover – particularly s 132AL. Including this requirement in KAFTA locks in bad criminal law policy.</p>
13.9.28	‘Each Party shall provide measures to curtail repeated copyright and related right infringement on the Internet’.	This is TRIPS-plus, AUSFTA-plus (there is nothing vaguely similar in AUSFTA) and ACTA-plus. The provision is discussed in the body of the submission.

³⁷ See generally Sean Flynn and Bijan Madhani, ‘ACTA and Access to Medicines’, available at <http://rfc.act-on-acta.eu/access-to-medicines>, considering similar proposals in the context of the Trans-Pacific Partnership Agreement negotiations.

Appendix 2: Weatherall Submission on Investor-State Dispute Settlement

Senate Standing Committee on Foreign Affairs, Defence and Trade Inquiry into the Trade and Foreign Investment (Protecting the Public Interest) Bill 2014

Submission of Associate Professor Kimberlee Weatherall

11 April 2014

The Author

I am an Associate Professor at the Sydney Law School at the University of Sydney, specialising in intellectual property law, including in particular the relationship between domestic IP law and international trade and other agreements. I have written and spoken extensively on international agreements relating to IP, including the Australia-US Free Trade Agreement, the Anti-Counterfeiting Trade Agreement and the proposed Trans-Pacific Partnership Agreement.

I make this submission in my own name. I am more than happy to answer any questions that arise from this submission or which otherwise fall within my area of expertise.

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1 Executive Summary

This brief submission is concerned only with the interaction between Investor-State Dispute Settlement (ISDS) and intellectual property (IP) law and policy-making. For the purposes of this inquiry, it is relevant because IP law as one example of an area where the existence of Investor-State Dispute Settlement could pose risks to public policy-making and good governance.

IP law – the law relating to copyright, patent, trade mark and similar regimes – is concerned with the protection and promotion of creativity, culture, and innovation. Governments around the world, including the Australian government, have repeatedly considered it necessary to reform IP laws in response to changing technology and changing economic conditions and business models. Retaining policy discretion in IP law is important to enable the Australian government in the future to take steps to promote Australian innovation and research and ensure Australian access to knowledge, culture and technology.

IP rights may be limited where necessary to promote important public rights and interests including freedom of expression, education and research, cultural expression including critique and parody, the promotion of competition, the protection and promotion of public health, and for other reasons relating to the public interest. In some circumstances, governments may wish to impose new restrictions on IP owners' rights to promote these public interests. Note, for example, that the Australian Law Reform Commission in its final report of November 2013 on *Copyright and the Digital Economy*¹ has proposed a range of new and different exceptions to copyright owners' exclusive rights. In patent, the Final Report of the Pharmaceutical Patents Review² also proposed a number of reforms to patent law that would limit patent owners' existing rights.

ISDS poses a risk to economic, innovation and cultural policy and other important public interests if investors are able to make claims which challenge or seek to prevent desirable reforms to IP law specifically or to other laws which impact on IP rights such as packaging laws that may impact on the use of registered trade marks. Such claims may prevent desirable reform or make it prohibitively costly if compensation is ordered. Further, the risk of such claims or the threat to initiate a costly investor dispute may create, as the Productivity Commission has noted, 'regulatory chill' and cause desirable legal reforms to be dismissed without assessing their merits or not pursued in the face of significant corporate opposition.

I am familiar with the text of the IP and Investment Chapters of the Korea-Australia Free Trade Agreement ('KAFTA'), and leaked draft text of the equivalent Chapters of the TPP (which includes much of the same language). I am particularly concerned about the potential effect of ISDS coupled with the

¹ Available at <http://www.alrc.gov.au/publications/copyright-report-122>.

² Available at <http://www.ipaustralia.gov.au/about-us/ip-legislation-changes/review-pharmaceutical-patents/>.

extremely detailed IP chapters of recent FTAs – the interactions of which have not, in my view, been adequately considered. On the basis of my consideration of these texts, and my knowledge of such IP-related investor claims as have been made public to date, I am concerned that the inclusion of ISDS in the Korea-Australia Free Trade Agreement, and its prospective inclusion in other agreements including any Trans-Pacific Partnership Agreement, pose the risks identified in the last paragraph. I am concerned that Australia will end up with sub-optimal IP law and innovation policy as a result.

2 **Why investor claims challenging the form/scope of IP are a potentially troubling development**

The potential for claims about the form or reform of IP law brought via investor-state dispute settlement is a troubling development. It is difficult to be certain as to the long term implications of creating space for such claims. In my view, allowing for direct claims by right holders in IP could introduce a dangerous new dynamic into international IP law.

