

Joint Standing Committee on Treaties
Anti-Counterfeiting Trade Agreement

Submission of Associate Professor Kimberlee Weatherall

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The Author

I am an Associate Professor in law at the University of Sydney, specialising in intellectual property law. I have written and published on intellectual property (“IP”) generally, and in particular on the ACTA agreement, and am currently engaged in a number of research projects relating to IP and IP enforcement in particular. I make this submission in my own name.

I am more than happy to answer any questions that arise from this submission.

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1 Introduction and Executive Summary

Enforcement of intellectual property rights is important: without effective enforcement, it is unlikely that IP rights will serve their intended purpose of providing incentives for creativity and innovation. However, it is generally acknowledged that an appropriate balance needs to be ensured between the enforcement of IP rights on the one hand, and on the other, societal interests such as education and health, as well as fundamental rights of users such as the right to information and education, freedom of expression, privacy, and due process.

I recognise too that many provisions found in early drafts of the Anti-Counterfeiting Trade Agreement (ACTA) which were of concern have been qualified or removed in the final text, and that, again in contrast to earlier drafts, the final text of the ACTA does contain some general provisions committed to balanced enforcement procedures. In this respect, the text of ACTA is more balanced than some recent international IP agreements or drafts.

Nevertheless, this submission raises a number of concerns about ACTA, and makes the following recommendations:

1. Transparency and process: JSCOT should reject the Department's assertion that appropriate consultation occurred during the course of the negotiation of this agreement, and should recommend that Australia not agree to confidentiality as a condition for future negotiations so directly impacting domestic law and policy. JSCOT should hesitate to endorse ratification of an agreement which has generated, and which continues to generate, a high degree of controversy internationally (Part 2).
2. DFAT's negotiating and NIA stance: JSCOT should reject DFAT's present negotiating stance, reflected in the National Interest Analysis, that provisions which match or do not require changes to present Australian law are acceptable, or even desirable. JSCOT should recommend that DFAT's negotiating stance in IP depend on an assessment of Australia's national interest, based on evidence not assumption, and informed by independent economic analysis (Part 3).
3. Independent economic analysis: JSCOT should critically examine the asserted benefits of ACTA, and request more specific information about the likely costs of ongoing administration of the agreement, and in particular, how those costs add value over and above existing costs from engaging in existing international IP fora (Part 4).
4. Secondary Liability: JSCOT should reject the provisions of the ACTA which promote secondary liability (Part 5.1).
5. Civil Enforcement: JSCOT should seek an explanation from DFAT as to why safeguards for defendant and individual rights and proper process that

are made mandatory in the TRIPS Agreement are not included in the text of the ACTA (where obligations included in TRIPS are included in the ACTA text) (Part 5.2).

6. Access to Medicines: JSCOT should conclude that ACTA, and the promulgation of the model of enforcement included in ACTA, pose a threat to access to essential medicines and to the spirit of the Doha Declaration. JSCOT should hesitate to recommend ratification of ACTA in light of these concerns (Part 5.3).
7. Border measures: JSCOT should hesitate to recommend ratification of ACTA unless satisfied that the scope of the border measures provisions is clear. JSCOT should further seek an explanation for the absence of these safeguards from the ACTA text, and (at the very least) a positive statement from the government that all TRIPS safeguards are preserved in ACTA. JSCOT should take into consideration the possible impact of ACTA provisions on Australians trading in countries where accountability of officials is less developed than in Australia (Part 5.4)
8. Criminal provisions: JSCOT should consider whether the criminal provisions are in fact consistent with Australian law, and whether the overcriminalisation that ACTA represents is appropriate policy for Australia.
9. Enforcement in the digital environment: JSCOT should require an unequivocal statement from the government that neither graduated response, nor draconian SOPA or PIPA style laws are required by ACTA (Part 5.6).
10. Institutional Structure: JSCOT should seek a proper costing for ongoing administration of the ACTA, and should require that, if Australia joins ACTA, any future development of standards in the ACTA must take place with full transparency and consultation of all stakeholders (Part 5.7).
11. Generally: JSCOT should demand that policy in this area, and, in particular, any further commitments in IP law or enforcement resources, be made based on evidence.

I also refer the Committee to my published work on ACTA. I am happy to provide copies on request:

Kimberlee Weatherall, 'Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement' (2011) 33 *Sydney Law Review* 229-263.

Kimberlee Weatherall, 'ACTA as a New Kind of International Lawmaking' (2011) 26 *American University Journal of International Law* 839-901.

