

**Joint Standing Committee on Treaties Inquiry into the Korea-Australia FTA
Responses to Questions on Notice: Associate Professor Kimberlee Weatherall, 13
August 2014**

This document provides responses to two questions on notice:

1. What kinds of public interest safeguards or balancing provisions could have been included in the IP chapter? Are there precedents?
2. Does South Korea have a fair use exception in its copyright law?

Question 1

As I noted in the hearing, precedents for general safeguards and balancing provisions exist in many existing multilateral conventions. For example, the kinds of provisions I would envisage include:

- A preamble making clear that IP law is intended to promote a range of interests, including innovation and creativity, but also broader public interests such as the public interests in access to culture and knowledge, in education and research, in the preservation of knowledge and culture, and in the preservation of health and the environment. A number of recent multilateral treaties have included preambles, which could have provided precedents. Another direct example may be found in the preamble included in the IP chapter of the Korea-Canada Free Trade Agreement;
- Provisions such as TRIPS¹ articles 7 and 8, affirming the objectives of IP law and the right of states to adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development;
- A provision affirming that the agreement does not create ‘any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and enforcement of law in general’ (see eg Anti-Counterfeiting Trade Agreement (ACTA) article 2.2);
- Provisions leaving exceptions to IP rights as a matter of domestic law: see, eg, the examples in the Anti-Counterfeiting Trade Agreement (on anti-circumvention law) or the examples in the Korea-Canada FTA more generally;
- Provisions ensuring that enforcement procedures are fair and equitable and protect the rights of all participants, and that remedies/penalties are proportionate (see eg ACTA articles 6.2-6.3).

As this list makes clear, precedents for all these kinds of safeguards can be found in existing agreements. Many can be found in TRIPS. Some more recent safeguards were negotiated only recently by Australia in ACTA. Particularly given JSCOT’s recent hesitation around the ACTA Agreement (even with all its safeguards), there is no rational reason for failing to include such safeguards in the IP chapter of KAFTA.

It is also striking to compare the IP chapters of KAFTA and the Korea-Canada FTA, concluded this year. Table 1, annexed to this document, compares specific provisions of

¹ The Agreement on Trade-Related Aspects of Intellectual Property Rights, which is the WTO Agreement on IP.

the two IP chapters. Table 1 shows that the IP chapter of KAFTA is significantly more one-sided in favour of rights holders than the equivalent in the Korea-Canada FTA. Not only is the Canadian agreement much less detailed than KAFTA on IP,² but it contains more balancing provisions, more safeguards, and a preamble that suggests that the chapter is to be interpreted to promote a balance between the interests of IP owners and the interests of broader society and users.

A comparison with the Korea-Canada FTA also highlights a further point, relating to the relationship with investor-state dispute settlement. In my submission, I argued that the *combination* of a detailed and unbalanced IP chapter with ISDS is dangerous. The Korea-Canada agreement does two important things that reduce that risk:

1. First, the IP ‘carve-out’ (intended to ensure changes in IP rules or rights are not ‘expropriations’) is different. As noted in my submission, KAFTA states that IP changes are not expropriations provided they are consistent with the IP chapter, thus allowing an arbitral panel to consider and rule on the consistency of domestic law with the IP chapter.³ Compare this to Korea-Canada, which states that IP changes are not expropriations provided they are consistent with TRIPS (the WTO IP agreement). This has two effects: first, it ensures that consistency with the IP chapter cannot be challenged directly by an investor, and second, it makes it harder to succeed in a challenge to IP changes, because TRIPS is more flexible and more balanced.
2. Second, the Korea-Canada IP chapter is more balanced and leaves more discretion to domestic lawmakers. This makes it harder to challenge an IP rule for inconsistency with the chapter, even if it could be raised in the context of a dispute (an investor or state-to-state dispute).

In short, the safeguards and balancing provisions in Korea-Canada (in the investment and IP chapters) mean that ISDS is significantly less dangerous to IP policy-making in the Korea-Canada FTA than in KAFTA.

Question 2: Does Korea have fair use?

