



**From the SelectedWorks of Kimberlee G
Weatherall**

November 2013

TPP – Australian Section-by-Section Analysis of the Enforcement Provisions of the August Leaked Draft

Contact
Author

Start Your Own
SelectedWorks

Notify Me
of New Work

Available at: <http://works.bepress.com/kimweatherall/27>

TPP – Australian Section-by-Section Analysis of the Enforcement Provisions
(August 2013 Leaked Draft)
Kimberlee Weatherall*
DRAFT as at 19 November 2013

1 General Comments

1.1 *Scope of this analysis*

This paper analyses the leaked 30 August 2013 text of the TPP IP Chapter from an Australian perspective. The goal is to assess the compatibility of provisions in the current draft with Australian law and Australia's international obligations: including TRIPS and the Australia-US Free Trade Agreement (AUSFTA). The review has several key purposes:

1. To contribute careful analysis to the current debate on the TPPA IP proposals;
2. To offer input into the Australian processes considering the TPPA;
3. To demonstrate to an international audience the relationship between these provisions and TRIPS; and
4. To demonstrate the relationship between these provisions and existing US Free Trade Agreements like AUSFTA. A surprising number of the provisions go beyond AUSFTA.

The analysis that follows extracts every provision of the leaked, 30 August 2013, IP chapter dealing with enforcement: that is, from page 66 onwards. It identifies the extent to which the various proposals are TRIPS-plus, ACTA-plus and AUSFTA-plus (the Australia-US Free Trade Agreement being one relatively recent US FTA: this analysis should be relevant to any country already subject to an FTA). The main purpose of the analysis has been to look at the provisions from an Australian point of view, but I hope that the analysis and particularly the commentary will be useful to any reader interested in the details of IP enforcement provisions. I have not attempted fully to engage with every single permutation of every country position, but seek to give a broad picture of the amendments and proposed amendments that might matter.

A couple of limitations on scope should be noted:

1. It is a draft for comment (as at 19 November 2013). Feedback is *most* welcome (kimberlee.weatherall@sydney.edu.au or +61 2 9351 0478). There is undoubtedly much more to say.
2. It is confined to those parts of the TPP IP Chapter that might impact on IP law, IP enforcement procedures, and criminal and civil procedure.

1.2 *Summary and commentary*

Reading the IP provisions of the TPP IP chapter leak dated August 2013 is a maddening, dispiriting process (not to mention that my eyes have probably gone square trying to parse text). The key problems are these.

First, the provisions are written like legislation, not treaty, suggesting a complete lack of good faith and trust on the part of the negotiating countries. It is quite apparent that the negotiators do not expect each other to engage in reasonable interpretation or good faith discussion of the meaning of the provisions: and so they have resorted to specifying, in excruciatingly detailed

* Associate Professor, Sydney Law School, The University of Sydney.

language every thought or problem that has occurred to them. Instead of stating high level principles ('countries will provide compensatory damages for IP infringement') they specify exactly what that might mean (calculated by reference to 'suggested retail price or anything else the IP owner cares to submit'). Instead of trusting that no one could reasonably expect damages to be available in every single IP infringement case and hence generally specifying damages will be available without more (since most countries have exceptions, such as for innocent infringers) the negotiators feel the need to include every last exception that they can think of. No doubt this is under pressure from lobbyists on both sides who point out their own problems, which the negotiators then try to include in specific text. Perhaps too this is an inevitable result of the inclusion of an effective enforcement regime for these particular kinds of treaties through international arbitration. Perhaps in the absence of 'enforcement' countries would be more able to trust that if issues come up, they would talk, not litigate. But whatever the cause, it is extremely harmful as an approach. The language of these treaties is ossifying and multiplying and fragmenting in ways that are harmful to interests on all sides. I despair of any real solution to this problem: stepping back to a more principled, less lawyer-pernickety system now would seem to require parties on all sides (IP owner representative groups as well as user groups) to down arms simultaneously and trust each other not to take advantage of textual gaps or ambiguities to push a particular line in a litigious context.

Second, going through the language line by line illustrates the need to go through the language line by line, unfortunately. There are subtle tweaks of language, the phrases included or not included from previous treaties; the subtle re-wordings that might give a treaty provision an entirely different meaning. Working out the scope of a country's obligations if even half of this text becomes treaty is going to be extremely difficult.