Kimberlee Weatherall, 'Intellectual Property in ACTA and the TPP: Lessons Not Learned', available at <http://works.bepress.com/kimweatherall/24>.

Kimberlee Weatherall, 'ACTA – Australian Section by Section Analysis (April Public Draft)', available at <http://works.bepress.com/kimweatherall/21/> (considers an outdated draft of ACTA but has background on each area covered by the Agreement).

2 The process by which ACTA was negotiated departed from principles of transparency and accountability in law-making

ACTA was negotiated outside existing fora established to address IP issues (namely, the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO), and with an unusual degree of secrecy for an international agreement setting standards in IP law. Certain industry interest groups were given privileged access to text and negotiating positions in the US. Texts were released very late in the process and only after repeated demands and repeated leaks. While confidentiality may be common in trade negotiations, ACTA is not in fact a trade agreement, it is an IP agreement,¹ and such confidentiality it is not common or appropriate in IP negotiations which impact directly and in minute detail on domestic law and domestic innovation policy.

Such secrecy is damaging to the democratic process and to the legitimacy of the agreement. It is also harmful to Australian interests in the negotiations. It is also harmful to good and balanced policy-making. The Australian negotiators were denied the opportunity to engage meaningfully with stakeholders on the issues involved.

JSCOT should also be aware of the controversy that ACTA has generated in other countries. In June 2011, the Mexican Congress rejected ACTA. On 27 January 2012, the European Union rapporteur responsible for ACTA quit his role, denouncing the process by which ACTA was negotiated and has been managed, and the exclusion of the EU Parliament's demands for information and transparency. In the US, ACTA has generated controversy over whether it can be signed as an Executive Agreement. In short, ACTA is widely seen as an agreement lacking in legitimacy owing to the manner in which it was negotiated and the one-sided nature of many of its provisions. The negotiation of ACTA in a selective manner has been criticised by a number of important trading partners of Australia, including both China and India.

It is submitted that JSCOT should reject the Department's assertion that appropriate consultation occurred during the course of the negotiation of this agreement, and should recommend that Australia not agree to confidentiality as a condition for future negotiations so directly impacting domestic law and policy. JSCOT should hesitate to endorse ratification of an agreement which has generated, and which continues to generate, a high degree of controversy internationally.

¹ For a detailed refutation of the claim that ACTA is a trade agreement, see Kimberlee Weatherall, 'Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement' (2011) 33 *Sydney Law Review* 229, 233-234.

3 Existing Australian law is not the appropriate starting point for international negotiations in IP law

The National Interest Analysis (NIA) asserts, as a benefit of the ACTA, that the agreement ‘offers an effective mechanism to internationalise existing Australian IP standards of enforcement’ (NIA at [8]). This reiterates a stance, adopted by DFAT during the ACTA negotiations (and presently, during the Trans-Pacific Partnership (TPP) negotiations) that treaty provisions that match, or do not require changes to, present Australian law are acceptable or even desirable.

There are several problems with this stance.

First, it assumes that present Australian IP law is appropriately balanced at present. This is questionable. Just because a law is on the books, doesn’t mean it is good policy.

A number of reviews have questioned Australia’s existing IP law; for example, the final report of the Review of the National Innovation System, which noted ‘mounting evidence’ that the patent system ‘is impeding rather than stimulating innovation’.² This year it is expected that the Australian Law Reform Commission will undertake an inquiry into the adequacy of exceptions in copyright. Similar debates have been happening elsewhere: see, for example, the final report of the Hargreaves Review in the UK, which explicitly found that IP laws in the UK (very similar to those found in Australia) are ‘obstructing innovation and economic growth’. These and other developments suggest that the present system of IP and IP enforcement is not ideal, and certainly not so ideal that it warrants being ‘locked in’ at an international level.

Second, DFAT’s stance assumes that present Australian IP law will be appropriate for the medium and long term. This assumption is naive. How often has IP law changed in the last 15 years? How much has technology changed since the mid-1990s? And how can we think to predict how technology will operate and what an appropriate IP law will look like in even 5 years, let alone 20? IP law changes in response to technological developments; thus ‘locking in’ present law is likely to disserve Australia’s national interests in the longer term. Australia’s IP law needs to be crafted, and re-written when necessary, to serve Australia’s national interest: as the Government has long recognised, “Australia’s economic future will be shaped, in part, by how well it can manage its intellectual property assets.”³

Third, it assumes that Australian IP law and enforcement systems are appropriate for other countries. This assumption is not supported by the research. Economic studies show that the balance of interests embodied in IP law can and should vary

² Cutler & Company, *venturousaustralia: building strength in innovation* (2008), 84.

