

# Copyright

## Background

- 5.1 This and the following chapter will examine in detail the two main subjects of ACTA: copyright and intellectual property (IP).
- 5.2 The general terms of copyright were established by the Berne Convention for the Protection of Literary and Artistic Works (The Convention). The Convention implemented an international structure of protection for literary works, works of art, official texts, collections, and works of industrial or applied design.<sup>1</sup>
- 5.3 The terms of copyright in the Convention have been expanded through successive agreement, most significantly through the TRIPS Agreement which extended the scope of copyright to include, for example, computer programs and databases, and music recordings.<sup>2</sup>
- 5.4 ACTA, which is intended to be read in conjunction with the TRIPS Agreement, focuses on the enforcement of recognised rights. It provides for:
- Civil enforcement, permitting rights holders to pursue alleged breaches of rights themselves. Civil enforcement provides a number of remedies for rights holders, including the ability to request the seizure of alleged

---

1 World Intellectual Property Organisation, *Berne Convention for the Protection of Literary and Artistic Works*, [http://www.wipo.int/treaties/en/ip/berne/trtdocs\\_wo001.html#P85\\_10661](http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html#P85_10661), Viewed 16 May 2012.

2 World Trade Organisation, *Agreement on Trade Related Aspects of Intellectual Property Rights*, [http://www.wto.org/english/tratop\\_e/trips\\_e/t\\_agm3\\_e.htm#1](http://www.wto.org/english/tratop_e/trips_e/t_agm3_e.htm#1), Viewed 16 May 2012.

rights infringing goods, and the ability to seek financial remedies for alleged breaches of rights;<sup>3</sup>

- Border measures, permitting signatory states to seize alleged rights infringing goods at the border;<sup>4</sup> and
- Criminal enforcement through the criminalisation of rights infringement and aiding and abetting rights infringement.<sup>5</sup>

5.5 Participants to the inquiry raised a number of issues in relation to the rights enforcement regime contained in ACTA. These included:

- the proportionality of the criminal penalties;
- the conscious decision not to include TRIPS provisions relating to the protection of individual rights;
- the treatment of secondary liability in ACTA;
- the definition of 'commercial scale' in relation to offences in ACTA; and
- the construction of civil remedies in ACTA.

## Proportionality of criminal offences

5.6 ACTA will oblige parties to it to implement criminal procedures and penalties for the following activities:

- cases of wilful trademark counterfeiting or copyright or related rights piracy on a commercial scale; and
- cases of wilful importation and domestic use, in the course of trade and on a commercial scale, of labels or packaging to which a mark has been applied without authorization and which are intended to be used in the course of trade on goods or in relation to services which are identical to goods or services for which such trademark is registered.<sup>6</sup>

5.7 Parties to ACTA are also required to adopt such measures as may be necessary, consistent with its legal principles, to establish the liability, which may be criminal, of legal persons for the offences specified in this Article for which the Party provides criminal procedures and penalties.<sup>7</sup>

---

3 NIA, paras. 16-17.

4 NIA, paras. 18-21.

5 NIA, paras. 22-24.

6 ACTA, Article 23.

7 ACTA, Article 23.

- 5.8 ACTA further requires that, for offences specified in paragraphs 1, 2, and 4 of Article 23, each Party shall provide penalties that include imprisonment as well as monetary fines sufficiently high to provide a deterrent to future acts of infringement, consistent with the level of penalties applied for crimes of a corresponding gravity.<sup>8</sup>
- 5.9 ACTA's provisions are significantly more prescriptive than the preceding TRIPS Agreement, which did not require the criminalisation of copyright infringement.<sup>9</sup>
- 5.10 A number of participants in the inquiry argued that the significantly more prescriptive approach adopted in ACTA is disproportionate to the scale of copyright infringement.<sup>10</sup>
- 5.11 There are a number of grounds for making this argument. The first, dealt with in a previous chapter, is that there is no evidentiary proof of the scope of the problem.<sup>11</sup>
- 5.12 The second argument relates to the value of the alleged copyright infringing goods. Dr Hazel Moir argues that the penalty provisions have been drafted on the apparent assumption that the value of the copyright infringing goods is equivalent to the value of the copyrighted goods, and she argues against the assumption.<sup>12</sup>
- 5.13 According to Dr Moir, it is virtually impossible to determine the quantity in the authorised market which might have been sold in the absence of a secondary market for the counterfeit goods. The profit margin in secondary markets is considerably lower than the profit margin in authorised markets. The appropriate presumption in determining the degree to which copyright infringement is criminalised is the value of the copyright infringing goods in the secondary market.<sup>13</sup>
- 5.14 A related but slightly different concern is the effect on the public of over-criminalisation of an act. Ms Kimberlee Weatherall speculates that criminalising minor acts tends to facilitate overcharging of individuals and lessens peoples' respect for the law, as well as imposing a chilling effect on business.