A range of big picture questions arise as to the relationship between any TPP IP chapter and other obligations to which countries may be subject, and I'm not at all convinced we know the answers. Most obviously, if TRIPS states a mandatory 'safeguard' (such as, 'the defendant must receive notice of x'), but the TPP does not include that safeguard but has equivalent enforcement procedures – does the TRIPS safeguard continue to apply to oblige Australia to provide notice to the defendant? Does the safeguard apply in a dispute between Australia a non-TPP country? What about a dispute between Australia and a TPP country? Academics' views differ.

On a substantive level, much about the language of these provisions has changed since the US proposals dated February 2011. Some more extreme elements of the US proposals have been removed or watered down; some safeguards or qualifications have been inserted that preserve domestic flexibility or require consideration of user interests or civil liberties and fair process. Unfortunately, as noted above, many issues have been addressed, not by removing provisions but by adding yet more text and yet more details and qualifications.

Despite this, the chapter is still radically unbalanced. There are still far too few safeguards for defendants and third parties in the context of IP litigation. The chapter still fails to include basic safeguards such as requirements that remedies in IP infringement be proportional to the seriousness of the infringement. There is a great deal of potential in this text for vastly overreaching claims by IP owners. Even if we trust that, in the end, courts can probably shoot down really excessive claims or demands, there is an increased incentive for litigation, and increased pressure on defendants to settle, in the kind of enforcement world these provisions imagine.

Despite this too, there are still plenty of things to be worried about in these enforcement provisions. To take a few examples (many of which have been identified in commentary already), there is text that would:

- Criminalise the taking of trade secrets – adding a criminal element to some corporate disputes and pre-empting any domestic discussion of whether such criminal laws are desirable or what exceptions we might need for, say, investigative journalists or whistleblowers;
- Make patents presumptively valid in litigation – making it harder to challenge dodgy patents and encouraging more patent litigation and more litigation by non-practising entities against genuinely innovative companies;
- Raise damages awards in IP cases: bringing in treble damages in patent for example;
- Allow for seizure of anything that was used to infringe copyright – even if it is an ordinary company asset like a server or laptop, even 99% of its use is non-infringing – with no requirement that the penalty be proportionate to the seriousness of the infringement or the harm caused to IP;
- Broaden border seizures of alleged IP-infringing goods in ways that might impact on legitimate traders including Australian traders abroad;
- Criminalise the activities of small business by making every single infringement with the slightest commercial element into a criminal act (given the breadth of IP rights these days, infringement is practically inevitable);
- Criminalise the acts of private individuals by making any gain of something of value enough to bring in the full force of the criminal law;
- Embroil legitimate business in the threat of criminal liability for their packaging of goods because we've granted trade marks so broad that even legitimate businesses end up called counterfeiters;
- Put intermediaries and others under criminal threat through the use of 'aiding and abetting' offences for IP infringement;
- Block copyright reform by locking in an internet retransmission provision that the ALRC has already identified stands in the way of potentially sensible copyright and media reform in Australia.

Another thing that emerges from this discussion is that remarkably few of the provisions in this part of the chapter are inconsistent with Australian law. In many cases, that is not because Australia has already committed to similar provisions in another treaty – actually, a surprising proportion of this text is AUSFTA and even ACTA-plus. More often it is because Australia happens to have provisions that match the proposals. I cannot emphasise strongly enough, however, that **the mere fact that provisions are consistent with Australian law does not mean they should be in a treaty**. Many of the provisions I am talking about are untested in the courts, and as such might be things we want to change one day. The position taken here is that **Australia should, at the very least, avoid adding to its international obligations, rather than simply seeking not to change Australian domestic law**.