³ The Hon. Mark Vaile MP, Minister for Trade, “Introduction: Intellectual Property: A Vital Asset for Australia”, (DFAT, June 2000)

between countries with different economic interests.⁴ Thus, simply following the policies of American, or European IPRs is neither necessary, nor is it desirable.⁵ Furthermore, as economist Keith Maskus has pointed out, for countries to maximise their gains from stronger IP rights, their IP systems must interact coherently with other national policies.⁶ Further, it may not be appropriate to transplant rules relating to enforcement into other countries without a proper consideration of whether the policing, customs, and judicial systems are equipped to manage such rules. As noted further below, the ACTA confers significant powers on police and customs officials. Conferral of such powers should be accompanied by confidence that such officials are trustworthy and can be held accountable for the exercise of such powers. Many countries around the world have problems with corruption of government officials.

Fourth, DFAT's stance assumes that detailed aspects of domestic law are appropriate subject matter for international obligations. International agreements are difficult to amend once adopted. It is more appropriate, therefore, that obligations be adopted at a high level of generality so as to allow individual countries to adapt rules to local circumstances and local institutions. Some parts of ACTA are drafted in a detailed way that leaves little flexibility for contracting parties: see, for example, Article 18 (security) or Article 25 (seizure, forfeiture and destruction).

Fifth, so far as I am aware there has been no independent economic analysis of Australia's present system of enforcement to establish whether it is operating satisfactorily and provides value to the Australian economy sufficient to justify any expenditure. So far as I am aware there has been no attempt to calculate how much the Australian presently spends on enforcing IP rights; nor to work out the proportion of law enforcement or border enforcement resources expended on this issue. Nor has there been any attempt to quantify the benefits of such enforcement as occurs. In the absence of some calculation of the costs of the present system, let alone its benefits, there is no basis for asserting that the system strikes an appropriate balance of interests or that it should be internationalised.

JSCOT should recommend that DFAT's negotiating stance in IP depend on an assessment of Australia's national interest, which should be informed by independent economic analysis, *not* merely on the existing law or Australia's existing international obligations.

⁴ Keith E. Maskus, "Implications of Regional and Multilateral Agreements for Intellectual Property Rights" (1997) 20 *The World Economy* 681

⁵ Keith E. Maskus, "Strengthening Intellectual Property Rights in Asia: Implications for Australia", 46th Joseph Fisher Lecture in Commerce, University of Adelaide, 19 November 1997, at page 16; see also Jerome H. Reichman, "Intellectual Property Rights and the Dissemination of Technical Knowledge: A Pro-Competitive Strategy for Compliance with the TRIPS Agreement" (1996, Geneva, UNCTAD)

⁶ Keith E. Maskus, "Strengthening Intellectual Property Rights in Asia: Implications for Australia", 46th Joseph Fisher Lecture in Commerce, University of Adelaide, 19 November 1997, at page 16

4 No independent or economic analysis of the costs and benefits of the ACTA has been undertaken

No independent analysis of the costs and benefits of ACTA has been undertaken. The NIA portrays the ACTA as providing benefits to Australia, chiefly through international adoption of Australia's IP standards resulting in gains to Australian IP owners. It also portrays the ACTA as having no costs, in particular on the basis that it requires no changes to Australian law. Both assertions are questionable.

As to the first point, there are good reasons to doubt the asserted benefits of the ACTA, for at least three reasons:

1. Much of the ACTA is expressed in optional terms (a party *may* provide...) or at such a level of generality it is doubtful they will have much effect. Even where provisions are mandatory, the ACTA contains no commitment to devote resources to IP enforcement. Gains to Australian IP owners are therefore speculative at best.
2. There is no evidence that IP enforcement issues experienced by Australian IP owners are occurring in ACTA countries. All but two of ACTA's 37 (possible) members are developed countries. Major sources of IP infringements, such as China, are unlikely to accede to ACTA.
3. Counterfeiting and piracy need to be seen in the context of private pricing and marketing decisions of IP owners. Recent studies have shown that relative to local incomes, prices of media in countries like Brazil or India can be five to ten times higher than in countries like the US and Europe.⁷ Addressing laws against piracy without addressing the underlying causes of piracy is unlikely to succeed.

