



Senate Select Committee on the Australia-United States Free Trade Agreement

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This supplementary submission does two things. First, it outlines a proposed approach by which the Committee can reduce the damaging effect of the AUSFTA Chapter 17. Second, it provides answers to questions raised by the Committee during hearings. I do not seek to reiterate points made in my first submission to the Committee. For convenience, the following Table of Contents sets out the issues addressed in this Supplementary Submission. I would draw the Committee's attention in particular to Parts 7 and 8, which deal with **Article 17.4.7, where the Agreement as currently drafted is potentially unfixable – where the text may need to be amended or a side letter used in order to achieve the stated aim of the Australian government.**

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PART A: WHAT APPROACH SHOULD THE COMMITTEE ADOPT?

1 What approach should the Committee adopt? Should the Agreement be rejected, modified (slightly or substantially), or accepted as it is?

My personal opinion, as stated in my submission, is that Chapter 17 of the AUSFTA is a bad policy outcome for Australia. My main objections to the Chapter remain:

- it requires Australia to adopt certain problematic laws (including copyright term extension);
- it is too detailed and too restrictive on future policy reform, particularly in light of the US history of interfering in domestic policy processes;
- the process by which it was negotiated was neither transparent, nor accountable, and overrode important Australian policy processes.

It is striking that the Agreement puts in place many amendments that have been sought by copyright owners for some time, and which have been **rejected by every other Australian public policy process which has considered them.**¹

1.1 Can my concerns be addressed?

If the Committee decides to accept the AUSFTA, including Chapter 17, I suggest two steps to mitigate its damaging effects:

1. The Committee should require the government, in its implementation of Chapter 17, to address those areas raised in hearings before this Committee, where Australian IP law lacks defences to copyright infringement available in the United States. The Committee should also require the government to take steps to mitigate the costs of copyright term extension. These should be stated as conditions of accepting the AUSFTA; and
2. The Committee should, for the avoidance of future doubt, put on the record certain understandings about the effect and future implementation of Chapter 17 as outlined below.

The current uncertainty about the effect of the Chapter is not satisfactory.² These two steps could make the Senate Select Committee more confident of the effect of Chapter 17.

These steps will not address all my concerns. Even if these steps are taken, I fear future disputes with the United States, and deleterious effects on culture and innovation in Australia through unnecessarily stronger and broader IP law.

¹ An example here would be the expansive definition of “technological protection measures” in Article 17.4.7(b). The expansive definition adopted in that Article has been the preferred definition of copyright owners since the WIPO Copyright Treaty in 1996. It was, however rejected in the original *Copyright Amendment (Digital Agenda) Act 2000* (Cth), it was not supported by the House of Representatives Legal and Constitutional Affairs Committee, it was not supported by the government in 2000, and it was not supported by the Digital Agenda Review. This illustrates that a consultative policy process reached a very different result from that reached by the unbalanced, opaque process of negotiating the AUSFTA.

² As the Committee Chair noted, Hansard, 18 May 2004, FTA 96

1.2 *Understandings which must be placed on the record about the effect of Chapter 17*

The government negotiators before this and other Committee have argued that concerns expressed about Chapter 17 can all be addressed in implementation.

As a general position, this is unconvincing, and unsatisfactory, as it leaves the Senate Select Committee in a position of uncertainty as to the likely future effect of the Agreement.

In addition, we may face disputes with the United States about our chosen form of implementation.³ As was noted in Committee hearings, Chapter 17 is specifically listed as one of the chapters where the US could dispute whether our implementation complies with the ‘spirit’ of the Agreement under Article 21.2(c). Contrary to the comments of the negotiators, the Committee should not underestimate the potential effect of this provision.⁴ The US has not hesitated in the past to make “nullification”-type arguments in relation to IP.⁵ We also know that the US is already using its FTA with Singapore to push for legislative changes in that country.⁶ It is therefore important that we know what benefits the parties “reasonably ...expect.”

We currently lack official information about the Parties’ understandings about the legal effect of the Agreement, because negotiations did not occur in public. In the US, there is already an ample record of what various bodies think the Agreement means: see, for example, the IFAC-3 Report on the IP Chapter.⁷ Since the provisions are also modeled on US law, the US has a certain ‘expectation’ about what they mean which is on the record (ie, the US *Copyright Act*).

Here in Australia, on the other hand, we do not know enough about what the Australia’s understanding of the Agreement is. While members of the negotiating team have made some

³ I refer the Committee to Part 3.2.2, page 16 of my Submission to the Committee, which outlines why we cannot expect enthusiastic acceptance by the United States of any ‘flexible’ implementation of the AUSFTA in relation to the IP Chapter.

⁴ The negotiators have downplayed the significance of the provision (see Hansard, 10 May 2004, FTA 15-16).

⁵ While similar provisions **are** common in trade treaties, and it is true that such cases **are** hard to prove, it is **also** worth noting that there is currently a moratorium on nullification disputes in the WTO in relation to IP: first there was a legal moratorium (TRIPS Article 64.2 and 64.3), since its expiry a ‘working’ moratorium has applied: see Peter M. Gerhart, “Reflections: Beyond Compliance Theory – TRIPS as a Substantive Issue” (2000) 32 *Case Western Reserve Jnl of Int’l L.* 357 at 384 TRIPS Article 64.2 and 64.3. On the “working understanding” as to the non-use of these provisions in the WTO, see Peter M. Gerhart, “Reflections: Beyond Compliance Theory – TRIPS as a Substantive Issue” (2000) 32 *Case Western Reserve Jnl of Int’l L.* 357 at 384. **The US is the only country, so far as I am aware, to try to get around this moratorium: Report of the Appellate Body, India - Patent Protection for Pharmaceutical and Agricultural Chemical Products**, WT/DS50/AB/R, Bernan’s Annotated Rep., vol. 4, at 249 (Dec. 19, 1997) (see especially pp42-48). In other words, the US has already, in the past, shown itself willing to make arguments on a “nullification” basis in the context of IP. Given the further fact that, instead of a moratorium on disputes on the issue, the AUSFTA **specifically** lists the IP chapter as one where the nullification provisions can be used, it seems likely the US would be quite prepared to make an Article 21.2(c) argument in a situation where they do not agree with the implementation chosen by the Australian government.

⁶ Testimony of Deputy US Trade Representative Josette Shiner before the Finance Committee, Subcommittee on Healthcare and International Trade, US Senate, April 27, 2004 (available at <<http://www.ustr.gov/speech-test/assistant/2004-04-27-shiner.pdf>>, see page 3.

⁷ *The US-Australia Free Trade Agreement Intellectual Property Provisions: Report of the Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters (IFAC-3)*, March 12 2004, available at <<http://www.ustr.gov/new/fta/Australia/advisor/ifac03.pdf>>

statements to the Committee during hearings, these have been vague, qualified, and too often say that issues “are matters for implementation”.

A statement as to the Australian understanding of our obligations will be relevant to the interpretation of the AUSFTA.⁸ But to be useful, these understandings must be clear. Unless Australia’s understandings are put on the record, it will be all too easy to argue that the AUSFTA means what US law says – ie the DMCA and other laws including patent laws.