Yes, albeit in a different form from the US exception, and from the form proposed by the Australian Law Reform Commission for Australia. The Korean Copyright Act was amended in 2012 to include a general provision for fair use. Article 35-3 states that:

1. *Except for situations enumerated in art. 23 to art. 35-2 and in art. 101-3 to 101-5, provided it does not conflict with a normal exploitation of copyrighted*

² For example, the Korea-Canada FTA does not include any provisions on copyright term. The text in the Korea-Canada FTA is also just less detailed and prescriptive. I have and can provide, if desired, a full table comparing the two chapters prepared by my research assistant Neha Kasbekar, but just to illustrate the point, the IP chapter of the Korea-Canada FTA has 22 footnotes. KAFTA’s IP chapter has nearly four times that number (85 footnotes).

³ My primary submission to this effect was somewhat tentative. I note however that another expert academic has recently made a very similar argument in a conference paper: see Henning Gross Ruse-Khan, ‘Litigating Intellectual Property Rights in Investor-State Arbitration: From Plain Packaging to Patent Revocation’ (July 8, 2014). Fourth Biennial Global Conference of the Society of International Economic Law (SIEL) Working Paper No. 2014-21. Available at SSRN: <http://ssrn.com/abstract=2463711>.

work and does not unreasonably prejudice the legitimate interest of the copyright holder, the copyrighted work may be used, among other things, for reporting, criticism, education, and research.

2. *In determining whether art. 35-3(1) above applies to a use of copyrighted work, the following factors must be considered: the purpose and character of the use, including whether such use is of a commercial nature or is of a nonprofit nature; the type or purpose of the copyrighted work; the amount and importance of the portion used in relation to the copyrighted work as a whole; the effect of the use of the copyrighted work upon the current market or the current value of the copyrighted work or on the potential market or the potential value of the copyrighted work.⁴*

The phrase ‘among other things’ is like the US Copyright Act (s 107) which states copyright material can be used for ‘purposes such as criticism [etc]’. It is open-ended, which means that uses which meet the standard (set out in 35.3-2) but which are not listed purposes may nevertheless be fair. This gives copyright law the flexibility to adapt as technologies and uses change. The factors listed in article 35-3.2 are very similar to the factors used in s 107 of the US Act to determine whether a use is fair.

However, the first phrase of article 35-3.1 contains an additional limitation on the exception, requiring that the use, to be excepted, must ‘*not conflict with a normal exploitation of copyrighted work and does not unreasonably prejudice the legitimate interest of the copyright holder*’. This incorporates language from an international limitation on copyright exceptions known as the three step test. The additional phrasing in 35-3.1 *could* make article 35-3 narrower than the US exception – *maybe*, depending on how courts interpret it. Many international IP experts would consider that a use that meets the standards set out in article 35—3.2 *also* meets the three step test. But having the text as an additional limitation in this way might suggest to courts that they must separately give this text effect – thus making the exception narrower.

The additional phrasing in 35-3.1 (which made its way into article **13.5.1 footnote 65 of KAFTA**) is inconsistent with the recommendations of the Australian Law Reform Commission on Copyright. The ALRC found that an existing exception in Australian copyright law, s 200AB, which includes similar language taken from the three step test has been a failure – institutions have been reluctant to rely on it because no one knows what it means. The ALRC therefore suggested Australia should repeal s 200AB and adopt fair use using similar language to s 107 of the US Act, with some additional specified purposes.

⁴ This text is not taken from an official translation, but from a discussion of the provision found at <http://infojustice.org/archives/28766>. The author of that discussion is an American University student with a Korean background.