---

8 ACTA, Article 24.

9 TRIPS Agreement, Article 41.

10 Ms Kimberlee Weatherall, *Submission 3*, p. 16.

11 For arguments in relation to evidence, see chapter 3.

12 Dr Hazel Moir, *Submission 4*, p. 6.

13 Dr Hazel Moir, *Submission 4*, p. 6.

- 5.15 Ms Weatherall expresses a concern that the effects of over criminalisation will affect areas like copyright where the law is complex and infringement may not be clear-cut.<sup>14</sup>
- 5.16 A further criticism of ACTA's criminal enforcement provisions is that they do not comply with the standards set out in the *Washington Declaration on Intellectual Property and the Public Interest* (the Washington Declaration).
- 5.17 The Washington Declaration is a non-government declaration the intention of which is to implement IP standards such as restraint in enforcement, open access, and development priorities, that the drafters hope will help change the course of IP policymaking. The Washington Declaration clearly states that it is intended to counter the perceived shift in the balance of copyright and IP towards protection.<sup>15</sup>
- 5.18 The points of difference between ACTA and the Washington Declaration allegedly include:
- That ACTA does not ensure that legal penalties, processes, and remedies are reasonable and proportional to the acts of infringement they target, and do not include restrictions on access to essential goods and services, including access to the Internet or to needed medicines and learning materials;
  - ACTA fails to promote proportional approaches to enforcement that avoid excessively punitive approaches to enforcement, such as disproportionate statutory damages; undue expansion of criminal and third party liability; and dramatic increases in authority to enjoin, seize and destroy goods without adequate procedural safeguards;
  - ACTA does not ensure that countries retain the rights to implement flexibilities to enforcement measures and to make independent decisions about the prioritization of law enforcement resources to promote public interests;
  - ACTA fails to ensure that agreements and protocols between individuals, intermediaries, rights holders, technology providers, and governments relating to enforcement on the Internet are transparent, fair and clear; and

---

14 Ms Kimberlee Weatherall, *Submission 3*, p. 16.

15 Intellectual Property Watch, "Washington Declaration" Demands Return Of Public Interest In IP Rights, <http://www.ip-watch.org/2011/09/10/%E2%80%9Cwashington-declaration%E2%80%9D-demands-return-of-public-interest-in-ip-rights/>

- ACTA fails to ensure that public authorities retain and exercise rigorous oversight of critical enforcement functions, including policing, criminal enforcement and ultimate legal judgments.<sup>16</sup>
- 5.19 In the Committee's view, criticisms of ACTA based on the Washington Declaration are part of a broader debate about the philosophical underpinnings of the copyright system.
- 5.20 It is also worth noting that Australian criminal penalties for copyright infringement already comply with ACTA.
- 5.21 The ACTA NIA does not contain any empirical evidence that the criminal penalties contained in ACTA are proportionate. This makes it difficult for the Committee to make a judgement as to the veracity of criticisms of the proportionality of the criminal penalties.
- 5.22 In a similar vein to the issues associated with the statistics' evidence for counterfeiting and fraud, the Committee believes that in circumstances when the international framework is proposed to be changed through a significant increase in the scope of criminal penalties, the NIA should contain empirical evidence to support such a change.

### Recommendation 3

**That, in circumstances where a treaty includes the introduction of new criminal penalties, the treaty's National Interest Analysis justify the proposed new penalties.**

### TRIPS protections for individual rights

- 5.23 ACTA contains very little in the way of protections for individuals who are suspected of infringing copyright. The protections relate to certain types of private information as described in Article 4, and a protection relating to small amounts of counterfeit items in personal luggage contained in article fourteen (although the definition of small amounts for this purpose is not clear).
- 5.24 The approach to protections for individuals in ACTA is significantly different from the approach adopted in the TRIPS Agreement. The TRIPS

---

<sup>16</sup> Dr Matthew Rimmer, *Submission 1.1*, p. 27.

Agreement specifically requires enforcement procedures to be fair and equitable.<sup>17</sup>

5.25 In addition, the TRIPS Agreement specifically permits judicial review of administrative decisions.<sup>18</sup>

5.26 Ambiguity arises from the frequent occasions on which the ACTA affirms obligations for parties to enforce copyright and IP protections without reference to safeguards for defendants which all ACTA parties are bound to apply as a result of TRIPS.<sup>19</sup>

5.27 This has led to a quite common view that ACTA removes the TRIPS safeguards, although that is an incorrect reading.<sup>20</sup> The protections contained in the TRIPS Agreement are given force in ACTA as a result of Article 1, which states:

Nothing in this Agreement shall derogate from any obligation of a Party with respect to any other Party under existing agreements, including the TRIPS Agreement.