I therefore recommend that some, or all of the following understandings regarding the effect of Chapter 17 be clearly placed on the record. The understandings should be expressed as recording the view of Chapter 17 of the Australian government on the basis of the negotiations, as well as the understanding of the Committee. Most are completely consistent with suggestions by members of the negotiating team made to this Committee. The same approach, I would recommend, should be adopted with respect to the submissions and principles of the Internet Industry Association of Australia, in their submission dated 1 June 2004.

The Committee can thus prevent later arguments – by government or by copyright owners – that a narrower reading of the Agreement was intended, or is the only one open.

Recommended Understandings

1. The AUSFTA allows Australia to introduce new defences to copyright infringement, including (a) an open-ended fair use defence to copyright infringement, (b) defences/exceptions to mitigate the social and public costs of copyright term extension, and (c) defences for private copying in accordance with the ordinary practice of ordinary consumers (and ordinary Senators) today;⁹
2. The AUSFTA allows Australia to raise the standard of what constitutes an ‘original’ work under copyright law;¹⁰
3. Australia will not under Article 17.4.4 extend the copyright term of works which have already fallen into the public domain;¹¹
4. The AUSFTA allows Australia, if it should so choose, to impose limits on the validity of contractual provisions which seek to “contract out” of exceptions to copyright infringement;¹²
5. Article 17.4.1 allows Australia to retain, and expand the exception for temporary reproductions under ss43A and 111A of the *Copyright Act*;¹³

⁸ *Vienna Convention on the Law of Treaties* (1969) 1155 U.N.T.S. 331, Article 32.

⁹ See Hansard, Tuesday 18 May 2004, FTA 92 (Comments of Ms Toni Harmer) (stating that “we have also been very careful to ensure that we maintain the ability to put in place exceptions where we regard those to be appropriate to the Australian circumstances”)

¹⁰ see Hansard, Tuesday 18 May 2004, FTA 102 (comments of Mr Chris Creswell)

¹¹ See Hansard, Tuesday, 4 May 2004, FTA 46 (comments of government negotiators to this effect)

¹² I am not aware of any statement by the government negotiators on this particular point. The proposal to ban “contracting out” was put by the CLRC. CAL appear to take the view that it is not allowed by the text: see CAL submission, [41]. Concern about this issue was raised by members of the Senate Select Committee at the IP Roundtable on 17 May 2004.

¹³ This is consistent with the view, expressed by the negotiating team, that the Agreement preserves Australia’s ability to define the exceptions appropriate to Australian conditions: see Hansard, Tuesday 18 May 2004, FTA 92 (Comments of Ms Toni Harmer) (stating that “we have also been very careful to ensure that we

6. Article 17.4.7(e) and (f) allows Australia to create new exceptions to the anti-circumvention provisions **both** to allow the individual to circumvent a TPM, *and* to ensure that those entitled to rely on the exception may be legally provided with the means of doing so;¹⁴
7. Article 17.4.7(e)(i) allows Australia to enact a real and effective “interoperability” exception to the anti-circumvention provisions, one that allows computer programmers to circumvent technological protection measures, not only to create programs that work with existing copyright programs, but also to allow non-infringing uses of the input or output of other computer programs;¹⁵
8. Article 17.4.7(e)(ii) allows Australia to create an exception which allows researchers to address (a) all access control technology, and not just encryption, and (b) the need to ensure ‘talented amateurs’, as well as university-qualified researchers, to engage in research.¹⁶
9. The AUSFTA allows Australia to introduce new exceptions to patent infringement, including, if necessary, a research exception to patent infringement, and an exception to allow the development of interoperable computer programs.

maintain the ability to put in place exceptions where we regard those to be appropriate to the Australian circumstances”). It is also consistent with the fact that other countries do have similar, or even broader exceptions for temporary copies; see for example, the European Union *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society*, (O.J. L. 167/10 22.6.2001), article 5.1 – which appears to be **broadier** than Australia’s current exceptions; see also *Copyright, Patents and Designs Act 1988* (UK) s.28A (implementing the EU Directive verbatim).

¹⁴ See Hansard, Tuesday 18 May 2004, FTA 93 (Comments of Ms Toni Harmer) (stating that “We have the capacity under the technological protection measure provisions of the agreement ... to make exceptions where we regard those exceptions to be necessary and appropriate to the Australian circumstances”).

¹⁵ See below, Part 9.1, page 20. The proposal is consistent with the view of the negotiators, that we do not have to enact the DMCA word-for-word, and that Australia can craft exceptions to suit its own circumstances: see Hansard, Tuesday 18 May 2004, FTA 92

¹⁶ See below Part 9.2, page 22. The proposal is consistent with the view of the negotiators, that we do not have to enact the DMCA word-for-word, and that Australia can craft exceptions to suit its own circumstances: see Hansard, Tuesday 18 May 2004, FTA 92

PART B: ANSWERS TO THE QUESTIONS OF THE COMMITTEE

2 Is the impact of the IP provisions different in the United States and Australia?

2.1 Response

Yes, for four key reasons:

- (1) Chapter 17 is modelled on US law; so less changes will be required to US law;
- (2) Australian copyright law applies to more works: a lower threshold standard here means that we protect “low originality” works (eg factual databases, like the phone book) which are excluded from copyright protection in the United States;¹⁷
- (3) Australia’s purpose-based “fair dealing” defences to copyright infringement are narrower and less flexible than the open-ended “fair use” defences in the United States (see further below Part 3) – and this flexibility is relevant to key areas where the law will be strengthened by the AUSFTA;
- (4) In the United States, anti-trust law (what in Australia is called competition law) is used to control abuse of intellectual property rights. In Australia, IP owners are given a very large effective immunity from competition law (s.51(3) of the *Trade Practices Act 1974* (Cth)), and even where that does not apply, competition law has rarely been used to effectively control use of IP rights (see further Part 4 below).

2.2 Can the inequality of effect be fixed in implementation?

Australia could legislate to raise the level of originality and to introduce “fair use” as a defence to infringement. Nothing in the AUSFTA would prevent such action being taken; if anything it is supported by Article 17.4.10(c).¹⁸

However, IP owners have indicated that they would oppose any move to adopt a “fair use” defence, and the comments of government negotiators have been, at best, equivocal on this point.¹⁹ In relation to originality, the Attorney-General’s Department has indicated it has no intention of addressing the standard of originality in Australia.²⁰

If the Committee considers these reforms desirable, it should consider making a specific recommendation to that effect, as suggested above.

¹⁷ The White Pages phone book is protected by copyright in Australia: *Desktop Marketing Systems Pty Ltd v Telstra Corporation Limited* [2002] FCAFC 112; it is not protected in the United States: *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991)

¹⁸ This provision states that the language of the Chapter does not “reduc[e] or extend[] the scope of applicability of the limitations and exceptions permitted” under our existing treaty obligations

¹⁹ See the comments of Ms Toni Harmer, Hansard, Tuesday 18 May 2004, FTA 93 (stating that rather than adopting the US way of doing things, we can “craft exceptions to be appropriate to Australia”). This suggests a preference for a continued “purpose-based” approach which would not provide the kind of flexibility that is important if IP law is to be strengthened.

²⁰ See the comments of Chris Creswell (Attorney-General’s Department), Hansard, Tuesday 18 May 2004, FTA 102

Further, the Committee must consider how the operation of competition law is to be “beefed up” in relation to the control of abuses of IP rights. Again, a specific recommendation to this effect would be necessary.