The second assertion is simply that – an assertion, unsupported by any evidence. There has been no attempt to assess the costs either of negotiation of the ACTA or ongoing administration of the agreement. The Productivity Commission has criticised the absence of data on the cost to government of trade negotiations, and recommended in November 2010 that:

*To enhance transparency and public accountability and enable better decision making regarding the negotiation of trade agreements, the Department of Foreign Affairs and Trade should publish estimates of the expenditure incurred in negotiating bilateral and regional trade agreements and multilateral trade agreements. These should include estimates for the costs of negotiating recent agreements.*⁸

In the area of IP, Australia already engages internationally through a number of institutions: through WIPO, the WTO, the International Customs Union, our existing FTAs (US, Thailand, Chile, Singapore etc) and other trade negotiations such as the TPP. There is therefore considerable risk of 'doubling up' through

⁷ J. Karanagis (ed), *Media Piracy in Emerging Economies* (2011).

⁸ Productivity Commission, *Regional and Bilateral Trade Agreements* (2010) Recommendation 7 at 112.

repeated bureaucratic activity, reporting, and meeting, with little additional benefit to IP owners let alone Australian society more generally. What would serve Australian interests better – that more Australian government officials attend more international meetings to talk about IP enforcement? Or that resources are spent on actual prosecutions of serious offenders?

JSCOT should critically examine the asserted benefits of ACTA, and request more specific information about the likely costs of ongoing administration of the agreement, and in particular, how those costs add value over and above existing costs from engaging in existing international IP fora

5 Specific Issues

I acknowledge that the final text of the ACTA is less problematic than early drafts. Nevertheless, a number of specific areas in the ACTA text are of some concern or represent, in my view, bad IP policy or bad international IP policy. Comments on these issues follow.

5.1 *Secondary Liability*

One focus of ACTA is on mechanisms for secondary liability: that is, for making third parties responsible for IP infringements actually committed by others. It is important to note that secondary liability in IP law can be very expansive, as compared to the ‘real’ world. You don’t sue Telstra because a telephone was used to commit a crime, and relatives of people killed in car accidents do not sue the car company for what drivers did. In general, we apply the law to the parties who break the law. Secondary liability should therefore be considered carefully and strongly justified.

Prior to the ACTA, there were very few provisions in international IP agreements that addressed secondary liability at all; the law in this area has been left to domestic legal developments, and varies significantly as between countries.

Provisions in the ACTA relating to secondary liability include:

- Courts must have the authority to order a third party to prevent infringing goods from entering into the channels of commerce (Article 8.1);
- Courts must have the authority to order provisional measures, where appropriate, against a third party ‘to prevent an infringement of any intellectual property right from occurring, and in particular, to prevent goods that involve the infringement of an intellectual property right from entering into the channels of commerce’ (Article 12.1);
- The requirement that criminal liability for ‘aiding and abetting’ criminal copyright and trade mark offences (Article 23.4) with penalties including imprisonment (Article 24);
- A vague provision on digital enforcement requiring that ‘enforcement procedures shall apply to infringement of copyright or related rights over

digital networks, which may include the unlawful use of means of widespread distribution for infringing purposes' (Article 27.2). Although not specifically targeted at secondary liability, this provision, coupled with the requirement in Article 27.1 that enforcement procedures 'permit effective action against an act of infringement of intellectual property rights which takes place in the digital environment, including expeditious remedies to prevent infringement' could be read to suggest a need for intermediary liability or intermediary involvement in policing infringement, at least where remedies against individuals is otherwise ineffective to prevent infringement.

Secondary liability in intellectual property is an area of considerable controversy at present, both within Australia and internationally. Within Australia, the High Court has presently before it the case of *Roadshow Films & Ors v iiNet Limited*, a case considering the liability of an internet service provider for infringements committed by its customers, and the government has spent some time seeking to broker discussions with a view to cooperation between the entertainment and online service provider industries. Internationally, legislation such as the *Digital Economy Act 2010* (UK), in France (*Loi 2009-1311 du 28 octobre 2009 relative à la protection pénale de la propriété littéraire et artistique sur internet* arts 6 and 7, 251 Journal Officiel de la République Française, 29 October 2009, 18290) and New Zealand (*Copyright (Infringing File Sharing) Amendment Act 2011* (NZ)), as well as more recent US proposals such as the *Stop Online Piracy Act* (SOPA) (112th Congress HR.3261) and the *PROTECT-IP Act* (PIPA) (112th Congress S.968) all suggest an area of law in flux, not one where principles of liability are accepted or appropriate for embodying in treaty provisions.

Taken together, these provisions can be read to encourage the kinds of proposals that we have seen in SOPA and PIPA for involvement in IP enforcement by a broader set of intermediaries, particularly in the digital environment.⁹ ACTA does not *require* such measures specifically. But it opens the door for arguments – whether by local lobbyists, or by governments seeking to influence the development of Australian law – that such measures are required in order to achieve 'effective' online enforcement of IP and thus comply with the spirit of ACTA and with Article 27.1.