Further, as this review shows, certain features of *Australian* law render parts of this agreement more onerous for Australian businesses, consumers and alleged infringers. In particular:

1. Australia does not have a Bill of Rights (Constitutional or otherwise). Thus legislation drafted to comply with the TPP cannot be challenged on privacy or due process (or similar) grounds, as it could be in other countries.
2. Australia is not part of an economic 'federation' like Europe and hence there is no way to challenge laws on the basis that they create barriers to legitimate trade.
3. Australia's highly specified exceptions regime in copyright exposes numerous commercial parties and citizens to potential copyright infringement liability. There is no fair use or flexible exception to copyright law except for certain public sector

institutions. That means that commercial parties and intermediaries are more likely to infringe, and hence more likely to be subject to the increased penalties and procedures (like border measures) which would not impact on the same parties doing the same acts in a country like the US.¹

¹ Schools and other educational institutions, to the extent that they provide hosting and other services to students and staff, will also be under threat of these remedies; but less so because they have the benefit of a flexible exception.

Contents

1	General Comments	1
1.1	Scope of this analysis.....	1
1.2	Summary and commentary	1
2	Civil Enforcement provisions	6
2.1	General provisions	6
2.2	Presumptions	8
2.3	Publicity and Statistics.....	11
2.4	Damages and injunctions.....	13
2.4.1	Compensatory damages.....	13
2.4.2	Measures of damage and retail price.....	15
2.4.3	Injunctions.....	16
2.4.4	Compensation for abuse of enforcement procedures	16
2.4.5	Statutory and punitive damages in copyright and trade mark.....	17
2.4.6	Patent treble damages.....	19
2.4.7	Attorney Costs.....	20
2.5	Seizure.....	20
2.5.1	Seizure of suspected infringing goods, materials, implements and documentary evidence.....	20
2.5.2	Destruction of infringing goods/implements	21
2.6	Information in the hands of (alleged) infringers.....	24
2.7	Miscellaneous.....	25
2.7.1	Confidentiality	25
2.7.2	Administrative alternatives.....	25
2.7.3	Experts	26
2.8	Remedies in relation to RMI and TPMs	26
2.9	Vexatious Proceedings.....	27
2.10	Provisional measures.....	28
3	Border Measures.....	30
3.1	Evidence from the right holder	30
3.2	Scope of border measures.....	31
3.3	Security from right holders seeking border protection.....	32
3.4	Information to be given to right holder.....	33
3.5	Ex officio border measures and scope (import/export/in transit)	35
3.6	Determination of infringement.....	37
3.7	Destruction of seized goods.....	38
4	Criminal Procedures and Remedies.....	39
4.1	General.....	39
4.2	Counterfeit labels and packaging	41
4.3	Movie Camcording.....	44
4.4	Aiding and Abetting	45
4.5	Criminal Penalties.....	46
5	Trade Secrets.....	51
6	Pay Television	53
6.1	Enforcement in the Digital Environment.....	55
6.1.1	General.....	55
6.1.2	Government use of software.....	56
7	Internet Retransmission	57
8	Internet Service Provider Liability.....	57

2 Civil Enforcement provisions

2.1 General provisions

Article QQ.H.1: {General Enforcement / General Obligations Relating to the Enforcement of Law [187] of Intellectual Property Rights} p66

1. Each Party shall ensure that enforcement procedures as specified in this section, are available under its law [CL/SG/CA/BN/PE/MX/VN propose: and its legal system] so as to permit effective action against any act of infringement of intellectual property rights covered by this Chapter, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to future infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

¹⁸⁷ [CL propose: For greater certainty, law may include enforcement procedures established under Parties legal systems.]

Almost identical to article 41.1 of TRIPS and article 6.1 of ACTA. An improvement on the US February 2011 draft which contained no references to preventing abuse and not creating barriers to trade. It is an improvement on AUSFTA article 17.11.5 which was like the original US proposal and made no reference to safeguards.

2. Each Party shall ensure that its procedures concerning the enforcement of intellectual property rights shall be fair and equitable. These procedures shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

TRIPS-consistent (art 41.2), ACTA-consistent and better than AUSFTA which includes no similar provision. Also an improvement on the US February 2011 leaked proposal which contained no such provision. Presumably the various conditions here stated would be interpreted as 'a broad standard, subject to national discretion and local conditions',² such that 'Members [would] retain considerable discretion with respect to law enforcement'.³

The provision is however unfortunate in its drafting as it says nothing about proportionality nor the rights of third parties. Cf ACTA Article 6.2 and 6.3, which provide as follows:

2. *Procedures adopted, maintained, or applied to implement the provisions of this Chapter shall be fair and equitable, and shall provide for the rights of all participants subject to such procedures to be appropriately protected. These procedures shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.*
3. *In implementing the provisions of this Chapter, each Party shall take into account the need for proportionality between the seriousness of the infringement, the*

² China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights - Report of the Panel; WT/DS362/R (12/08/2009), at para 7.481. The China dispute concerned the criminal provisions of TRIPS (in particular, Article 61), but presumably the same general reasoning applies.