3 Is the United States’ “fair use” defence broader than the Australian “fair dealing” defences?²¹

3.1 Response

On its face, the US defence of fair use is broader and more flexible in its terms than the Australian defences of fair dealing, which only apply to 4 specific purposes.²² The problem with the Australian “category-based” approach is that the categories do not deal with unforeseen circumstances, and as a result, you may fall in the cracks.²³

In the United States, the court must look at a series of factors to determine whether a use is “fair”: including the impact on the copyright owner’s market, and the nature of the use made.²⁴ The real difference is that US courts have the power to find new, or unforeseen, but economically insignificant uses “fair”, where Australian courts do not have that power.

Situations where US courts have found fair use which would not always fit Australian “fair dealing” defences include several very commonplace actions, which Australians do every day:

- Time-shifting (taping a show to watch later),²⁵
- “Space-shifting” (making a copy to a different device – like an MP3 player);²⁶
- Parodies.²⁷

Despite acknowledging these differences,²⁸ CAL have argued that Australian defences to copyright infringement are broader than in the United States.²⁹ This argument is raised on two bases: first, that “fair use” is narrowly interpreted by US courts, and second, that Australia has numerous additional exceptions so that, overall, we are more generous to consumers.

²¹ Question asked by Senator Peter Cook, Hansard, Tuesday 18 May 2004, FTA 88-89

²² The apparent narrowness of Australian fair dealing defences was recently commented on in the High Court hearings in the *Panel* litigation: see High Court Transcript, *Network Ten Pty Ltd v TCN Channel Nine* [2003] HCATrans 338

²³ Comment of Kirby J, High Court of Australia, *Network Ten Pty Ltd v TCN Channel Nine* [2003] HCATrans 338 (5 Sept. 2003)

²⁴ 17 U.S.C. §107

²⁵ The illegality of this action was confirmed by Mr C. Creswell before the Committee: see Hansard, Tuesday, 18 May 2004, FTA 86-87

²⁶ *Recording Industry Association of America v Diamond Multimedia Sys., Inc* (1999) 180 F.3d 1072

²⁷ *Campbell v Acuff-Rose Music, Inc* 510 US 569 (1994) (the “Pretty Woman” case); *Suntrust Bank v Houghton Mifflin Co* 268 F.3d 1257 (2001) (the “Wind Done Gone” case)

²⁸ Hansard, Monday, 17 May 2004, FTA 39-40

²⁹ Hansard, Monday, 17 May 2004, FTA 15

3.1.1 *Is US “fair use” interpreted more narrowly than Australian “fair dealing”?*

US interpretations of “fair use” vary over time and from court to court. In some circumstances interpretations are generous to alleged infringers;³⁰ in other cases more narrow. Generalisations are difficult, and I am not aware of any published, complete study which would answer this question.

However, two points should be noted. First, in a number of specific circumstances that have already arisen, Australia has no defence to infringement – even where uses are very common – such as taping a television show to watch later. These sorts of uses **could** be excused by a court under an open-ended exception – meaning Senator Peter Cook would no longer be a professed infringer of copyright.³¹

More importantly, the US “fair use” is more flexible and can be applied in new circumstances. This flexibility has particular relevance in the context of changes made by the AUSFTA. In other words, the strengthening of copyright caused by the Agreement would be less concerning if Australia had a flexible, open-ended defence to infringement. An open-ended fair use defence could be used by courts to alleviate issues arising from:

- **Copyright term extension** (Article 17.4.4): by allowing new, potentially productive/transformational uses made of very old works which are no longer in print or being exploited; and
- **The inclusion of “temporary copies” in the rights of the copyright owner** (Article 17.4.1): by covering copies made in the course of use of copyright works.

3.1.2 *Taken as a whole, is Australian copyright law more generous to users than US law?*

Both Australia and the United States have other defences than fair use/fair dealing. A full comparison of law in the two countries would require a deeper study, and it is not possible to state conclusively whether Australian defences are more generous or not.

However, the assertion that the Australian defences are significantly broader than the US is not convincing, for the following reasons:

- In many respects, US law has similar defences to Australia: including for uncompensated use by libraries,³² and for certain uses of computer programs.³³
- CAL relies on our educational copying system as making Australian law more generous. It is true that US law does not have a statutory license for educational uses of copyright works comparable to Part VB of the Australian *Copyright Act*. However it should be noted that the educational licenses in Australia are not defences to copyright infringement – they are schemes of rights management which specifically require **remuneration** to copyright owners.³⁴ Some uses which in the US are “free” are paid for in Australia under the statutory license.

³⁰ *Suntrust Bank v Houghton Mifflin Co* 268 F.3d 1257 (2001) (the “Wind Done Gone” case)

³¹ Hansard, Tuesday 18 May 2004, FTA 87-88

³² 17 U.S.C. §108

³³ 17 U.S.C. §117

³⁴ The Universities currently pay \$17 million/year to CAL: see Hansard, Monday, 17 May 2004, FTA 35 (Anne Flahvin on behalf of the AVCC)

3.2 *Can we fix this issue?*

Australia could adopt an open-ended “fair use” defence, thus reducing the difference in impact of the AUSFTA between Australia and the US.

However, the Australian government, DCITA and the Attorney-General’s Department have not shown any intention of adopting a flexible fair use exception, despite a proposal in 1998 by the CLRC. CAL argued to the Senate Select Committee that these issues are “for another day and another place” – and said that it would be opposed to any such move.³⁵

It is possible that no steps will be taken to make Australian defences more flexible, unless required by this Committee. If the Committee is of the view that Australia should adopt a flexible fair use defence, then it may wish to consider making this a condition of acceptance of the AUSFTA, making a specific recommendation for consideration of the issue, and stating a timetable for that to occur.

It should be noted that, as an **alternative** to an open-ended fair use exception, the Australian government could attempt to cover the situations identified in the hearings (home taping, parodies) with specific defences. This has often been suggested or proposed to the government without action on their part.³⁶ It should be noted that, even if this were done, Australian courts would lack the flexibility in new situations that US courts have – meaning Australia was still affected differently to the US by the AUSFTA.

4 **Can competition law control any abuses of strengthened IP rights?**

At a hearing before the Committee, Ms Toni Harmer stated that:

“If the copyright owner were considered to be acting in some way that was considered to be anticompetitive they would still be subject to the provisions of the Trade Practices Act.”³⁷

4.1 *Response*

Australian competition law does not, at present, impose particularly strong controls on the use of IP rights. Australian competition law is less likely to impose controls on use of IP than either US anti-trust authorities, or the European Union authorities.