Article 12.1 is troubling in that it seems to suggest that injunctions to act should be available against intermediaries who would not themselves be liable for infringement or for authorising infringement. This is not generally in accord with Australian law, and would require imposing costs on parties themselves entirely innocent of infringement, for the benefit of the entertainment industry.

⁹ Among other things, SOPA and PIPA have proposed requiring domain name servers to cease resolving the domain names of sites accused of copyright infringement; and online advertisement providers and credit card and other payment providers to cease transactions with sites accused of infringement. These proposals have, in January 2012, proved extremely controversial, leading to widespread protests from individuals and technology companies and the shelving of the relevant bills for further consideration.

Articles 23 and 24 are troubling because they bring the threat of criminal law and criminal liability to bear against third parties not themselves accused of infringement. This has two disadvantages: first, it creates an extra barrier to commercial activity, in particular entrepreneurial activity in the online environment, and second, it turns what would normally be a question of civil infringement to be dealt with between two private parties, and turns it into a criminal issue, placing the burden of policing on law enforcement, paid for by taxpayers. While Australia presently does recognise accessory liability in IP, it is under no international obligation to do so, and importantly, the relevant provisions are untested: locking them in before we know what they mean or what implications they might have for business is unwise.¹⁰

JSCOT should reject the provisions of the ACTA which promote secondary liability.

5.2 *Process in Civil Enforcement*

A number of provisions on civil enforcement are troubling. In summary:

1. As mentioned in the section above, Article 8.1 on injunctions suggests that injunctions should be available against a third party which is not itself infringing or authorising infringement, requiring it to act to prevent infringing goods entering the channels of commerce.¹¹
2. Article 10, which addresses the destruction of infringing goods and materials and implements predominantly used to manufacture infringing goods, contains no safeguard directed at ensuring protection for the interests of third parties (eg, third parties who actually own the implements but who were unaware of their infringing use), nor does it mention proportionality (destruction could in some cases be disproportionate to the wrong). It is arguable that parties are nevertheless obliged to apply considerations of proportionality and the interests of third parties as a result of Article 46 of TRIPS; TRIPS being reaffirmed in ACTA Article 1. However, it is very odd that safeguards that are in any event mandatory for the parties should not be reaffirmed in the text of

¹⁰ For details, see Kimberlee Weatherall, 'ACTA – Australian Section by Section Analysis (April Public Draft)', available at <http://works.bepress.com/kimweatherall/21/>, pages 43-45.

¹¹ It is arguable that the phrase 'where appropriate' could be interpreted as allowing that injunctions be available only in cases where the third party is itself liable for authorising infringement. This would not, however, be an interpretation favoured by some ACTA potential parties, in particular Europe which provides for injunctions in the absence of liability: see *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* OJ L 167, 22/6/2001 pages 0010-0019, Article 8.3; *Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights* OJ L 157, 30.4.2004 Articles 9.1(a) (interlocutory) and 11 (final). This is one of many areas where a lack of clarity in the language of ACTA has the potential to lead to future conflict between parties to the agreement, and pressure on Australia to conform to other parties' interpretations.

ACTA, and an explanation for this absence should be provided by the negotiators.¹²

3. The right of information in Article 11 is provided against an alleged infringer. That is, a person against whom infringement is alleged, but unproven, can be required to provide extensive information about their supply chain, potentially to a competitor company. This could have serious implications for commercial confidentiality.
4. Article 12.2 on measures ordered in the absence of the accused party (*inaudita altera parte*) contains no safeguards requiring that the accused party be provided with a hearing subsequent to the orders. Safeguards may be found in TRIPS Article 50.4, but the negotiators should be required to explain why these safeguards, if nevertheless mandatory for all ACTA parties, are not included in the text of ACTA. Although safeguards are provided in Australian law, the ACTA could affect Australians involved in proceedings overseas.

JSCOT should seek an explanation from DFAT as to why safeguards for defendant and individual rights and proper process that are made mandatory in the TRIPS Agreement are not included in the text of the ACTA (where obligations included in TRIPS are included in the ACTA text). JSCOT should consider how ACTA may implicate important commercial interests and how it could affect Australians involved in proceedings overseas.