IP laws are tools of economic and social policy. Most IP laws provide a **limited** monopoly in artistic, cultural, and scientific products in order to provide incentives for investment in creativity and research. The exclusivity granted by IP law is limited in many circumstances where required in the broader public interest. A publisher's exclusive rights in their books are limited to promote others' freedom of expression, research, education, critique and review, parody and satire, and to allow the reporting of news (among other interests). Rights in patents are limited, among other reasons, to allow research and in the case of public health or other national emergency.

The appropriate balance between private rights in IP and public interests in access to and use of cultural products and inventions is highly contentious. Debates about the reform of IP law tend to be highly polarised: both among interest groups in a given society and among States at an international level.

International IP treaties (both standalone and as incorporated into trade agreements) are structured such that:

- The exclusive rights a State must provide to IP owners, and the tools a State must provide for the enforcement of IP rights, are both set out in great detail;
- The situations in which a State may **limit** IP rights in the public interest are not set out in any detail.³

³ There are some limited exceptions to this: the *Berne Convention on the Protection of Literary and Artistic Works* of 1886 contains some specific exceptions (such as users' right of quotation); in addition, the World Intellectual Property Organization recently concluded the first multilateral convention dedicated to certain copyright exceptions in the form of the *Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled* (done at Marrakesh, 27 June 2013).

This structure – while preserving a State’s discretion to balance public policy interests – has implications for the way that disputes over international IP are likely to occur. Most importantly, it means that the rights of IP owners are clear but the scope of the discretion of States to qualify those rights is not. Almost any exception or limitation – whether already existing, or proposed – can plausibly be challenged as non-compliant with international law.⁴

This has not been a major problem for IP law reform to date. Although such international legal disputes as have occurred over IP have often concerned exceptions and limitations (with some challenges to exceptions being upheld⁵) few formal disputes have been initiated. At least one reason such challenges have been limited is because any State challenging limitations on IP rights – for example through the Dispute Settlement processes of the World Trade Organization – must weigh the potential impact of a successful challenge on their own ability to enact public interest exceptions in IP law. Even countries with strong IP law and strong interests in IP – such as the US – have many exceptions to IP law and are considering more. The need to preserve domestic policy space puts a brake on claims against other States’ use of similar domestic policy space.

The introduction of investor-state dispute settlement changes this dynamic. Many individual right holders would have little or no interest in preserving the discretion of States to limit IP rights. This creates the potential for an increase in complaints and challenges to public interest-oriented IP law reforms.

With KAFTA – and even more, if ISDS is incorporated into other FTAs and/or into the TPP – it will get harder to reform IP law in the public interest. Once upon a time, deciding whether to reform IP law was a simple matter of working out whether the reform was in the public interest, taking into account both the costs and benefits for the broader public and the costs/benefits for right holders. Following the Australia-US Free Trade Agreement (AUSFTA) – the first of Australia’s modern FTAs including a very detailed IP chapter – IP policy-making is at least a two stage process: work out whether the reform is good for Australia and then work out if it is allowed under AUSFTA. Following KAFTA – and even more if the TPP is concluded with a detailed IP chapter and ISDS – the process will be a three stage process:

1. Is the reform a good idea?
2. Is it consistent with our international treaty obligations?
3. Will it upset some sizeable company that might bring an investor claim?

That is self-evidently *not* how you make good innovation policy. Many innovation-related policies will upset some business or set of businesses – perhaps those whose business model is threatened by the innovation.

⁴ This is clearly illustrated by the fact that some copyright owners continue to assert that **fair use** as an exception to copyright law is inconsistent with international law – despite the fact that the US has had such an exception as part of its copyright law for many years.

⁵ Panel Report, *United States – Section 110(5) of the US Copyright Act* WT/DS160/R (15 June 2000) (on US copyright exceptions); *Canada – Patent Protection of Pharmaceutical Products (Canada – Patents)* WT/DS114/R, Panel Report (17 March 2000) (on exceptions in patent).

3 Investor claims in IP

3.1 *IP-related claims to date and potential claims*

To date, two key investor claims relating to IP law have been the subject of widespread public discussion. The first is the well-known challenge to Australia's tobacco plain packaging laws brought by Philip Morris under the *Australia-Hong Kong Agreement on the Promotion and Protection of Investments*. This complaint alleges that Australia's decision to impose plain packaging for tobacco products involves expropriation of Philip Morris' trade marks, as well as a breach of the obligation of fair and equitable treatment, full protection and security, that it unreasonably impairs Philip Morris' enjoyment of its investments (ie its trade marks). The second is a claim brought under NAFTA by US Pharmaceutical company Eli Lilly complaining about Canada's patentability standards – in particular the Canadian interpretation of the requirement of utility. This latter claim similarly argues a range of breaches by Canada – including again expropriation of Eli Lilly's investments, and breaches of its obligations to provide a minimum standard of treatment (including fair and equitable treatment and full protection and security), and national treatment.