In Australia, section 51(3) of the *Trade Practices Act*, confers quite a broad ‘immunity’ from competition law in relation to IP. Few IP-related cases have been brought under the *Trade Practices Act*, and those cases which have been brought have achieved only very moderate

³⁵ Hansard, Monday, 17 May 2004, FTA 15 (Michael Fraser, CEO, CAL)

³⁶ See, for example, the letter dated 22 January 2003 to Minister for Communications from APRA, Screenrights, the Australian Writers’ Guild, the Screen Directors’ Association and the Australian Screen Producers’ Association (available at <<http://www.screen.org/submissions/privatecopying/letterprivcop.pdf>>)

³⁷ Hansard, Tuesday, 18 May 2004, FTA 93. Similar issues were discussed on 4 May 2004, although only insofar as Michael Fraser of CAL said that anti-circumvention devices did not raise trade practices issues: see Hansard, 4 May 2004, FTA 43-44

success.³⁸ A copyright owner, for example, will rarely be in a position to exercise sufficient dominance in a market so as to offend against s.46.³⁹ Unlike the US, Australian copyright and patent law do not have specific doctrines of “patent abuse” and “copyright misuse” which may be pleaded by a defendant who is accused of infringement. Unlike the US, Australia does not have a set of guidelines intended to provide guidance on what forms of IP licensing will violate competition law (despite repeated recommendations that such guidelines be produced).⁴⁰ In the US, such guidelines not only exist but are stated to be, in effect, a ‘guide to what runs the risk of prosecution’ under US antitrust law.⁴¹ Both the Federal Trade Commission, and the Department of Justice in the US have taken an active interest in the interaction between IP and antitrust law; the FTC very recently issued a very substantial report on the issue in relation to patent law.⁴²

On 8 June 2004, Henry Ergas, who was the head of the Intellectual Property and Competition Review Committee, in discussing the AUSFTA specifically noted that the different competition law environment in Australia and the United States meant that the laws required by the Agreement might lead to a different result in Australia, and that, if the AUSFTA were accepted, it would be necessary to look at whether Australian competition laws are likely to be effective to control any abuse or misuse of rights conferred under IP law.

4.2 *Can this issue be fixed?*

The Committee could require, as a condition of agreeing to the AUSFTA, that IP licensing guidelines be produced in Australia, and/or that the government should act affirmatively to address the relationship between IP and competition law. However, it is very unlikely, I would think, that Australian enforcement of competition law will suddenly change to be a more proactive regulator of behaviour in relation to the use of IP.

5 **Does Chapter 17 achieve “harmonisation” of US and Australian IP law, with consequent economic benefits in the form of reduced costs for Australian business?**⁴³

Harmonisation *can* have benefits for some (particularly transnational) businesses, in the form of reduced legal and transaction costs. Of course, for this to be a benefit it is necessary

³⁸ One case was *Universal Music Australia Pty Ltd v Australian Competition and Consumer Commission* (2003) 57 IPR 353. In that case, Two major Australian distributors, Universal Music Australia Pty Ltd (formerly PolyGram Pty Ltd) (Universal) and Warner Music Australia Pty Ltd (Warner), made it known that they might not supply retailers who exercised their right to import CDs from overseas and that, in any event, they would or might review the terms upon which they dealt with such retailers: despite the promulgation of laws that specifically allowed such parallel importation. In certain cases, and for a short time, they ceased to supply some retailers who imported CDs from overseas. The ACCC succeeded (in the Full Federal Court) in showing that there had been exclusive dealing contrary to s.47, but overturned the finding of the Trial Judge that there had been a misuse of market power under s.46.

³⁹ *Universal Music Australia Pty Ltd v Australian Competition and Consumer Commission* (2003) 57 IPR 353; see also *Melway Publishing Pty Ltd v Robert Hicks Pty Ltd* (2001) 205 CLR 1

⁴⁰ By the National Competition Council in 1999; and by the Intellectual Property and Competition Review Committee in 2000.

⁴¹ US Department of Justice and Federal Trade Commission, *Antitrust Guidelines for the Licensing of Intellectual Property*, April 6, 1995 (available at <<http://www.usdoj.gov/atr/public/guidelines/ipguide.htm>>)

⁴² Federal Trade Commission, *To promote innovation: the proper balance of competition and patent law and policy*, A report by the Federal Trade Commission, October 2003.

⁴³ Question asked by Senator Peter Cook, Hansard, 17 Monday 2004, FTA 32

that the laws we are harmonising *to* are desirable: an issue on which the Committee has heard many views.

In assessing the benefits of harmonisation, however, the Committee should bear in mind that even *with* Chapter 17, Australian and US IP law will be very different. It is therefore not the case that people dealing with copyright will be able to contract across borders with no friction. Below is a list of some key differences between Australian and US copyright which will remain *even if* the AUSFTA is implemented in full:

- (1) Australia has a lower level of originality, so we protect more things with copyright law;⁴⁴
- (2) Broadcasters' signals are not protected in the US to the same extent as they are here;
- (3) We have different exceptions to copyright infringement (fair use vs fair dealing), and we have different statutory licensing schemes (for example, the educational statutory license in Australia⁴⁵);
- (4) We have moral rights protection,⁴⁶ the United States only has very limited moral rights protection.⁴⁷ Since these must be specifically dealt with in contract,⁴⁸ this is one area where the differences will remain very significant for legal and transaction costs;
- (5) We treat works created by employees very differently, for example, the term of a "work made for hire" in the US is dated from publication or creation – in Australia it depends on the life of the author;
- (6) We define both the subject matter of copyright,⁴⁹ and the rights enjoyed by a copyright owner differently.⁵⁰ For example, In the United States, copyright owners have, among other things, a right to prepare derivative works, to "display a work publicly". In Australia, a copyright owner does not those rights, but they have a right to "communicate" the work to the public, and a right to make an adaptation – which a US copyright owner does not have;
- (7) In the United States, materials produced by the US government are not protected by copyright;⁵¹ in Australia, the Crown owns copyright in materials which it produces.⁵²

In this context, removing some differences between Australian and US law will have at best a minor, or marginal impact on management and legal costs for business.

The Committee might also want to note that, in light of the more prescriptive IP provisions in the AUSFTA, transaction costs for **other**, the compliance costs of non-copyright businesses may **increase** with the AUSFTA. As someone who constantly researches IP

⁴⁴ This is the effect of *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 55 IPR 1 (Full Federal Court); *special leave refused*.

⁴⁵ Part VB of the *Copyright Act* 1968 (Cth)

⁴⁶ Part IX of the *Copyright Act* 1968 (Cth)

⁴⁷ 17 U.S.C. 106A

⁴⁸ ss195AW and 195AWA *Copyright Act* 1968 (Cth)

⁴⁹ US: 17 U.S.C. 102; Australia: ss31, 32, 85-88 (inter alia)

⁵⁰ US: 17 U.S.C. 106; Australia: ss31, 85-88

⁵¹ 17 U.S.C. 105

⁵² *Copyright Act* 1968 (Cth), Part VII.

issues and speaks about these issues to non-lawyers, I am often confronted by people who ask me why IP law is so strong, and so complex – and who complain about the costs it increasingly imposes on their business. These costs are real for businesses, including small businesses. The more complex the IP law (and Chapter 17 of the AUSFTA is, if nothing else, complex) the greater these costs.

6 Copyright term extension

6.1 *Will the AUSFTA lead to harmonisation of copyright term between Australia and other trading partners?*

As Dr Rimmer has pointed out, harmonisation under the AUSFTA is at most only partial because:

- Unlike the US and Europe, Australia does not intend to extend the copyright term of works already in the public domain, and
- The copyright term for works created by employees will differ between the US and Australia.

This suggests that many of the transaction costs pointed to by organizations such as CAL⁵³ and VISCOPY as a justification for term extension will persist even if with the AUSFTA.

