

Intellectual Property

Introduction

- 6.1 This chapter examines the treatment of IP in ACTA.
- 6.2 ACTA uses the definition of IP contained in section 1-7 of Part II of the *Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement*.¹ The TRIPS Agreement defines IP in the following terms:
- Copyrighted material;
 - Trademarks;
 - Geographical indicators;
 - Industrial design;
 - Patents;
 - Layouts of integrated circuits;
 - Protection of undisclosed information.²

1 ACTA, Article 5.

2 World Trade Organisation, *Agreement on Trade Related Aspects of Intellectual Property Rights*, Part II, sections 1-7.

Patents

- 6.3 A patent is a legal device that permits the patent holder to exercise a monopoly on commercial exploitation of the patented item for a set period of time. Patentable items are defined in the TRIPS Agreement as

...inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.³

- 6.4 Alphapharm, a generic medicines manufacturer, described Australia's patent system in the following terms:

The principle problems are in regard to patents. Patents, unlike copyright and trade marks, are very complex. First, patents are scientific and technical documents that provide an exclusive right to the patent owner over an 'invention' that is a 'patentable invention' within s.18 *Patents Act* (1990). In the case of pharmaceuticals they are scientifically complex.⁴

Next, the grant of a patent by IP Australia is not prima facie evidence of patent validity. Indeed, to the contrary and by virtue of s. 20(1) *Patents Act* (1990): "Nothing done under this Act ... guarantees ... that a patent is valid, in Australia or anywhere else."⁵

Finally, patent validity is determined only when an Australian court, hearing all of the relevant scientific and technical evidence, both for and against patent validity and taking the legal arguments presented by highly skilled patent lawyers into account, makes a determination on that issue. And even then it is usual, especially when patents concern pharmaceuticals, for the determination to be resolved by the High Court of Australia.⁶

- 6.5 DFAT maintains that ACTA is only partially applicable to patents in Australia. The mechanism for making this argument starts with the fact that patents are enlivened in ACTA by Article 5, which defined intellectual property, a definition that includes patents. A footnote to Section 2 – Civil Enforcement indicates that a party may exclude patents from this section.

3 World Trade Organisation, *Agreement on Trade Related Aspects of Intellectual Property Rights*, Part II, section 5.

4 Alphapharm, *Submission 5*, p. 2.

5 Alphapharm, *Submission 5*, p. 2.

6 Alphapharm, *Submission 5*, p. 2.

A similar footnote to Article 16, which is part of the Border Measures section, indicates that:

The Parties agree that patents and protection of undisclosed information do not fall within the scope of this Section.⁷

6.6 In evidence to the Committee, DFAT indicated that this footnote was intended to apply to the whole section, not just the article to which the footnote is attached.⁸

6.7 A number of participants in the inquiry were concerned that the footnotes were not sufficient to guarantee that patents would be excluded from relevant parts of ACTA.

6.8 Dr Hazel Moir identified the expansionary phraseology of the text in ACTA as indicating the negotiators' recognition that the scope of ACTA would expand in future.⁹ Expansionary terms such as 'at least' occur regularly in the text.¹⁰ Dr Matthew Rimmer also expressed a concern about the effect of the expansionary text:

The Department of Foreign Affairs and Trade made repeated assurances that the Anti-Counterfeiting Trade Agreement 2011 would not deal with patents. Yet, the final text of the Anti-Counterfeiting Trade Agreement 2011 does not expressly fully exclude patent law – which could lead to future disagreement.¹¹

6.9 Another issue identified by Dr Luigi Palombi was that the exclusion of patents from the application of parts of ACTA was a matter for each individual party.¹² In other words, individual parties must opt out of applying ACTA to patents.

6.10 According to Dr Palombi:

The problem is that the document talks about intellectual property rights. It does not confine those rights to certain types. Once ratified, it is fair enough to expect that other parties to the agreement may decide that Australia, if it decides initially not to create laws in relation to, say, the criminalisation of patent

7 ACTA, footnote 6.

8 Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, *Committee Hansard*, 19 March 2012, p. 21.

9 Dr Hazel Moir, *Submission 4*, p. 7.

10 Dr Luigi Palombi, *Committee Hansard*, 7 May 2012, p. 29.

11 Dr Matthew Rimmer, *Submission 1*, p. 29.

12 Dr Luigi Palombi, *Committee Hansard*, 7 May 2012, p. 29.

infringement, will subsequently be put into a position where it is required to.¹³

- 6.11 In addition to these concerns, ACTA is intended to bring some uniformity to the international response to copyright and IP infringement. Uniformity is a focus in the preamble:

Desiring that this Agreement operates in a manner mutually supportive of international enforcement work and cooperation conducted within relevant international organizations.