5.28 Nevertheless, it appears to be of some consequence that, while ACTA is significantly more stringent and rights holder friendly than the TRIPS Agreement, TRIPS contains statements of fundamental balance and protections for users that are absent from ACTA.<sup>21</sup>

5.29 For example, ACTA neglects to include applicable exceptions and limitations to IP rights to facilitate access to knowledge, culture, information and research. It also does not state TRIPS safeguards on a number of IP remedies and provides no concrete protection for interests such as individual privacy or commercial confidentiality or the rights of defendants to legal action.

5.30 The Australian Digital Alliance and the Australian Libraries Copyright Committee argue that the failure to include the TRIPS Agreement protections emphasises primacy of the rights holder and deepens the imbalance between appropriate protections for creators and the public interest in flexible and fair use of content.<sup>22</sup>

5.31 While it is clear to people who regularly deal with copyright and IP that the TRIPS Agreement protections are to be read into ACTA, the

---

17 TRIPS Agreement, Article 41.

18 TRIPS Agreement, Article 41.

19 Ms Kimberlee Weatherall, *Submission 3*, p. 1.

20 Ms Kimberlee Weatherall, *Submission 3*, p. 1.

21 Australian Digital Alliance/ Australian Libraries Copyright Committee, *Submission 9*, p. 5.

22 Australian Digital Alliance/ Australian Libraries Copyright Committee, *Submission 9*, p. 5.

Committee is of the view that a statement clearly identifying the TRIPS Agreement protections and how they will function in conjunction with the enforcement procedures contained in ACTA will be beneficial for the public acceptance of ACTA.

- 5.32 The Committee therefore recommends the Australian Government make a public statement of policy intent specifying the individual protections that will be read into ACTA from the TRIPS Agreement and how they will apply in relation to the enforcement provisions contained in ACTA.

#### **Recommendation 4**

**That the Australian Government publishes the individual protections that will be read into the *Anti-Counterfeiting Trade Agreement (ACTA)* from the *Trade-Related Aspects of Intellectual Property Rights Agreement* and how the protections will apply in relation to the enforcement provisions contained in ACTA.**

### **Aiding and abetting**

- 5.33 ACTA will specifically require the creation of an offence for 'aiding and abetting' a copyright infringement.<sup>23</sup> The aiding and abetting provisions will be dealt with in the following way:
- courts must have the authority to order a third party to prevent infringing goods from entering into the channels of commerce (Article 8.1);
  - courts must have the authority to order provisional measures, where appropriate, against a third party 'to prevent an infringement of any intellectual property right from occurring, and in particular, to prevent goods that involve the infringement of an intellectual property right from entering into the channels of commerce' (Article 12.1);
  - the requirement that criminal liability for 'aiding and abetting' criminal copyright and trade mark offences (Article 23.4) with penalties including imprisonment (Article 24);
  - a vague provision on digital enforcement requiring that enforcement procedures shall apply to infringement of copyright or related rights

---

23 ACTA, Article 23.

over digital networks, which may include the unlawful use of means of widespread distribution for infringing purposes (Article 27.2).<sup>24 25</sup>

- 5.34 Prior to ACTA, secondary liability has been a rare provision in international agreements related to copyright and IP. Laws relating to secondary liability have been left to domestic legal developments, and vary significantly between countries.<sup>26</sup>
- 5.35 Aiding and abetting in IP is an area of considerable controversy at present, both within Australia and internationally.<sup>27</sup> ACTA does not contain a definition of aiding and abetting.
- 5.36 Interpretations of what constitutes aiding and abetting are consequently very wide. For example, making third parties responsible for IP infringements actually committed by others has been read very expansively in IP law.<sup>28</sup> The interpretation of aiding and abetting may include, for example, any site incidentally linking to – or mentioning – a website with infringing content.<sup>29</sup>
- 5.37 In an Australian context, ACTA is troubling in that it seems to suggest that injunctions to act should be available against intermediaries who would not themselves be liable for infringement or for authorising infringement. According to Ms Weatherall, this is not generally in accord with Australian law, and would require imposing costs on parties which are themselves entirely innocent of infringement.<sup>30</sup>
- 5.38 Aiding and abetting should therefore be considered carefully and strongly justified.<sup>31</sup>
- 5.39 Ms Weatherall recommends that, to provide some clarity to the interpretation of aiding and abetting, the Committee should seek a positive statement from the government of its understanding of the ACTA requirements.<sup>32</sup> The Committee agrees with Ms Weatherall that such a

---

24 Ms Kimberlee Weatherall, *Submission 3*, p. 9.

25 Although not specifically targeted at secondary liability, Ms Weatherall argues that this provision, coupled with the requirement in Article 27.1 that enforcement procedures permit effective action against an act of infringement of intellectual property rights which takes place in the digital environment, could be read to enliven an intermediary liability.