6.2 *What are the costs of copyright term extension?*

Various organizations and reports have stated that the costs of copyright term extension are minimal because few works have an economic life in the order of 70+ years. This is the wrong way to look at the question. The most significant costs, in my view, are the increased costs of seeking permission to use and distribute older works, where due to the passage of time, the copyright owner may be hard to ascertain and hard to locate. By extending copyright term we create a large body of inaccessible works and prevent the creation of new documentaries, archives, artworks and other valuable creations which re-use old materials. To quote the brief by 17 Economists in the *Eldred* case before the US Supreme Court:

“Many creative works are built in part out of materials from existing works. For example, new fiction re-tells old stories, new documentaries re-use historical footage, and new music re-mixes and transforms old songs. Improvements in the technology of search and recombination continue to expand the economic importance of new creation based upon old materials.

If building block materials are copyrighted, there are two sources of inefficiency to consider. If the later innovator must pay for the use of the earlier work, this will raise the innovator’s cost of making new works, reducing the set of new works produced. In addition, if the process of bargaining and contracting is itself costly, a copyright holder’s control over derivative works imposes an additional tax on innovation.

⁵³ See Hansard, Tuesday 4 May 2004, FTA 42 (stating that “it is just not feasible in a pragmatic sense for us to have a different term from that applying with our major trading partners in the US and Europe. To administer that would cost more than it is worth. It has always been our view that we should harmonise.”)

In many cases efficient exchange is hampered by the presence of several kinds of transaction costs. First, a new creator may have difficulty locating an earlier copyright holder, particularly in the case of very old works that have been under copyright for a long time. Uncertainties about the identity of the original author or subsequent assignee of the copyright deepen the difficulty. When copyright holders are difficult to locate, it is costly to track them down and, if it is even more difficult to locate copyright holders of older works, then transaction costs will increase disproportionately for these works.

Second, for documentaries and many other works, a new creator must negotiate with a large number of previous copyright holders, often for minimal uses of their works. When copyright holders are numerous, it is costly to negotiate and reach agreements with all of them. ... The resulting costs to society take two forms: the expenditure of resources to organize and complete these agreements, and a reduction in works created due to the higher costs of producing them.”⁵⁴

6.3 Do creators support copyright term extension?

Although the negotiators have stated that the “copyright industries” supported copyright term extension during negotiations,⁵⁵ there are two points about this which the Committee should note.

First, the “copyright industries” are not equivalent to the Australian creators and innovators. We need to avoid “slippage” between copyright **owners and managers** and copyright **creators** – they are not the same thing and they quite often do not have the same interests.

The only proper conclusion is that views from those involved in the creative industries are mixed. Some organisations support copyright term extension.⁵⁶

Notably, however, many organizations representing creators and authors are **not supportive** of copyright term extension.⁵⁷ Some of those involved in our most high profile creative industries – such as the Australian Screen Directors Association and the Australian Computer Society – are opposed.

This is to be expected. As the research of Professor Yochai Benkler of Yale Law School has demonstrated,⁵⁸ strengthening and lengthening of copyright tends to benefit certain kinds of copyright owners – mostly, the large, corporate copyright owners with a large catalogue

⁵⁴ Amicus Curiae Brief in support of Eric Eldred in *Eldred v Ashcroft*, before the Supreme Court of the United States, May 20, 2002, by George A. Akerlof, Kenneth J. Arrow, Timothy F. Bresnahan, James M. Buchanan, Ronald H. Coase, Linda R. Cohen, Milton Friedman, Jerry R. Green, Robert W. Hahn, Thomas W. Hazlett, C. Scott Hemphill, Robert E. Litan, Roger G. Noll, Richard Schmalensee, Steven Shavell, Hal R. Varian, and Richard J. Zeckhauser.

⁵⁵ See Hansard, Tuesday 18 May 2004, FTA 104

⁵⁶ The Australian Copyright Council, CAL and the Australian Society of Authors, and Vi\$copy

⁵⁷ The Australian Screen Directors Association; the Victorian Film and Television Industry Working Party; the Melbourne Symphony Orchestra, the Australian Computer Society, as does Linux Australia. The Australian Writers Guild in their response to a question on notice noted the differences in views and queried the benefits. The Music Council of Australia submitted a similar view, noting the mixed opinions and noting that this was not a matter which should have been decided in this way.

⁵⁸ See Yochai Benkler, “Intellectual Property and the Organization of Information Production” (2002) 22 *International Review of Law and Economics* 81

from which value may be extracted. These organizations have (a) portfolios of works, some of which may be of sufficient longevity that they are still earning royalties, and (b) access to a large number of works which they can re-use and build on in the creation of new works. Thus the costs outlined in Part 6.2 above impact on them less.

On the other hand, new, and small innovators tend to be disadvantaged because they are not deriving any benefits in the form of royalties, and they must pay more to use or incorporate existing works in the creation of new material, as set out in Part 6.2 above.

6.4 *Can the Australian Government take steps to reduce the costs of copyright term extension?*

Yes, there are some steps the Australian government could take. Australia could (and should) consider a range of measures to reduce the deleterious effects of such extension:

- (1) Australia could create a flexible, open-ended “fair use” defence (as referred to above) – which might assist in allowing valuable uses of old, and unexploited copyright works;
- (2) Australia could enact new exceptions to copyright infringement for old works that are not being commercially exploited. In the United States, an exception was specifically created as a result of copyright term extension. That exception can be found in s108(h) of the US Copyright Act.⁵⁹ Australia, too, should consider what specific exceptions are necessary to mitigate any negative effects of the term extension;
- (3) Australia could consider initiatives such as that in the *Public Domain Enhancement Bill* proposed in the US, which would require registration for older works;⁶⁰
- (4) Australia could consider other systems to reduce the transaction costs associated with finding copyright owners of old works (these being the most significant costs, as Dr Rimmer has pointed out⁶¹). For example, Australia could consider a system that allowed people wanting to use old works for which a copyright owner was not readily located to make a payment into some central fund, allowing the use to go ahead and the owner, if eventually located, to receive payment from the Fund.

None of these steps is required by the AUSFTA, and none have yet been mentioned by the Australian government or negotiators as far as I am aware.

Once again, if the Committee considers such steps are necessary, a specific recommendation would be advisable.

⁵⁹ 17 U.S.C. §108(h), which permits nonprofit libraries, educational institutions or archives to reproduce or distribute copies of works, including in digital format, or to display them during the last 20 years of the copyright term as long as the work is not commercially available. However, this is limited to certain purposes – basically, research or study. Use or distribution for broader purposes than simply research or study should be allowed – in particular, **transformative** uses should be allowed

⁶⁰ See comments of Dr Rimmer, Hansard, Monday 17 May 2004, FTA 32

⁶¹ See Hansard, Monday 17 May 2004, FTA 31

7 Questions from the Chair on the Anti-Circumvention Provisions (Article 17.4.7)

The Chair of the Committee asked a series of questions on the effect of these provisions at the IP roundtable, and on the following day.

To answer these questions properly, 3 separate issues must be considered:

- (1) Is it illegal under current Australian law?
- (2) Would it be illegal if the recommendations of the Digital Agenda Review were accepted?
- (3) Would it be illegal under the AUSFTA?

I seek to provide summary responses to those questions in Table 1 below. In understanding the answers given in Table 1, the Committee should note three general points.

First, the current state of Australian law is **not certain**. The interpretation of “technological protection measure” by the Full Federal Court in *Sony v Stevens* case⁶² makes some of the acts queried by the Chair illegal. However, under the trial judge’s interpretation, those acts were held to be **legal**.⁶³ *Sony v Stevens* is currently the subject of an application for special leave to the High Court;⁶⁴ the High Court could overturn the Full Federal Court, making these actions **legal** under current Australian law.