Table 1: Comparison of (some) IP chapter provisions from the Korea-Canada and Korea-Australia FTAs, with a particular focus on safeguards and balancing provisions⁵

Korea-Canada FTA	KAFTA (Korea-Australia FTA)	Comments
<u>GENERAL PROVISIONS</u>		
<p>16.1 Objectives</p> <p>The objectives of this Chapter are to:</p> <ul style="list-style-type: none"> (a) facilitate international trade and economic, social and cultural development through the dissemination of ideas, technology, and creative works; (b) achieve an adequate and effective level of protection and enforcement of intellectual property rights; (c) achieve a balance between the rights of intellectual property right-holders and the legitimate interests of intellectual property users with regard to intellectual property; and (d) strengthen the Parties' cooperation in the field of intellectual property. 	<p>13.1 Nature and Scope of Obligation</p> <ol style="list-style-type: none"> 1. Each Party recognises the importance of adequate and effective protection of intellectual property rights, while ensuring that measures to enforce those rights do not themselves become barriers to legitimate trade. 2. Each Party shall be free to determine the appropriate method of implementing the provisions of this Chapter within their own legal system and practice. 	<p><i>Kor-Can FTA includes a preamble emphasizing the importance of interests <u>beside</u> 'adequate and effective protection of IP rights'. In particular, it recognizes the importance of <u>balance</u>, the legitimate interest of users, and the importance of social and cultural development through the <u>dissemination</u> of ideas, technology and creative works.</i></p> <p><i>KAFTA only refers to the importance of adequate and effective protection, and makes no reference to societal or user interests. It is therefore more one-sided.</i></p> <p><i>The <u>advantage</u> of the Kor-Can FTA preamble is that it could be used to influence the <u>interpretation</u> of the chapter in any dispute, and to ensure that the interpretation of the chapter is not one-sided so as to affirm only the strong rights of IP owners.</i></p>
<p>16.4.3: Nature and Scope of Obligation</p> <p>This Agreement does not create any obligation with respect to the distribution of resources between enforcement of intellectual property rights and enforcement of law in general</p>	<p>No equivalent.</p>	<p><i>The Kor-Can provision would be useful if an IP owner were to complain, for example, that the low priority police attach to the enforcement of IP rights means that Australia is not providing 'adequate and effective protection' of IP; would also be useful in any dispute over Australia's compliance with articles like 13.9.28. A similar provision can be found in TRIPS art 41.5.</i></p>

⁵ No IP text from Canada-EU (CETA) has been released at the time of writing so no comparison can be made with that agreement.

Korea-Canada FTA	KAFTA (Korea-Australia FTA)	Comments
<u>COPYRIGHT</u>		
<p>Exceptions to the right of reproduction</p> <p><i>Art 16.11 Footnote 8</i> The agreed statements in the WCT and WPPT that are applicable to the rights of reproduction provided by the agreements and treaties listed in paragraph 1 apply as well to this paragraph, including any agreed statements concerning limitations and exceptions.</p> <p><i>Art 16.11 Footnote 9</i> A Party may determine limitations and exceptions with regard to temporary reproductions under that Party's domestic law.</p>	<p>Exceptions to the right of reproduction</p> <p><i>Art 13.5.1 footnote 65</i> Each Party shall confine limitations or exceptions to [the right of reproduction] to certain special cases that do not conflict with a normal exploitation of the work, performance, phonogram or broadcast and do not unreasonably prejudice the legitimate interests of the right holder. For greater certainty, each Party may adopt or maintain limitations or exceptions to the rights described in paragraph 1 for fair use, as long as any such limitation or exception is confined as stated in the previous sentence.</p>	<p><i>These footnotes relate to countries' ability to introduce <u>exceptions</u> to the core copyright right of reproduction. Flexibility is important here: the Australian Law Reform Commission has recently found that Australia's copyright exceptions are <u>not</u> appropriate or flexible enough in the digital environment, and recommended that a fair use exception be introduced to ensure that the law is flexible and adaptable as technologies, markets, and other societal circumstances change.</i></p> <p><i>Kor-CanFTA simply states that exceptions are a matter for domestic law. KAFTA sets out a specific standard that the country must comply with (the three step test) – compliance with which could be tested in ISDS. KAFTA also contains strange text that allows fair use (the ALRC's proposal) but only if it complies with the three step test. This means the compliance of fair use with the three step test could be tested in ISDS. The three step test is controversial, . Most international IP academics believe that fair use is consistent with the three step test. But if compliance was ever challenged, say, in the WTO, the US would likely defend fair use. The US could play no role in a KAFTA ISDS claim. It is undesirable to have arbitration panels making determinations about the meaning and scope of the three step test.</i></p>
<p>Exceptions to anti-circumvention law (laws against circumventing technical measures used to protect copyright material).</p>	<p>Exceptions to anti-circumvention law (laws against circumventing technical measures used to protect copyright material).</p>	<p><i>Anti-circumvention law prevents the circumvention of 'technical measures'. Technical measures can be used by copyright owners to extend their control beyond that</i></p>