Neither dispute has proceeded to a decision, so how the arbitral tribunals will interpret these requirements as they apply to IP is currently unknown (although some academic commentary doubts the likelihood of success of the tobacco case at least⁶). It may be that both claims will fail: although not before the governments concerned have incurred significant expense defending the claims.

The disputes however give a flavour of the kinds of claims that might be brought affecting IP rights. The plain packaging case highlights the potential risk to any attempt to enact laws affecting/regulating the packaging of consumer goods: an issue currently being discussed in the context of tobacco but which has also been the subject of discussion in the context of alcohol and processed foods. The claim against Canada is even more concerning since it challenges the scope of IP rights as established by Canadian law. Other claims regarding the scope of IP law can be imagined, such as:

- A claim that a new copyright exception (such as the introduction of an open-ended fair use exception) involves the (effective) expropriation of copyright owners' rights;
- A claim that limiting the extension of copyright term available to pharmaceutical patent holders – as suggested in the final report of the Pharmaceutical Patents Review – involves expropriation of pharmaceutical companies' patents.

⁶ See eg Tania Voon and Andrew Mitchell, 'Time to Quit? Assessing International Investment Claims against Plain Tobacco Packaging in Australia' (2013) 14 (3) *Journal of International Economic Law* 515.

In other words, investor claims could be brought if the Australian government were to move to adopt reforms recommended in recent reviews of IP law in Australia.

Alternatively, and depending on the standard of minimum treatment set out in an investment agreement, a failure of the State to act in the face of widespread IP infringement might give rise to a claim that the investor was not accorded the minimum standard of treatment including full protection and security.⁷

There are good reasons to believe that investor claims for compensation in the face of changes to IP law motivated by the public interest – whether in the form of reductions in rights, or the expansions of exceptions – should fail. Legal problems with Philip Morris’ claims have been extensively discussed in the academic literature.⁸ IP rights have never been absolute rights (nor positive rights to use the protected material) and States’ discretion to introduce public interest exceptions is recognized in all the major multilateral conventions as well as the Korea-Australia Free Trade Agreement.⁹ Nevertheless, as mentioned further below, even claims unlikely to succeed on the merits are potentially expensive and pose a threat to the public policy process. Even the threat of an investor claim and its attendant trouble and expense may be enough to stop a good policy reform.

3.2 *The safeguards and the interaction with the IP chapter*

Recent trade and investment agreements include a number of safeguards designed to confine investor claims and in particular to ensure that legitimate regulation in the public interest does not give rise to a claim for compensation, including:

- The minimum standard of treatment provision is explicitly limited to the customary international law minimum standard of treatment of aliens (KAFTA art 11.5.1);
- Annex 11-B states that ‘except in rare circumstances, non-discriminatory regulatory actions ... that are designed and applied to protect legitimate public welfare objectives, such as public health, safety, and the environment, do not constitute indirect expropriations’;
- Art 11.7.5 on expropriation states that the article does not apply:
 - ‘...to the issuance of compulsory licences granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation, or creation of intellectual property rights, to the extent that such issuance,

⁷ Although note that if this standard is limited to the standard in customary international law – as it is in the Korea-Australia FTA article 11.5.2(b) – full protection and security may be limited to physical security of property and exclude claims as to the failure to protect intangible property rights.

⁸ Tania Voon and Andrew Mitchell, ‘Time to Quit? Assessing International Investment Claims against Plain Tobacco Packaging in Australia’ (2013) 14 (3) *Journal of International Economic Law* 515; see also Mark Davison, ‘The legitimacy of plain packaging under international intellectual property law: why there is no right to use a trademark under either the Paris Convention or the TRIPS Agreement’, in *Public Health and Plain Packaging of Cigarettes: Legal Issues*, eds Tania Voon, Andrew D. Mitchell, Jonathan Liberman with Glyn Ayres (Edward Elgar Publishing, Cheltenham UK, 2012) 81-108.

⁹ See eg TRIPS articles 13, 17 and 30; KAFTA articles 13.2.4; 13.5.13; 13.8.3.

revocation, limitation or creation is consistent with Chapter 13 (Intellectual Property Rights)’.