Second, the Digital Agenda Review Recommendations resulted from a process of public consultation, as outlined in my main submission. Both owners and users (and those who are both) had input into that process. The Review rejected submissions from copyright owners which sought the kind of result which has resulted from the AUSFTA – submissions aimed at expanding the definition of a “technological protection measure”, and narrowing the exceptions to the bans on circumvention. Instead, that Review recommended:

- (1) Strengthening protection for copyright owners, by making the act of circumvention illegal; but
- (2) Limiting the effect of that stronger protection in two ways by narrowing the definition of what is a technological protection measure protected by the Copyright Act; and
- (3) Limiting the effect of the stronger protection by broadening the exceptions to the ban on circumvention, and the ban on distributing circumvention devices

The effect of the AUSFTA is quite different: it **broadens** protection in all three ways:

- (1) Making the act of circumvention illegal;
- (2) Broadening the definition of what is a technological protection measure;
- (3) Narrowing the exceptions to the ban on circumvention and the ban on distributing circumvention devices.

Third, in considering the effect of region coding, the Committee may wish to read the submission of the ACCC to the Digital Agenda Review (which I have forwarded to the

⁶² *Kabushiki Kaisha Sony Computer Entertainment v Stevens* (2003) 57 IPR 161

⁶³ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* (2002) 55 IPR 497

⁶⁴ Confirmed in a telephone conversation with the High Court Registry, Friday, 4 June 2004.

Committee). The approach recommended by the ACCC would avoid what appear to be the Chair's concerns, as expressed in the Chair's questions to the IP roundtable. The ACCC's proposal is **prevented** by the text of the AUSFTA.

Finally, Mr Simon Cordina, in a hearing before the Committee, stated that:

*“in terms of regional coding itself, if a person is playing a legitimate, non-pirated product, the government's intention would not be for that to fall foul of the laws in relation to technological protection measures”.*⁶⁵

I can see no way, under the text, that this result can be achieved. The Agreement protects regional coding measures as “technological protection measures” under Article 17.4.7(b): regional playback control is a kind of “access control”. The ability of Australia to create exceptions is dealt with further below (Part 8, page 17), but in summary, it does not seem possible to introduce a specific exception to deal with region coding at least for distribution purposes. Finally, at present no action could be brought under the *Trade Practices Act* to deal with anti-competitive conduct resulting from technological protection measures.⁶⁶

Table 1: Summary of outcomes in relation to the acts raised by the Committee Chair

Action	Position under current Australian law	Position if Digital Agenda Review Recommendations were adopted	Position once AUSFTA is implemented in Australian law
Modification of a DVD player to allow it to play disks from any region	Illegal <u>But</u> question is open because <i>Sony v Stevens</i> interpretation subject to High Court appeal.	Legal Because of (a) narrowing of definition of TPM and (b) recommended exception to allow access to a legitimately acquired non-pirated product.	Illegal Subject (possibly) to creation of an exception
Selling a DVD player that played disks from any region	Probably legal DVD player is probably not a ‘circumvention device’. But note: patents and contracts are currently used to require DVD player	Probably legal But patent and contract may be used to prevent such sales, as occurs currently.	Probably legal But patent and contract may be used to prevent such sales, as occurs currently.

⁶⁵ Hansard, Tuesday 18 May 2004, FTA 91. This is supported by the comments of Ms Harmer, Hansard, Tuesday 18 May 2004, FTA 93, and Mr Cordina, Hansard, Tuesday 18 May 2004, FTA 94

⁶⁶ See further above Part 4

⁶⁷ In order to produce a DVD player which will play the disks produced by the major movie studios, a manufacturer must license patented technology, known as CSS. One of the conditions of the CSS license is

Action	Position under current Australian law	Position if Digital Agenda Review Recommendations were adopted	Position once AUSFTA is implemented in Australian law
	manufacturers to enforce region-coding. ⁶⁷		
Playing a DVD on a DVD player modified to allow it to play DVDs from any region.	Legal Act of circumvention is legal.	Legal Act of circumvention illegal, but definition of TPM narrowed.	Possibly illegal Act of circumvention illegal if individual should have known they were circumventing.
Modifying or removing rights management information contained in a digital media file.	Illegal	Illegal	Illegal
Bypassing measures applied to music CDs which prevent them being played on a computer.	Legal Act of circumvention is not illegal, but distributing means of doing so is illegal.	Legal Recommendation 17 would create exception for gaining access to a legitimately acquired copy.	Illegal

8 Can Australia create new exceptions to the anti-circumvention provisions?

8.1 Response

One key issue which has been raised in the Senate Select Committee hearings is: to what extent can Australia create new exceptions to the anti-circumvention provisions, in addition to those listed in Article 17.4.7(e)?

The process for creating new exceptions is set out in Article 17.4.7(e)(viii). In my main submission I have expressed concern about the **cost** of obtaining an exception via such a process, particularly for non-profit organizations and individual users. I need not repeat those concerns here. And, of course, this process will not help the poor unfortunate who has acted without realizing they *needed* an exception.

that the manufacturer will produce DVDs which enforce region coding: see CSS Procedural Specifications, Clause 6.2.1.4 (Version 2.2, Effective 15 September 2003, and downloaded April 2004). This is why we need a right to **modify** the DVD player if we are to overcome region-coding concerns.

The important point however is one I raised at the IP Roundtable. That day, I argued that Australia can, under Article 17.4.7(e)(viii), create new exceptions to legalise the **act** of circumvention, but **cannot (owing to the effect of Article 17.4.7(f)) create new exceptions to the ban on distribution**⁶⁸ of circumvention devices.⁶⁹ This is because under Article 17.4.7(f), Australia may create exceptions to the ban under Article 17.4.7(a)(i) (the *act* of circumvention) by the process outlined in Article 17.4.7(e)(viii), but cannot, using that process, create exceptions to the ban under Article 17.4.7(a)(ii) (the act of creating/distributing circumvention devices).

If I am correct, the following example demonstrates the effect.

Example.

A multimedia student wants to make a collage using scenes and pictures from recent movies released only on DVD. The actual copying and use of the images is probably a fair dealing (personal research or study, and/or criticism/review) and hence not copyright infringement. However, DVD encryption prevents the copying of the scenes from the DVDs. What, legally, can the student do?

Current law: *Circumvention by the student is not a breach of the law; however, no defence exists to a retailer who supplies the means to circumvent to the student for this fair dealing.*

Digital Agenda Review: *Student's circumvention is prima facie illegal, but she has a defence (personal research/study) as a result of Recommendation 17, and for the same reason, a defence exists for University store that supplies means.*

AUSFTA Art 17.4.7: *No defence on the text. Australia could create a defence for the student – presumably after an exhaustive legislative or administrative process (by which time this student may have graduated, even assuming someone is willing to go to the expense of trying to make a “credible showing” of harm under Article 17.4.7(e)(viii)).*

However, *under Article 17.4.7(f), Australia cannot create a defence which would allow the University store to distribute the means of circumvention – nor for computer science students to provide that service.*

*Potential result: student must take a course in computer science and advanced encryption – or seek the means from overseas.*⁷⁰

⁶⁸ Note that by “distribution” I mean distribution, creation, and import of circumvention devices, and the provision of distribution services – in short, ALL of the actions forbidden by Article 17.4.7(a)(ii). I refer only to “distribution” only for economy of language.

