

Dear Sir/Madam,

A late submission to the inquiry follows. I believe that Allan Scroope, of Canberra Liaison, discussed OVID Australia making a late submission and that the Committee would accept these up to the 9th of June.

We very much appreciate the opportunity to put our ideas before the Committee.

(Via email: laca.reps@aph.gov.au)

A Submission to the Inquiry into the enforcement of copyright in Australia (7/6/99)

To:
The Committee Secretary,
House of Representatives Standing Committee on Legal and Constitutional
Affairs
Parliament House
Canberra ACT 2600

From:

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Summary:

Ovid Australia Pty Ltd proposes the introduction of the Australian-developed OPTICAL VARIABLE DEVICE as a non-counterfeitable means to identify authentic copyright material and preclude illegal copies from the market.

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1. Introduction: Physical vs digital piracy; T of R 1(a) subsections vi
2. Proposed option for protection of copyright: T of R 1(b) subsections i, iv nature of technology.
3. Effectiveness of existing arrangements: 1 (g) subsection iii
4. Conclusion

1. Introduction

This submission deals with the application of Australian technology to protect physically embodied copyright material, whether in the form of compact discs, VCR tapes, floppy discs or digital video discs, which are the current vehicles for distribution of copyright music, software, film, video or multimedia.

Please note that the technology proposed by OVID Australia is *not* applicable to the electronic copying and digital transmission of copyright material via such means as the MPEG3 music compression standard.

Counterfeiting of physically embodied copyright is profitable when certain conditions are met:

- a. The material has a low cost of production or replication.
- b. A significant proportion of the value resides in intellectual property content, copyright or brand value.
- c. There is a high selling price, compared to production cost.
- d. Technology is available for illicit replication or production.
- e. No mechanism is available to distinguish a real from a pirated version.

Copyright music, software, film and video meet all of the above the above criteria when transferred onto tape, floppy, or disc.

Under parallel importation provisions which Australia has enacted into law to comply with WTO treaty obligations, music CDs and other copyright material that has been legally produced under licence from the copyright owner in a third-country may be imported into Australia. Appropriate duties or other taxes are applicable on release into the home market.

(Section 1; {a} subsection vi):

However, less than 1% of containerized cargo is inspected by the Australian Customs Service. Importation of illicit duplicates of copyrighted material, which are indistinguishable from an authentic copy to the consumer, will increasingly flood into this country.

(Section 1; {b} subsection i):

To identify and prosecute such piracy, in the absence of non-counterfeitable markings, is a tedious and low-yielding exercise. Nevertheless, the major music companies have employed private investigators, in addition to collaboration with the Federal Police and Customs, in order to identify and confiscate bootleg material and gather the sufficient evidence to prosecute offenders.

This indicates the threat that such activities pose to the core viability of businesses which rely on the generation and dissemination of intellectual property and products.

(Section 1; {b} subsection iv):

OVID Australia Pty Ltd wishes to place before the Committee world-leading and market proven anti-counterfeiting technology, developed by the CSIRO in Australia, for consideration as an anti-piracy measure.

The application of this technology will, we believe, prevent illegal copyright theft in embodied material and permit the easy identification of transgressors.

The proposed technology is an Optical Variable Device (OVD), which may be thought of as a very superior hologram. However, the CSIRO technology leads the world, and cannot be replicated via conventional hologram remastering, as currently happens - for instance - with credit card holograms in south China. Protective measures are visible in the OVD both at the level of the naked eye (full pictorial colour 3-D; multi-channel switching; spectral convergence images) and microscopically (minute writing; symbols and effects).

The master stamp will be engineered at the CSIRO's microengineering facility at the Division of Manufacturing Technology at Clayton, Victoria. This facility is covered by the highest-grade security since the technology has defence-related applications and is used by both DSTO and the ADF.

The master stamp is applied by select security printers to special foil which faithfully reproduces the multiple dimensions of the OVD. The foil stamps are then individually applied to the packaging which contains the tape, disc or other media at the point of manufacture or importation.

Detection of packaging which fails to carry the OVD is obvious; attempts to fake this OVD will be just as evident.

Failure to carry the appropriate OVD immediately brands the product as a illegal copy.

Sale of such material is already an offence.

Ovid Australia, under licence from the CSIRO, proposes to manufacture and supply to affected companies a Government-sanctioned OVD. The application of this device, together with appropriate policing, will force most - if not all - suppliers of contraband or counterfeit material from the market.

The OVD is sufficiently cost-effective to be applied to every authentic copyright product sold in Australia.

A persuasive real-world business case study is available to back up the claims made by OVID Australia in relation to the effectiveness of this technology.

(Section 1 {g} subsection iii)

In view of the limited resources of the Australian Customs Service, OVID Australia believes that the interdiction of counterfeit material will be served by the application of the OVD prior to release into the market, whether during overseas manufacture or within bond stores on arrival. In conjunction with the application of the OVD by domestic manufacturers, a universal system, such as the one we propose, will ensure that even if material escapes ACS scrutiny, it will be captured once it resurfaces through domestic sales outlets.

(Section 1 {g} iv)

With the OVD system in place, detection of copyright crime will be readily apparent, even to consumers whose involvement should be welcomed and rewarded.

CONCLUSION

OVID Australia welcomes the opportunity to present our proposal to the Committee. We aim both to prevent and detect the theft of copyright material.

We consider that the OVD will protect copyright, and thereby protect Australian consumers, artists and industry whilst conforming to Australia's international trade obligations.

OVID Australia is particularly proud of the fact that this world-leading technology originates here and that support by Australian industry and Government will accelerate the adoption of this technology throughout the world.

OVID would be happy to arrange for the presentation of more technical material in relation to the OVD, although, for obvious reasons, some of this may need to be given in camera.