5.3 Access to Medicines

Australia has illustrated its commitment to access to medicines, both through aid and its announced intention to legislate to implement paragraph 6 of the *Doha Declaration on the TRIPS Agreement and Public Health*. JSCOT should therefore be concerned that a number of provisions of the ACTA may impact negatively on access to medicines. Without wishing to repeat the analysis undertaken by a number of commentators on this issue,¹³ in summary, the following provisions may have an impact:

- The (apparent) extension of border seizures to trade mark infringing, as opposed to counterfeit, goods. As a number of people have noted, generic drug shipments have in the past been seized on the basis of alleged trade mark infringement.

¹² There are general provisions at the outset concerning proportionality and the interests of third parties: see ACTA Article 6.3. However, TRIPS has similar general provisions but repeats the obligation specifically in relation to particular remedies, making it clear that considerations such as proportionality and the interests of third parties are particularly relevant in the case of remedies such as seizure and destruction.

¹³ See, for example, Sean Flynn and Bijan Madhani, 'ACTA and Access to Medicines', available at <http://rfc.act-on-acta.eu/access-to-medicines>.

- The absence of various safeguards for parties whose goods are seized at the border, which may make it more difficult for generic companies whose drugs are seized to have those goods released in a timely manner;
- The broad requirement that injunctions be available against third parties (Articles 8, 12.1) which may implicate parties such as active ingredient suppliers;
- The broadened right of information in Articles 11 and 22 which enables right holders to obtain information about parties involved in a supply chain before infringement is proven (because it is available against alleged infringers) and hence take action against, third parties such as active ingredient suppliers; and
- The ready availability of seizure and destruction at the hands of customs authorities without a requirement of judicial review (Articles 19 and 20).

As a result of this combination of factors which go to change international law relating to border measures significantly, there is a realistic fear that the ACTA will be used, not (or not only) against counterfeiters, but against grey market, legal, generic copies of medicines. Again, while JSCOT may be unconcerned about the potential for abuse of process in Australia, DFAT's explicit justification for ACTA rests on its potential to act as a model for other countries including other countries in our region. Australia should not be promoting a model which creates the potential for abuse and attendant impact on access to essential medicines.

While the ACTA does refer to the Doha Declaration, it does so only once, in the non-binding preamble. The Doha Declaration is (mostly) an interpretive provision: that is, it is intended to influence the interpretation of international obligations in intellectual property. It does not provide positive rights or allow actions that are inconsistent with explicit provisions in international treaties. Thus merely referring to the Doha Declaration is not sufficient to overcome the impact of strengthened provisions in the text of ACTA.

JSCOT should conclude that ACTA, and the promulgation of the model of enforcement included in ACTA, poses a threat to access to essential medicines and to the spirit of the Doha Declaration. JSCOT should hesitate to recommend ratification of ACTA in light of these concerns.

5.4 *Border Measures*

Some concerns relating to the border measures have been mentioned in the last section. A further, more general issue in relation to the border measures is the very unclear language used, which gives rise to a number of possible interpretations, particularly as to the scope of the obligations. European academics who have analysed the agreement note the ambiguity as to whether border measures must be applied to all trade mark infringement or only cases of trade mark counterfeiting; elsewhere I have questioned whether other forms of IP such

as designs or geographical indications are required to be enforced through border measures.¹⁴ Australia should hesitate to sign an agreement where the parties do not agree on the effect of the text on such basic matters as scope.

Further ambiguity arises from the frequent occasions on which the ACTA affirms obligations for parties without including safeguards for defendants which all ACTA parties are bound to apply as a result of TRIPS.¹⁵ This has led to a quite common view that ACTA removes the TRIPS safeguards, although that appears to be an incorrect reading.¹⁶ JSCOT should seek an explanation for the absence of these safeguards from the ACTA text, and (at the very least) a positive statement from the government that all TRIPS safeguards are preserved in ACTA.

A second issue is that ACTA requires that ‘competent authorities’ (which could include customs officials) be given the power to determine whether goods are infringing (Article 19). No judicial oversight is required by this article. In addition, the competent authorities must be given authority to order the destruction of goods determined to be infringing (Article 20.1) and to order administrative penalties (Article 20.3). The authorities are also to be given authority to release considerable amounts of information to complaining rightholders (Article 22), again, with no requirement of judicial oversight. Even assuming that such determinations are within the ready capability of Australian customs officials, it is worth asking whether it is within the power of officials in prospective ACTA countries and whether Australia is confident that such powers would only be exercised with appropriate oversight/accountability. If not, there is every chance Australian exporters could be impacted by inappropriate seizures and destruction. There is also a question whether the Australian government is prepared to make this a priority over other issues at the border, such as contraband drugs, weapons and the like.