⁶⁹ See Hansard, 17 May 2004, FTA 39-40.

⁷⁰ Although **import** is also illegal. I am assuming that “import” covers only commercial importation – although that is by no means assured.

8.2 *Can my concerns be addressed?*

It is apparent, from comments of the negotiators to the Committee, that they disagree on the effect of the Agreement.⁷¹ Members of the negotiating team simply stated that this was a question of implementation, and referred to some legal advice on the provisions' effect, which has not been made public. I should note that I have considered a range of ways that the results which the negotiators **say** they expect might be achieved on the text – in my view, **none** will work.⁷²

I also consider it **very likely that my interpretation of the Agreement accurately states the US understanding of its effect**. In the United States, it is in fact the case that the “flexible process” on which Article 17.4.7(e)(viii) is based⁷³ **cannot create exceptions to the ban on distribution**.⁷⁴ I note also that, on careful analysis, the statements of copyright owners in the IP roundtable, and in other hearings before this Committee, all refer to Australia's ability to create an exception for **use** of a circumvention device – but make no mention of how users are to **obtain** circumvention devices.

It therefore seems to me crucial that if Australia is of the view that it can create exceptions to the ban on distribution/creation of circumvention devices, that understanding must be made explicit.

I would suggest that on the contrary, it is better that we have a clear understanding of the effect of the Agreement now – rather than waiting until we have a dispute to find that we cannot use the flexibility that we thought we had. After all, if our negotiators understand we have that flexibility – surely the United States also has that understanding? And if so, why should it not be made explicit?

Please note that I would be happy to respond, whether in confidence or otherwise, to contrary arguments or interpretations which may have been put to the Committee.

8.3 *Proposed Amendment to the Agreement or Side Letter*

In my view, in order to ensure Australia has appropriate flexibility, it would be necessary either:

⁷¹ See Hansard, 18 May 2004, FTA 38-39

⁷² For example, I do not think that Australia can narrow the definition of a technological protection measure to avoid this result – in light of Article 17.4.7(b).

⁷³ 17 U.S.C. §1201(a)(1)(C)

⁷⁴ The Register of Copyrights in the Library of Congress, which in the US considers the creation of new exceptions, has several times commented on its inability to create exceptions to the ban on distribution: For example, in 2003 the Register of Copyrights was asked to create an exception to allow the distribution of interoperable “chips” which allowed an aftermarket in printer toner cartridges. The producer of the chips had been sued in the Federal District Court under the DMCA. In the event, the Register took the view that the existing “interoperability” exception was sufficient. However, in making this finding, the Register of Copyrights noted that “Even if the Register had found a factual basis for an exemption, it would only exempt the act of circumvention. It would not exempt the creation and distribution of the means to circumvent or the distribution of interoperable computer programs embedded in devices” – in other words, no one would be able to distribute the chips! Register of Copyrights Marybeth Peters, *Recommendation of the Register of Copyrights in RM 2002-2004; Rulemaking on Exemptions from Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies*, October 27, 2003, at page 180-181

- To add the words “without authority” after “circumvention/circumvent” in parts (A), (B) and (C) of Article 17.4.7(a)(ii) (thus allowing the creation, and distribution of circumvention devices for circumvention authorised by law);
- To include (e)(viii) to the list of exceptions in Article 17.4.7(f)(ii) and (iii) (making it crystal clear that the exceptions created under Article 17.4.7(e)(viii) may be plenary); **or**
- Agree to a side letter which makes explicit that either Party may, under Article 17.4.7(e)(viii) create an exception both to the ban on the act of circumvention, and to the ban on distribution, creation, and importation of circumvention devices/services.

9 **How to protect competition, innovation and open source programmers under the AUSFTA: or, do open source programmers and computer science researchers have anything to fear from the provisions of the AUSFTA?**

One of the key concerns of open source and other computer programmers, and computer science researchers in relation to the AUSFTA is that the anti-circumvention provision (Article 17.4.7) will lead to threats and litigation in Australia similar to those which have arisen in the United States.

In my view there are some legitimate concerns that the exceptions that these people would need to rely on – Articles 17.4.7(e)(i) (for interoperability) and (ii) (for researchers) will be implemented narrowly. For the sake of promoting Australian competition and innovation, these provisions must be interpreted broadly. Any implementation must provide proper protection for legitimate activities by computer programmers and researchers.

The Committee could mitigate the damaging effects on these innovators by clearly, specifically endorsing the broad interpretations.

Again, as I said on page 2, this will not render the AUSFTA Chapter 17 harmless. It will only mitigate its worst effects, and, it is to be hoped, mitigate the fear on the part of researchers and programmers which is so detrimental to innovation, and which chills new research and programming projects.

9.1 *Article 17.4.7(e)(i): Interoperability*

9.1.1 *Issue*

Article 17.4.7(e)(i) is designed to ensure that the creation of interoperable programs is allowed. This is critical to competition, and critical to open source programmers.

True interoperability can only be achieved – and competition and innovation unhindered - where users of Windows and users of alternative systems like Linux can do the same things on their computers: where they can both read DVDs and CDs; where they can also read each other’s files and communicate seamlessly. In order to achieve this, it may be necessary to circumvent technological protection measures on actual computer programs, **and also on the input, and output of computer programs.**

For example, a key objective, and source of growth for open source programmers is the open source desktop. In order for such a Desktop to work, it must be able to play DVDs, CDs, and read all other files created for or by existing Desktop programs. Imagine that Word, when it creates files, places limitations on **access** which are designed so that only machines using Microsoft Word can read the file.⁷⁵ A return, indeed, to the bad old days of early computing. We all know how frustrating it can be if your Word Processor cannot read, and deal with, files created by other programs. If were to happen, an open source word processing program seeking to read a Microsoft Word file would need to interoperate with Microsoft Word (a computer program) **but it may also need to circumvent the protection on files created by Word**. The same applies to DVDs and any future files or media. How useful is a desktop system that cannot read CDs and DVDs?

Article 17.4.7(e)(i) specifically refers to interoperability with **computer programs**. It is therefore understandable that programmers are concerned that their ability to create genuinely interoperable products, and genuinely competitive systems, including Desktop systems, will be limited if the provision is implemented narrowly.

9.1.2 *Can this be fixed in implementation?*

The Australian government has dealt with this kind of interoperability issue before, by **expanding the definition of computer program** (under s.47AB) to include data “incorporated in, or **associated with** a computer program,” and “essential to the effective operation of a function of that computer program.” This extended definition was inserted into the *Copyright Act* specifically to promote interoperability and make sure that the provisions actually achieved this aim.⁷⁶

A similar move will be needed here, if open source programmers are going to be allowed to build their alternative systems, and alternative desktops. In my view, such a move is open on the text of the AUSFTA, which nowhere defines “computer program”, especially in light of:

- Australia’s past extended definition of the term; and
- the clear aim of the provision – and of government policy – which is to promote competition through interoperable products.