26 Ms Kimberlee Weatherall, *Submission 3*, p. 9.

27 Ms Kimberlee Weatherall, *Submission 3*, p. 9.

28 Ms Kimberlee Weatherall, *Submission 3*, p. 9.

29 The Pirate Party, *Submission 2*, p. 10.

30 Ms Kimberlee Weatherall, *Submission 3*, p. 10.

31 Ms Kimberlee Weatherall, *Submission 3*, p. 9.

32 Ms Kimberlee Weatherall, *Submission 3*, p. 17.



statement would be a useful way of bringing clarity to the aiding and abetting provisions.

### Recommendation 5

**That the Australian Government clarify and publish the meaning of “aiding and abetting” as it applies to the *Anti-Counterfeiting Trade Agreement*.**

## Commercial scale

- 5.40 The definition of a commercial scale in relation to copyright and IP infringement is significant because that definition determines the point at which an alleged infringer of copyright or IP becomes liable for criminal penalties.
- 5.41 Unlike ACTA, the TRIPS Agreement leaves commercial scale as a matter for individual countries to define, according to the state of their domestic market.<sup>33</sup>
- 5.42 Commercial scale is defined in ACTA as:
- ...acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.<sup>34</sup>
- 5.43 Signatories to ACTA are required to:
- ...provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright or related rights piracy on a commercial scale.<sup>35</sup>
- 5.44 This provision was the subject of a number of concerns expressed during the inquiry. It was argued that that the definition does not adequately differentiate between commercial and non-commercial activities because ACTA contains no adequate definition or example of direct or indirect economic or commercial advantage. Consequently, no appropriate

---

33 Ms Kimberlee Weatherall, *Submission 3*, p. 16.

34 ACTA, Article 23.

35 ACTA, Article 23.

safeguards or methodologies to differentiate between commercial and non-commercial infringement are included.<sup>36</sup>

- 5.45 Dr Moir pointed out that the definition effectively defines commercial as being any activity that provides economic advantage, with no mention of what constitutes scale.<sup>37</sup>
- 5.46 Ms Weatherall expressed a concern that the ACTA definition applies to single acts.<sup>38</sup> This is a point also made by the Australian Digital Alliance and Australian Libraries Copyright Committee. Consequently, it is possible to infringe the commercial scale provisions by doing something as simple as forwarding a single email without permission of the copyright owner (ie the writer of the email) in a business context.<sup>39</sup>
- 5.47 Once again, the Committee is faced with a situation in which a provision of ACTA is generating confusion and a proliferation of definitional problems. The issue for the Committee is that the mix of interpretations applied to the term commercial scale opens the possibility of an interpretation contrary to the Australian Government's intended interpretation being adopted by a court, or Australia's international trading partners.
- 5.48 The Committee's recommendation here follows on from those above. It is important in such a contested field of definitions that the Australian Government's preferred definition be stated clearly.

## Recommendation 6

**That the Australian Government clarify and publish the meaning of "commercial scale" as it applies to the *Anti-Counterfeiting Trade Agreement*.**

36 The Pirate Party, *Submission 2*, p. 5.

37 Dr Hazel Moir, *Submission 4*, p. 5.

38 Ms Kimberlee Weatherall, *Submission 3*, p. 16.

39 Australian Digital Alliance/ Australian Libraries Copyright Committee, *Submission 9*, p. 7.

## Civil penalties and compensation

5.49 'Adequate' compensation for non-commercial infringements is not universally agreed upon. As the United Kingdom Intellectual Property Office (UK IPO) demonstrates:

Subtle differences in methodology can lead to differences of outcome. For example, the impact of [intellectual property] infringement can be assumed to be the sum of the impact each individual infringer has. Many studies however calculate impacts on the basis of multiplying the mean number of infringers by the mean impact of infringement; that represents an assumption about the population of infringers which may, in fact, not be valid in all cases, and where it is, it can bias the results up or down depending on modelling choices.<sup>40</sup>