JSCOT should hesitate to recommend ratification of ACTA unless satisfied that the scope of the border measures provisions is clear. JSCOT should further seek an explanation for the absence of these safeguards from the ACTA text, and (at the very least) a positive statement from the government that all TRIPS safeguards are preserved in ACTA. JSCOT should take into consideration the possible impact of ACTA provisions on Australians trading in countries where accountability of officials is less developed than in Australia.

5.5 Criminal Provisions

ACTA significantly broadens the reach of criminal penalties in copyright and trade mark above and beyond the obligations found in the leading international IP

¹⁴ Kimberlee Weatherall, ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 229 at 247-249.

¹⁵ Such as (a) the obligation in Article 56 of TRIPS that customs have the authority to pay compensation for wrongful detention of goods; (b) the mandatory limits on detention in Article 55 of TRIPS.

¹⁶ See Kimberlee Weatherall, ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 229 at 259-260.

treaty, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The arguments against overcriminalisation are well-known: criminalising even minor acts tends to facilitate overcharging of individuals and to lessen peoples' respect for the law, as well as imposing a chilling effect on business. This can be particularly the case in areas like copyright where the law is complex and infringement may not be clear-cut. To the extent that expansion of the criminal law requires additional enforcement and prosecution, the burden will fall on the taxpayer. JSCOT should hesitate to endorse this over-extension.

TRIPS requires criminal liability for wilful trademark counterfeiting or copyright piracy on a commercial scale (TRIPS Article 61), leaving 'commercial scale' as a matter for individual countries to define, according to their state of their domestic market.¹⁷ Article 23.1 of ACTA provides a broad definition of 'commercial scale' including at least those carried out as commercial activities for direct or indirect commercial or economic advantage'. This definition applies to single acts, and hence operates effectively to remove any requirement of commercial *scale* in determining that an act is criminal. Under the ACTA definition, forwarding a single email without permission of the copyright owner (ie the writer of the email) in a business context could be a criminal act. Indeed, it is hard to imagine many businesses that do not engage in some criminal copyright infringement on this standard given the broad prevalence of copying – of newspaper articles, of journal articles, of pictures to put in powerpoint presentations or brochures, or of emails.

As noted, DFAT has stated in the NIA that no changes to Australian law would be required. It is true that Australian criminal law in copyright was significantly re-written and expanded in 2006.¹⁸ This expansion was controversial at the time. Moreover, since that time there has been no assessment of whether those amendments have been effective, and, indeed, a centrepiece of the reforms, namely, the Infringement Notices system for on-the-spot fines for copyright infringement, has never been implemented. Government's failure to implement the law is hardly a ringing endorsement.

Further, it is not entirely clear that the ACTA is consistent with existing international obligations and existing law. The ACTA text is broader than the text to which Australia is committed in its Free Trade Agreement with the United States. Under that agreement, Australia must criminalise:

- significant wilful infringements of copyright, that have no direct or indirect motivation of financial gain; and
- wilful infringements for the purposes of commercial advantage or financial gain.

The ACTA text however requires liability for infringement that occurs as part of commercial activities (that is, anything that happens in a business or perhaps even

¹⁷ WTO Dispute Settlement Body, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights: Report of the Panel* (2009), see page 115.

¹⁸ As a result of the *Copyright Amendment Act 2006* (Cth). An expansion of criminal liability in trade mark is proposed in the *Intellectual Property Amendment (Raising the Bar) Bill 2011*.

non-private context) where there is *direct or indirect* economic or commercial advantage. Thus the second form of liability in AUSFTA is expanded by the requirement that *indirect* advantage or gain be considered.

Present Australian provisions in the *Copyright Act 1968* (Cth) require either infringement having a substantial prejudicial impact on the copyright owner, *or* (in most cases) infringement undertaken for the purpose of obtaining a commercial advantage or profit (see, for example, s 132AD(1)(a)(iii)). There is no reference in that provision to *indirect* commercial advantage or profit. It is therefore not clear whether Australian law would require amendment under ACTA.

The ‘camcording’ provision of ACTA (Article 23.3) is optional, but also represents bad policy for Australia: it would add yet another criminal provision in a context where there are multiple civil and criminal provisions already applicable. Owners of copyright in film are not without civil and criminal remedies in Australia:

1. Filming a movie is copyright infringement, for which civil action lies (s101);
2. In that civil action, a copyright owner can seek delivery up of any infringing copies and the equipment used in infringement (s116);
3. If a person uploads the film online, they can be:
 - a. Civilly liable for communicating the film to the public (s101);
 - b. criminally liable for engaging in conduct that results in copyright infringement having a substantial prejudicial impact on the owner of copyright and on a commercial scale (s 132AC);
 - c. criminally liable for distributing articles (including electronic files) to an extent that affects prejudicially the owner of copyright (s132AI);
4. Even before the person uploads, if they plan to upload, they can be criminally liable for possession of an article with the intention of distributing it to an extent that will affect prejudicially the owner of copyright (s132AJ); *and*
5. Sitting in the cinema *with* the camera could cause a person to be criminally liable for having in their possession a device, intending it to be used to make an infringing copy of a work (s 132AL).¹⁹

As to the provision regarding accessorial liability (Article 23.4), this was discussed above in section 5.1.

