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The Secretary
The Joint Standing Committee on Treaties
Parliament House
CANBERRA 2600

Dear Secretary,

Inquiry into the Anti-Counterfeiting Trade Agreement (ACTA)

The misappropriation of property, whether that property be tangible or intangible, cannot be condoned. Intellectual property is a form of property. And it can be extremely valuable property. Therefore, like all valuable property there is a market for misappropriated intellectual property. It is appropriate, I believe, for countries involved in legitimate international trade, such as Australia, to cooperate in devising measures that reduce the ability of those engaged in profiting from such acts of misappropriation from continuing to do so. Unfortunately, the *Anti-Counterfeiting Trade Agreement,* though directed to achieving such an outcome, should not, in my opinion, be ratified by the Australian Parliament for the following reasons.

First, and most importantly, the Agreement is too ambitious.

What I mean by this is that it seeks to cover the entire field of intellectual property without making due allowance for the fact that not all intellectual property is the same. Specifically, ACTA, despite what its name suggests, is not confined to dealing with the acts of copyright piracy and trade mark counterfeiting. This is problematic particularly when patents are taken into account because unlike copyrighted and trade marked goods, such as movies, television shows and music available in various formats and mediums or luxury branded goods, the validity of a patent granted by IP Australia is not guaranteed under Australian law.[1]

(a) patent validity

Indeed, the *Patents Act, 1990* goes so far as to expressly disclaim validity. Accordingly, whether a patent is infringed or not cannot be reliably ascertained without complex and expensive patent litigation and, even then, it is not unusual for such litigation, particularly when valuable patents are involved, to be appealed all the way to the High Court of Australia. Patent litigation is extremely complex because of the very nature of what a patent is, namely, a document that describes in the words of the inventor what the invention is and how to make it. It is a purposeful document, required by law, to adequately disclose to a person of ordinary skill in the relevant field of science, engineering or medicine this kind of information. A common feature of patent litigation is the pitting of highly qualified experts against each other in an attempt to determine the scope of the patent monopoly which not only depends on patent validity but on what the patent defines the invention to be.

This leads to the related issue of patent infringement.

(b) patent infringement

Even if a patent is valid the document is open to interpretation. The kind of interpretation I am referring to does not, however, necessarily happen without controversy, both legal and technical. This is because the document, the letters patent, is both legal and technical by its very nature. Once again, it is often a matter of lengthy court room debate as to where the boundary lines of the patent monopoly are to be drawn. Thus, a product which is alleged by the patent owner to infringe an Australian patent may be held by a court not to infringe.

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[1] Section 20(1) *Patents Act, 1990* (as amended).

I stand by my submission despite the footnotes in the sections entitled 'Civil Enforcement'[2] and 'Border Measures"[3], which either give Parties the option of not including patents, as in the former, or mandate the express exclusion of patents, as in the latter. In my opinion neither of these footnotes adequately overcome the concerns which I have expressed for the simple reason that when taken as a whole, ACTA concerns "intellectual property rights". The term is used repeatedly throughout the Agreement's substantive provisions and, to make matters worse, in specific instances, the term "at least" is used as a qualifier to copyright 'piracy' or trade mark 'counterfeiting'. This qualifier implies a floor, leaving it open for the Parties to include other forms of intellectual property and the infringement of that intellectual property.

Frankly, if ACTA was only about copyright piracy and trade mark counterfeiting it would have been very straightforward for the Parties to have so worded the Agreement's provisions so as to limit its scope to dealing with these specific activities. Unfortunately, the Agreement does not.

Secondly, the Agreement's language is ambiguous.

The terms 'pirate' and 'counterfeit' are open to be understood to mean more than copyright and trade mark infringement. The Agreement's preamble expressly refers to "the proliferation of counterfeit and pirated goods" in the context of "infringing material". This statement therefore blurs the line between what is understood to be a good that is an infringement of a form of an "intellectual property right", which could feasibly extend to patents, and a good that is either a pirated or counterfeited good.

This ambiguity in language is unsatisfactory because while it is possible that a good may infringe an intellectual property right, it may not be either a pirated or counterfeited good. What I mean by this is that the terms 'pirated' and 'counterfeited' have connotations of illegality, poor quality and passing-off. And while it is true that a luxury branded good, such a 'Rolex' watch made without the licence of the trade mark owner is a counterfeit or pirated product, probably of poor quality, a generic version of a patented pharmaceutical made with the permission of the Therapeutic Goods Administration (TGA) will, most definitely, not be. In fact, the TGA will not authorise the marketing of a generic medicine unless it is satisfied that the medicine is substitutable with the patented medicine. It is often the case that generic medicines are made available prior to patent expiration. Technically, such an act is an act of patent infringement. However, any suggestion that an allegedly infringing generic medicine is a pirate or counterfeit good is absurd.