5.50 The Committee was told that the UK IPO tested various methodologies and found that the results varied wildly, ranging from £6 to £451 per offence. Therefore, 'it is also implausible to expect a rights holder to submit an appropriate "legitimate measure of value" for copyright infringement, as their methodologies have been shown to produce figures that would not be arrived at by using other equally legitimate methods'.<sup>41</sup> Furthermore:

...the IPO acknowledges that infringers, at least on a non-commercial level, could ascribe 'essentially no value' to the goods they infringe. In the digital environment, the ability to duplicate works at near to no cost means that the market price is not determined by what the retailer or rights holder asks for it, but what the consumer is willing to pay for it. If infringing consumers had no intention of purchasing the work, then they cannot feasibly be responsible for 'lost profits,' and 'presumptions for determining the amount of damages sufficient to compensate the right holder for the harm caused' would rely on proving malicious intent – that is, proof of the intention of deliberate denial of profit for self-gain.<sup>42</sup>

---

40 The Pirate Party, *Submission 2*, p. 7.

41 The Pirate Party, *Submission 2*, p. 5.

42 The Pirate Party, *Submission 2*, p. 5.

## Lack of definitions of fundamental principles

### Definition of piracy

- 5.51 ACTA has a broad, unwieldy definition of piracy. The definition section defines 'pirated copyright goods' as meaning:

...any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country in which the procedures set forth in Chapter II (Legal Framework for Enforcement of Intellectual Property Rights) are invoked.<sup>43</sup>

- 5.52 Dr Matthew Rimmer told the Committee that ACTA contains extensive obligations in respect of copyright law:

... dealing with civil remedies, criminal offences, border measures, enforcement of intellectual property rights in a digital environment, technological protection measures, and electronic rights management information...The National Interest Analysis asserts, very controversially and without evidence, that such obligations 'constitute best practice forms of IP enforcement.' The provisions are hardly that.<sup>44</sup>

### Definition of counterfeiting

- 5.53 Counterfeiting is broadly and inclusively defined under the proposed international agreement. The definition provides that 'counterfeit trademark goods' means:

... any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered

---

43 ACTA, Article 5.

44 Dr Matthew Rimmer, *Submission 1*, p. 10.

in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country in which the procedures set forth in Chapter II (Legal Framework for Enforcement of Intellectual Property Rights) are invoked.<sup>45</sup>

- 5.54 The agreement emphasises that ‘that the proliferation of counterfeit and pirated goods, as well as of services that distribute infringing material, undermines legitimate trade and sustainable development of the world economy, causes significant financial losses for right holders and for legitimate businesses, and, in some cases, provides a source of revenue for organized crime and otherwise poses risks to the public’.<sup>46</sup>

### **Lack of flexibility in specific provisions**

- 5.55 It is more appropriate, therefore, that obligations be adopted at a high level of generality so as to allow individual countries to adapt rules to local circumstances and local institutions. Some parts of ACTA are drafted in a detailed way that leaves little flexibility for contracting parties: see, for example, Article 18 (security) or Article 25 (seizure, forfeiture and destruction).<sup>47</sup>

### **No statement of TRIPS protections for alleged infringers**

- 5.56 Further ambiguity arises from the frequent occasions on which ACTA affirms obligations for parties without including safeguards for defendants which all ACTA parties are bound to apply as a result of TRIPS. This has led to a quite common view that ACTA removes the TRIPS safeguards, although that appears to be an incorrect reading.<sup>48</sup>
- 5.57 ACTA is significantly more stringent and rights holder friendly than the TRIPS Agreement, to which Australia is a signatory. Despite concerns raised by the Productivity Commission on Australia’s ratification of

---

45 Dr Matthew Rimmer, *Submission 1*, p. 24.

46 Dr Matthew Rimmer, *Submission 1*, p. 23.

47 Ms Kimberlee Weatherall, *Submission 3*, p. 7.

48 Ms Kimberlee Weatherall, *Submission 3*, p. 1.

TRIPS, TRIPS contains statements of fundamental balance and protections for users that are simply absent from ACTA.<sup>49</sup>

- 5.58 ACTA neglects to consider appropriate exceptions and limitations to IP rights to facilitate access to knowledge, culture, information and research; it also removes TRIPS safeguards on a number of IP remedies and provides no concrete protection for interests such as individual privacy or commercial confidentiality or the rights of defendants to legal action. Its emphasis on the rights holder risks creating an imbalance between appropriate protections for creators and the public interest in flexible and fair use of content.<sup>50</sup>

---

49 Australian Digital Alliance/ Australian Libraries Copyright Committee, *Submission 9*, p. 5.

50 Australian Digital Alliance/ Australian Libraries Copyright Committee, *Submission 9*, p. 5.