For computer programmers to be able to continue creating interoperable systems, including the open source desktop, the Australian government can, and must, interpret “computer program” in Article 17.4.7(e)(i) to include **all input and output of** computer programs. In other words, Australian legislation must allow:

⁷⁵ I am not suggesting that Word documents currently have such “technological protection measures”. But they could, in the future. As Maurice Gonsalves of the BSAA noted at the Senate Select Committee hearing, copyright owners will **increasingly** be using technological protections: see Hansard, Monday, 17 May 2004,

⁷⁶ *Copyright Act* 1968 s.47AB. These provisions were inserted after the High Court decision in *Data Access Corporation v Powerflex Services Pty Ltd* (1999) 202 CLR 1 – where the High Court had held that an interoperable program had infringed copyright in a literary work associated with the plaintiff’s computer program. The copyright protection of the “Huffman Compression Table” in that case stood in the way of creating a competitive database-building program. The Government, as a result, took steps to prevent such issues standing in the way of developing new programs in the future: see *Revised Explanatory Memorandum to the Copyright Amendment (Digital Agenda) Bill* 2000, paragraphs 79-85.

“distribution,⁷⁷ and creation, and non-infringing use of a computer program which circumvents solely for the purposes of access and interoperation with another program, or with the output or input of another program.”⁷⁸

In other words, open source programs should be able to interoperate with existing programs, and read and work with the same media and files as existing programs. Such an interpretation would make the “interoperability” exception real.

Article 17.4.7(e)(i) could be interpreted more narrowly than this.⁷⁹ If the Committee is concerned about ensuring competition, innovation, and that open source programmers can continue their innovative developments, it needs to specifically support a broad reading. If the broad reading is opposed or rejected by the relevant government departments, then the Committee can be sure that the fears of open source programmers are very real.

9.2 *Article 17.4.7(e)(ii) - Encryption (Computer Science) Research*

One legitimate area of study for computer science relates to security and access controls. Article 17.4.7(e)(ii) seeks to ensure that this research can continue.

However, the Senate Select Committee should be aware that the exception has not been sufficient in the United States, because it allows research only on **encryption** – which is not the only method of access control. Research projects in the United States have been stalled, or ceased, as a result of the narrow exception under the DMCA.⁸⁰ These problems have led computer science researchers in the United States to seek further exceptions (under the equivalent to Article 17.4.7(e)(viii)).⁸¹

In my view, the exception in Article 17.4.7(e)(ii) must be read broadly to include not only technologies which specifically scramble, and descramble information (ie encryption technologies), but **like technologies which are used to control access or prevent copying of copyright subject matter**: otherwise it will not achieve its aim of ensuring that legitimate research is not stunted.

In addition, to allow the “talented amateur” to conduct research, it is important that “appropriately qualified” is interpreted broadly. We must not exclude those without a university degree. One way to do this would be to read “appropriately qualified” as referring to the **intention** of the researcher (ie, whether they are intending to circumvent for copyright

⁷⁷ Including importation and all the usual terms

⁷⁸ Or perhaps even broader: eg “computer programs which circumvent access for non-infringing purposes similar to those performed by other, similar computer programs”.

⁷⁹ For example, in the United States, where the DMCA only allows circumvention of protections on actual computer programs: see the *Report of the Congress Commerce Committee* on the Digital Millennium Copyright Act, 1998 (H.Rpt. 105-796) (comments on §102(f) of that Act) (22 July 1998).

⁸⁰ Submission of Professor Edward Felten, Associate Professor of Computer Science, Princeton University, to the Library of Congress/Copyright Office Rulemaking on “Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies.”, December 2002 (available at <<http://www.freedom-to-tinker.com/FeltenDMCA.pdf>>)

⁸¹ See above n80.

infringement purposes, or whether, on the other hand, they are engaged in the writing of better programs and the invention of better technology).⁸²

Once again, if the Committee wishes to ensure that this view is taken in future implementation, it should specifically state such an understanding.

9.3 *Software and Business Method Patents, and Computer Programming*

A further fear expressed by open source programmers relates to the potential deleterious effects of software and business method patents on their activities. Given the exponential increase in software patents in the United States, the fear of the effects of such patents is real, even if the AUSFTA does not change the current obligations Australia has to grant patents without discrimination as to the area of technology.⁸³

It would be desirable for the Committee to note that this is a real area of concern. In my view, to the extent that patents start to affect interoperability and new development of computer programs, it may, eventually, be necessary to consider new exceptions to patent. These are specifically allowed under Article 17.9.3 of the AUSFTA, but could usefully be affirmed by the Committee, as suggested in the “Understandings” above.

10 Was the negotiation of the IP Chapter a failure of transparent and accountable policy-making?

The government has sought to argue that there was extensive consultation on the IP Chapter, and that the process of negotiating the Chapter was entirely satisfactory.

I reiterate the views expressed in my main submission. I remain of the view that the negotiation of the IP chapter represents a very poor method of IP policy-making, and am supported in this view by a large number of other submissions made to this Committee. If nothing else, the extent of concern about the IP chapter raised by all kinds of parties: from creators, to users, to consumer bodies, and economists should indicate to the Committee that whatever processes of consultation have occurred in the negotiation have not been such as to inspire confidence.

In my view:

- The consultation process was closed, and secretive. In the consultation at which I was present, we were not shown any of the proposed text and so could not sensibly respond. Given the degree of reliance, by the negotiators, of “subtleties” in the text, a consultation without any real discussion of the text cannot be useful;
- Parties were not consulted about changes to the final draft - such as the late introduction of term extension. Many of the substantive changes included in the IP chapter came as a surprise to the participants in the consultation process.
- The process adopted utterly failed to engage with existing, comprehensive policy processes in relation to both digital copyright, and patent law. Many people in good

⁸² This is consistent with the approach of the Government, as stated before the Committee, that the provisions are aimed at preventing **piracy**, not at stopping legitimate activities.

⁸³ TRIPS, Article 27(1)

faith made extensive submissions to those processes – only to find that the resulting report has been overridden by a parallel, secretive process.

- The outcomes were not properly costed before, or even *after* the Agreement was negotiated.

I understand that the negotiators were in a difficult position. My submission should not be read as personal criticism of any of the negotiators. The fault lies with the totally unsatisfactory process, not the individuals involved, who I am sure made good faith efforts.

11 Conclusions

This Supplementary Submission, long as it is, only scratches the surface of Chapter 17. I have sought, specifically, to deal with questions raised during hearings and areas of major concern with the Chapter, and to answer points raised in other submissions and hearings.

Chapter 17 of the AUSFTA is not about free trade, and it is not about harmonization of laws.⁸⁴ It is about increasing levels of IP protection, and adopting certain parts of US law – laws that are heavily criticized and problematic even in the United States. It may provide some “certainty” to IP owners – but at the cost of many other important social interests. It is about adopting changes to our law which have been rejected every time they have been proposed in the past, and rejected, most recently, by government-commissioned public reviews like the Digital Agenda Review.⁸⁵ It is about overturning the very extensive law and policy-making processes that have been undertaken in recent years in Australia, processes which involved broad participation and consultation⁸⁶ – and replacing that heavily negotiated and relatively balanced law with something wholly new, something negotiated behind closed doors. I would ask the Committee to note the many problems with the Chapter, and to seek, if it cannot reject it outright, at least to take all the steps it can to ensure the damaging effects are kept to a minimum.

⁸⁴ See my arguments in Part 5, Page 10 above.

⁸⁵ For example, the broader definition of “technological protection measures”; the strengthening of the presumptions applicable in copyright enforcement are just two which have been considered, and rejected, several times in Australia.

⁸⁶ As to which see my main submission, where I document this history rather extensively.