Such safeguards are certainly an improvement when compared to the language of older trade and investment agreements. Two points about these safeguards may be made, however.

First, the qualification on the regulatory exclusion – ‘except in rare circumstances’ – gives rise to a legal argument about whether the circumstances are in fact ‘rare’ or not. The safeguard in annex 11B therefore seems unlikely to stop claims being brought (or threatened) – although it may reduce the likelihood of success. The expense and uncertainty brought about by investor claims will still exist with this safeguard in place.

Second, although the attempt to exclude IP laws and IP reforms from constituting expropriation is welcome the particular wording of article 11.7.5 would seem to have the highly undesirable effect of **making the entire IP chapter – chapter 13 of the Agreement – a direct subject of arbitration**: it will be an issue, in any IP-related arbitration – **whether changes to IP are consistent with the IP chapter**. In other words, this safeguard seems to create **a new kind of investor claim – a claim to inconsistency with a substantive chapter of the free trade agreement** (albeit coupled of necessity with the further requirement to show an indirect expropriation).

Such a development is highly undesirable. One problem is that the text of the IP chapter of KAFTA itself is problematic. It lacks balancing provisions and public interest protections found in multilateral agreements, it contains a level of detail completely inappropriate for an international agreement, descending down to finer matters of case management. It contains provisions that are arguably inconsistent with present Australian IP law. The IP chapter of the TPP, based on leaked drafts to date, could be even more detailed and more problematic for Australian law.

But regardless of the particular provisions of KAFTA or the TPP, allowing an investor directly to challenge the consistency of Australian IP law with the substantive provisions of an IP chapter is in any event inappropriate. Given that many provisions of the IP chapter are based on similar or identical provisions found in other international agreements, the more appropriate forum for considering and ruling on the interpretation of such provisions is in a tribunal with appropriate mechanisms for participation by other interested parties (including other States subject to the same provisions in international agreements). The WTO Dispute Settlement process provides such a forum. Indeed, Australia’s plain packaging legislation is presently being challenged in the WTO, and numerous other countries have become involved on both sides of the dispute. This participation will help ensure full airing of the issues and arguments and a decision that the international community can support.

Appendix 3: Selected publications on IP and international trade by the submission author

- ‘Ignoring the science: what we know about patents suggests dire consequences from ACTA and the TPPA’, in Bryan Mercurio and Ni Kuei-Jung (eds) *Science and Technology In International Economic Law: Balancing Competing Interests* (Routledge 2014), 211-228
- ‘The TPP as a case study of changing dynamics for international IP negotiations’, in Voon (ed) *Trade Liberalisation and International Co-operation: A Legal Analysis of the Trans-Pacific Partnership Agreement* (Edward Elgar 2013), 50-74
- ‘Three Lessons from ACTA and its Political Aftermath’ (2012) XXXV(3) *Suffolk Transnational Law Review* 575-603
- ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 229-263
- ‘ACTA as a New Kind of International Lawmaking’ (2011) 26 *American University Journal of International Law* 839-901
- ‘The politics of linkages in U.S. preferential trade agreements’, in T. Brode, M. Busch, A. Porges (eds) *The Politics of International Economic Law* (Cambridge University Press 2011), 40–61
- ‘Intellectual Property in a Possible China-Australia Free Trade Agreement’ in Sisira Jayasuriya, Donald MacLaren and Gary Magee (eds), *Negotiating a Preferential Trading Agreement* (Edward Elgar 2009), 155–169
- ‘Exporting Controversy? Reactions to the Copyright Provisions of the US-Australia Free Trade Agreement: Lessons for US Trade Policy’ (2008) (2) *University of Illinois Journal of Law, Technology and Policy* 259–319 (with R. Burrell)
- ‘In the Shadow of the China-Australia FTA Negotiations: What Australian Business Thinks about IP’ (2008) 27 (1) *Economic Papers* 1–18 (with A. Leahy; D. MacLaren, Donald; D. Morgan; E. Webster; J. Yong)
- ‘Exporting the DMCA through Free Trade Agreements’, in Christopher Heath and Anselm Kamperman Sanders (eds) *Intellectual Property and Free Trade Agreements* (Hart Publishing 2008), 211–223 (with A. Christie and S. Waller)
- ‘Of Copyright Bureaucracies and Incoherence: Stepping Back from Australia’s Recent Copyright Reforms’ (2007) 31 *Melbourne University Law Review* 967–1016
- ‘The Impact of Copyright Treaties on Broadcast Policy’, in A. Kenyon (ed) *TV Futures* (Melbourne University Press 2007), 242–273