- 6.12 Uniformity and consistency is emphasised as part of the remit of the ACTA Committee through its development and promotion of best practice guidelines.
- 6.13 At present, Australia's patent system is safe from the operation of those parts of ACTA from which patents can be excluded. However, inquiry participants have made a convincing case for the argument that ACTA puts patents in a less secure position with regard to civil enforcement and border measures than they were in before ACTA was signed.

Criminal measures

- 6.14 There are a number of patent issues in relation to those areas of ACTA that do apply to patents, particularly Section 4 of ACTA, which relates to criminal measures. The Section requires that:

Each Party shall 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. For the purposes of this Section, acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.¹⁴

- 6.15 Dr Moir pointed out that:

ACTA's scope extends beyond dealing with the international and domestic trade in pirated copyright goods (for example, DVDs, CDs and other media technologies containing copyrighted material reproduced without the licence or authority of the copyright owner) and counterfeit trademark goods (for example,

13 Dr Luigi Palombi, *Committee Hansard*, 7 May 2012, p. 29.

14 ACTA, Article 23.

apparel and fashion and other accessories produced, distributed and sold without the licence or authority of the trade mark owner).

The term 'intellectual property' in ACTA includes patents and other forms of intellectual property beyond copyright and trade marks (see ACTA Art. 5(h)).¹⁵

- 6.16 By way of clarification, all participants have recognised that, in relation to patented goods, the criminal intent being dealt with here is counterfeiting, the illegal production of a patented good, as opposed to the legal exploitation of a patented good by a person not owning the patent as a result of a court ruling in relation to the validity of the patent.¹⁶
- 6.17 Combining patents with copyrights and trade marks in a penalty provision in a treaty creates two problems for Australian patent holders.
- 6.18 First, as indicated above, patents do not confer validity on the inventions they cover. Patent validity is tested through the court system. As discussed above, patent validity is determined only when an Australian court, hearing all of the relevant scientific and technical evidence, both for and against patent validity and taking the legal arguments presented by highly skilled patent lawyers into account, makes a determination on that issue. Further, it is not unusual for a court ruling to validate part of a patent.¹⁷
- 6.19 In addition:
- The problem is that the standards that determine the ... entitlement to patent that invention varies not only from country to country but even from one court to the next in the same country. There are numerous examples of where a patented invention has been found to have been valid by one court and yet invalid by another court in the same country and valid by courts of one country and invalid by courts in another.¹⁸
- 6.20 Because patents have a geographic nature, an entity, such as a generic medicine producer, that wins the right to produce a patented medicine can only do so in the area covered by the invalidated patent. In a geographic area that has recognised the validity of a patent, the generic medicine is effectively a counterfeit, and would be subject to the criminal measures if the relevant country was a signatory to ACTA.

15 Alphapharm, *Submission 5*, p. 2.

16 Dr Luigi Palombi, *Submission 7*, p. 2.

17 Alphapharm, *Submission 5*, p. 2.

18 Dr Luigi Palombi, *Committee Hansard*, 7 May 2012, p. 28.

- 6.21 The Committee is concerned that, as ACTA criminalises the counterfeiting of patented inventions, organisations like generic medicine manufacturers may find their products criminalised based on a judicial decision on patent validity. As with many of the issues associated with ACTA, it is an unlikely outcome, but one that will be possible if ACTA comes into force.
- 6.22 The Committee believes this is an aspect of ACTA where legislation will be necessary to provide certainty to the patent system and to prevent the balance of judicial decisions between patent holders and patent challengers from being upset. The Committee recommends that the Government legislate to preserve the current status of the patent system.

Recommendation 7

In the event that the Australian Government ratifies the *Anti-Counterfeiting Trade Agreement (ACTA)*, the Government prepares legislation to:

- **Exclude patents from the application of the civil enforcement and border measures parts of ACTA;**
- **Ensure that products produced in Australia as a result of the invalidation of a patent or part of a patent in Australia are not subject to the counterfeiting prohibition in ACTA; and**
- **Ensure that the expression 'counterfeit' in ACTA is not applied to generic medicines entered or eligible for entry on the Australian Register of Therapeutic Goods.**