It is important to note that generic medicines sector plays an important role in the Australian economy by the provision of safe, efficacious and affordable medicines. The availability of generic medicines means that the Pharmaceutical Benefits Scheme can afford to provide a great selection of medicines. It also means that Australian pharmacists have the option to dispense cheaper medicines to patients who have a prescription from a qualified Australian medical practitioner which does not stipulate a medicine by a specific brand or trade mark. Whether that generic medicine may infringe an Australian patent it would be inappropriate, in fact extremely damaging to the Australian economy and the healthcare system, for that medicine to be labelled as a pirated or counterfeited good.

Thirdly, the lack of an independent economic assessment of the Agreement prior to signing

The National Interest Analysis (done in Tokyo on Oct 1, 2011)[4] does not fulfil the one of the key recommendations of the Productivity Commission's *Bilateral and Regional Trade Agreements r*eport into the impact of such Agreements on the Australian economy.

The NIA contains an inherent contradiction which, if true, undermines both the credibility of ACTA and the process employed throughout its negotiation. At para 7 the NIA states: "No new legislative measures are required to implement obligations under ACTA in Australia." Yet at para 6 it states: "ACTA is an important initiative, as existing IP enforcement standards in the World Trade Organization (WTO) have been insufficient to diminish the growth in international trade in counterfeit and pirated materials." (emphasis added)

One might ask: "how can it be that 'existing IP enforcement standards' have been ineffective in dealing with the 'international trade in counterfeit and pirated materials' and yet there be no need for 'new legislative measures'?"

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[2] Footnote 2.

[3] Footnote 6.

[4] Which, incidentally, is the date that ACTA was signed by Australia.

It follows that the answer must be that there is a need for new laws. If existing Australian laws have been inadequate in dealing with pirated copyright goods and counterfeit trademark goods to date, putting to one side the issue discussed earlier, it is more likely than not that new laws will be needed in order to make existing measures more effective. Otherwise, how else is the Agreement's purported objective to be achieved?

The point being that regardless of the Minister's statement made on November 16, 2010 that "Australia would not be required to change domestic laws in order to implement ACTA", my opinion runs counter to the advice received by the Minister and which prompted the Minister to make such a statement. And while it may be that the MInister is firmly of the view that his government will not amend any of Australia's laws to implement ACTA, there is no guarantee that a future government will not be obliged to honour its treaty obligations and amend Australia's laws so as to comply with ACTA to accord with my opinion.

It is noteworthy that in the same statement the Minister refers to "a new global standard for intellectual property enforcement". The question which arises is: what must change under Australian law to meet that "new global standard"? The Minister says that: "Australia already has rigorous enforcement standards - we want to see those same high standards adopted by other countries for the benefit of our knowledge-intensive exporters". With the greatest respect to the Minister, I am uncertain of what he means by this.

First, if Australia's laws already meet the new requisite "global standards" then why is ACTA even necessary?

Secondly, if the objective is to encourage other ACTA countries to meet the new requisite "global standards" does the Minister suggest that the current "IP enforcement standards" operating in the European Union, Japan, Canada, New Zealand, Singapore, Switzerland, South Korea, Mexico and Morocco are lower than Australia's?

Thirdly, if, however, the objective is to encourage other, non-ACTA participating, countries to adopt the new requisite "global standards" in regard to IP enforcement how does Australia's signing of ACTA contribute towards meeting this objective given that neither the European Union, Switzerland or Mexico signed ACTA at the signing ceremony held on October 1, 2011?

Fourthly, the Minister asserts that Australia's current IP enforcement standards are "rigorous", yet Minister Carr, in introducing the *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011* in the Australian Senate on June 22, 2011, made the statement that:

> In order to meet its objective of supporting innovation, the patent system must strike a balance. It must provide sufficient protection to reward innovation, but not so much protection as to block future or follow-on innovation. Concerns have been raised that the thresholds set for the grant of a patent in Australia are too low, suppressing competition and discouraging follow-on innovation. Particular concerns have been raised that patents are granted for inventions that are not sufficiently inventive, and that the details of inventions are not sufficiently disclosed to the public.

Given that patent enforcement and patent validity go hand-in-glove, how reliable is the Minister's assertion?

Finally, which are Australia's "knowledge-extensive exporters"? The plain fact is, according to IP Australia's own statistics, the percentage of Australian residents granted Australian patents is less than 10%. And that figure has remained unchanged since the *Patents Act, 1990* was passed into law, more than 20 years ago. If this statistic is a reliable measure of Australia's innovative capacity then there is cause for concern. It must be remembered that in the United States the percentage of U.S. residents being granted U.S. patents, until 2008, were in the majority. That figure in 2010 stood at 49.1%.

Regardless of the merits of ACTA and its ability of it to meet the stated objective, the pivotal question which has yet to be answered is: how does ACTA impact on the Australian national interest?

Yours sincerely,

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