JSCOT should consider whether the criminal provisions are in fact consistent with Australian law, and whether the overcriminalisation that ACTA represents is appropriate policy for Australia.

5.6 Enforcement in the Digital Environment

The provisions on enforcement in the digital environment (Article 27) were made significantly less specific, and less draconian, during the negotiation process than the original proposals found in earlier drafts of ACTA. During the negotiation

¹⁹ Of course, strictly speaking, there are a lot of us who are criminals on this provision...

there was concern that ACTA would require ‘three strikes’ or graduated response laws (requiring termination of individual internet subscriptions for copyright infringement), or, more recently, a law like SOPA or PIPA that would require the additional involvement of a wide range of intermediaries to shut down infringing sites (including DNS providers, online advertising companies and payment providers such as credit card companies). The final text of ACTA does not include any provision that explicitly requires such laws.

In fact, an objection to Article 27 in the final text is that its provisions are so vague that they could be interpreted a number of different ways, or that they could provide an ‘umbrella’ under which the ongoing institutions of ACTA might develop ‘best practices’ recommendations in favour of draconian options (Article 36.3(c)). The obligation to provide for ‘effective action’ against infringement online (Article 27.1) including in the context of means for widespread distribution (Article 27.2) could be used, by a foreign government seeking changes to Australian law or lobbyists seeking a similar end, to argue that draconian laws of the kind described above are required in Australia.

At the very least, to counter any such understanding, JSCOT should seek a positive statement from the government of its understanding that neither graduated response, nor draconian SOPA or PIPA style laws are required by ACTA.

5.7 *The Institutional Structure of ACTA*

Another potentially problematic aspect of ACTA is the institutions it establishes, which may lead to further commitments by Australia to devote resources to enforcement or change law. As I have noted elsewhere, the ACTA text has the potential to be a starting point on IP enforcement, rather than an end point. Not only does Article 42 of ACTA allow for amendment in the future,²⁰ it also establishes an annual meeting of representatives of the Parties in the ACTA Committee,²¹ and allows for the Committee to review the implementation of ACTA, establish ad hoc committees or working groups and make recommendations regarding implementation, ‘including by endorsing best practice guidelines’.²² Thus it might be argued that the text of ACTA could be fleshed out through guidelines on an ongoing basis, with possible amendments in the longer term. It might further be argued that the exhortations to ‘promote cooperation, where appropriate, among [the Parties’] competent authorities’,²³ particularly in conjunction with the existence of regular meetings and exchange of information about enforcement practices, creates the basic framework within which more detailed mechanisms can be developed over time.

²⁰ Albeit amendment would require acceptance by all of the Parties: ACTA art 42(2).

²¹ Established under ACTA art 36. Annual meetings are required by ACTA art 36(10) unless the Committee decides otherwise.

²² ACTA Article 36(3)(a) and (c)

²³ ACTA Article 33(2)

The concern may be that such ongoing meetings may promote the development of more draconian laws or guidelines, without input from the Australian public or stakeholders, perhaps in a similarly secretive manner to that in which the agreement was originally negotiated.

JSCOT should seek a proper costing for ongoing administration of the ACTA, and should require that, if Australia joins ACTA, any future development of standards in the ACTA must take place with full transparency and consultation of all stakeholders.

6 Conclusion

The recommendations arising from this submission are summarised in Section 1 above. I thank the Committee for the opportunity to make this submission, and am more than happy to answer any questions arising from the arguments set out above.

It is worth noting however one last theme. A number of times this submission points to the lack of evidence for the policy embodied in ACTA: the failure to undertake any assessment of the effectiveness of recent IP reforms (such as the broadening of criminal provisions), the absence of any evidence as to the cost of Australia's present IP enforcement system or its benefits, and the failure, in the National Interest Analysis, to undertake even the most basic cost-benefit analysis of ACTA itself. One last recommendation, then, may be made: JSCOT should demand that policy in this area be made based on evidence. After all, the absence of proper evidence hampers JSCOT in its task, too.