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<p>Art 16.11.7 In providing adequate legal protection and effective legal remedies pursuant to paragraph 4, a Party may adopt or maintain appropriate limitations or exceptions to measures implementing paragraphs 4 and 5. The obligations set forth in paragraphs 4 and 5 are without prejudice to the rights, limitations, exceptions, or defences to copyright or related rights infringement under a Party's domestic law.</p>	<p>Art 13.5.12 Each Party may provide for exceptions and limitations to measures implementing paragraphs 9 and 10 [re: TPMs and rights management info] in accordance with its law and the relevant international agreements referred to in Article 13.1.3, provided that they do not significantly impair the adequacy of legal protection of those measures and the effectiveness of legal remedies against the acts prescribed in paragraphs 9 and 10.</p>	<p><i>granted by copyright law: for example, to prevent fair dealings or uses in society's interests in education and preservation of culture. Exceptions, for example, are needed to allow companies to make interoperable technology, or allow educational institutions or libraries to circumvent to make necessary copies.</i></p> <p><i>Again, in the area of anti-circumvention law, Kor-CanFTA simply leaves exceptions as a matter of domestic law and policy. KAFTA sets up a standard, compliance with which could be tested in ISDS.</i></p> <p><i>It really ought to be a matter for the Australian government, not an arbitration panel, to determine whether exceptions to anti-circumvention law 'significantly impair' the adequacy of legal protection for technical measures.</i></p>
<p>Exceptions to copyright generally No equivalent</p>	<p>Exceptions to copyright generally Article 13.5.13 and 13.5.14: Exceptions to copyright 13. With respect to this Article and Articles 13.6 and 13.7, each Party shall confine limitations or exceptions to exclusive rights to certain special cases that do not conflict with a normal exploitation of the work, performance, phonogram or broadcast, and do not unreasonably prejudice the legitimate interests of the right holder.⁶⁸ 14. Notwithstanding paragraph 13, neither Party shall permit the retransmission of television signals (whether terrestrial, cable or satellite) on the internet without the authorisation of the right holder or right holders of the content of the signal</p>	<p><i>Kor-CanFTA simply leaves copyright exceptions as a matter of domestic law and policy. KAFTA sets up a standard, compliance with which could be tested in ISDS.</i></p> <p><i>Copyright exceptions are important to promote multifarious public interests: freedom of expression, education, research, consumer interests, competitive markets, access to culture, preservation of knowledge and culture. It really ought to be a matter for the Australian government, not an arbitration panel, to determine the appropriate extent of copyright exceptions.</i></p>

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	<p>and, if any, of the signal.⁶⁹</p> <p>FN 68 For greater certainty, this paragraph does not reduce the capacity of the Parties to provide for exceptions or limitations to exclusive rights in accordance with multilateral agreements related to intellectual property to which either Party is, or becomes, a party.</p> <p>FN 69 For the purposes of paragraph 14 and for greater certainty, retransmission within a Party's territory over a closed, defined, subscriber network that is not accessible from outside the Party's territory shall not constitute retransmission on the internet.</p>	
<p>Special Measures against Copyright Infringers on the Internet</p> <p>16.6.2. A Party may provide, in accordance with that Party's domestic law, that Party's competent authorities with the authority to order an online service provider to disclose expeditiously to a right holder information sufficient to identify a subscriber whose account was allegedly used for infringement, if that right holder has filed a legally sufficient claim for copyright or related rights infringement, and if that information is being sought for the purpose of protecting or enforcing those rights</p> <p>16.6.4. Each Party shall provide measures to curtail copyright and related right infringement on the Internet or other digital network.</p>	<p>Special Measures against Repetitive Copyright Infringers on the Internet</p> <p>13.9.28. Each Party shall provide measures to curtail repeated copyright and related right infringement on the Internet.</p> <p><i>Limitations on Liability for Online Service Providers</i></p> <p>13.9.29. In accordance with Article 41 of the TRIPS Agreement, for the purpose of providing enforcement procedures that permit effective action against any act of copyright infringement covered by this Chapter, each Party shall provide:</p> <p>a. legal incentives for online service providers to cooperate with copyright⁸⁵ owners in deterring the unauthorised storage and transmission of copyrighted materials; and</p>	<p><i>Both agreements require that the parties provide measures to curtail copyright infringement online (albeit the KAFTA provision is qualified in referring to <u>repeated</u> copyright infringement).</i></p> <p><i>Importantly however Kor-CanFTA contains safeguards for legitimate activity including ecommerce, as well as for fundamental principles such as freedom of expression, fair process, and privacy. KAFTA contains no such safeguard. The text of the safeguard comes from the Anti-Counterfeiting Trade Agreement, which Australia signed but has not ratified. It was thus known to and available to the Australian negotiators of KAFTA.</i></p> <p><i>Kor-CanFTA contemplates but does not prescribe safe harbours for online service providers. KAFTA requires safe harbours but also 'legal incentives for online service providers to cooperate' in deterring copyright infringement. The KAFTA provision (13.9.29(a)) is</i></p>

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<p>16.6.5. Each Party shall implement these procedures in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce and, consistent with that Party's domestic law, preserves fundamental principles such as freedom of expression, fair process, and privacy.²²</p> <p>FN22 For instance, without prejudice to a Party's law, adopting or maintaining a regime providing for limitations on the liability of, or on the remedies available against, online service providers while preserving the legitimate interests of the right holder.</p>	<p>b. limitations in its law regarding the scope of remedies available against online service providers for copyright infringements that they do not control, initiate or direct, and that take place through systems or networks controlled or operated by them or on their behalf.</p>	<p><i>currently being interpreted – wrongly – by the Australian government as requiring us to overturn the recent High Court decision in Roadshow Films Pty Ltd v iiNet Ltd.</i>⁶</p>
<u>ENFORCEMENT OF IP RIGHTS</u>		
<p>Injunctions</p> <p>16.13.8. Each Party shall provide that, in civil judicial proceedings concerning the enforcement of intellectual property rights, that Party's judicial authorities have the authority to issue an order against a person to desist from an infringement, <i>inter alia</i>, to prevent goods that involve the infringement of an intellectual property right from entering into the channels of commerce.</p> <p>16.13.9. Notwithstanding the other provisions of this Article, a Party may limit the remedies</p>	<p>Injunctions</p> <p>13.9.13. In civil judicial proceedings concerning the enforcement of intellectual property rights, each Party shall provide that its judicial authorities shall have the authority to order a party to desist from an infringement, for the purposes of, <i>inter alia</i>, preventing infringing imports from entering the channels of commerce and preventing their exportation. Each Party may also provide that its judicial authorities shall have the authority to order a party to a civil judicial proceeding to desist from the exportation of goods that are alleged</p>	<p><i>Kor-CanFTA preserves the flexibility in TRIPS that allows countries to provide compensation instead of an injunction. This can be an important flexibility in cases where, for example, an IP owner is refusing to license their IP rights or otherwise not making the IP-protected content or products available to people in a given country.</i></p>

⁶ For a discussion of this argument – and why it is wrong – see my submission to JSCOT on KAFTA, available at <http://works.bepress.com/kimweatherall/29/>.

<p>available against use by governments or by third parties authorised by a government, without the authorisation of the right holder, to the payment of remuneration, provided that the Party complies with the provisions of Part II of the TRIPS Agreement specifically addressing that use. In other cases, the remedies under this Article shall apply or, where these remedies are inconsistent with a Party's law, declaratory judgments and adequate compensation shall be available.</p>	<p>to infringe an intellectual property right.</p>	
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