³ Ibid.

interests of third parties, and the applicable measures, remedies and penalties.

[CL/VN/PE/AU/MY/BN/NZ/SG/MX/CA propose: 3. This Section does not create any obligation:

(a) to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of each Party to enforce their law in general, or ...

International: This is identical to language found in TRIPS art 41.5, and was negotiated specifically in response to concerns that including enforcement-related provisions in TRIPS might be seen as obliging countries to create a separate enforcement system specifically for IP. There is no equivalent in ACTA or AUSFTA. Many countries are establishing specialised IP courts, although the analysis of the operation of such courts has not been universally positive.⁴ There have been concerns over ‘institutional capture’ in the case of specialized courts and concern expressed as to whether such courts will tend to be more ‘pro-IP’ than a generalist court. The inclusion of this language could be beneficial in assisting countries to resist any later pressure to establish such courts.

Australia: Australia does not have specialized IP courts although in some courts there are IP lists where judges self-select to hear IP cases.

[CL/VN/PE/AU/MY/BN/NZ/SG/MX/CA propose: 3. This Section does not create any obligation: ...

... (b) with respect to the distribution of resources as between the enforcement of intellectual property rights and the enforcement of law in general.]

[US/SG propose¹⁸⁸; BN/VN/PE/MY/NZ/MX/CA oppose: 4. The Parties understand that the distribution of enforcement resources shall not excuse that Party from complying with this Section¹⁸⁹.]

¹⁸⁸ Negotiators' Note: AU/CL can support if there is emerging consensus on this issue.

¹⁸⁹ Negotiators' Note: The reference to Section is intended to include enforcement-related provisions throughout the Chapter.

International: The drafting here reveals a split: between countries that want a clear statement of their freedom to allocate law enforcement resources as they wish, and the US/Singapore, who seem to think that IP enforcement should be prioritised. The majority proposal is consistent with ACTA⁵ and TRIPS⁶. The US proposal would appear to be designed to limit the ability of a

⁴ See eg Rochelle Dreyfuss, "In Search of Institutional Identity: The Federal Circuit Comes of Age," 23 *Berkeley Technology Law Journal* 787 (2008)

⁵ ACTA Article 1.2: 'Nothing in this Agreement creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and enforcement of law in general.'

Party to plead sovereign enforcement priorities or its state of development as an answer to a complaint from another country about the level of enforcement. Of course, nothing in either text will stop the US from including a country in its Special 301 watchlists if the US considers that the resources devoted to IP are insufficient.

Australia: No equivalent provision to the US/SG proposal is found in AUSFTA. Australia qualifies the priority on IP enforcement. Although additional resources have been devoted to IP enforcement in recent years, rightholders frequently complain of the difficulty of engaging police concern with infringement, and the Federal Police (AFP) use a *case categorisation and prioritisation (CCPM)* model that assigns priorities to cases so that the AFP can ensure its limited resources are directed to the matters of highest priorities. Economic crimes (which would include IP) can be assessed as having very high impact, if valued at more than \$5 million, but economic crimes assessed as having a lower level of harm may be classed as low impact and hence not attract AFP resources.

2.2 Presumptions

Article QQ.H.2: {Presumptions} p66

1. In civil, criminal, and if applicable, administrative proceedings involving copyright or related rights, each Party shall provide:

- (a) for a presumption [US/CA propose: ¹⁹⁰] that, in the absence of proof to the contrary, the person whose name is indicated in the usual manner [CL/VN/BN/AU/MX/CA/SG/PE/NZ propose: ¹⁹¹] as the author, performer, producer [CA oppose: , or publisher] of the work, performance, or phonogram [CA propose: , or as applicable, the publisher] is the designated right holder in such work, performance, or phonogram; and
- (b) for a presumption that, in the absence of proof to the contrary, the copyright or related right subsists in such subject matter.

¹⁹⁰ [US/CA/MY propose: For greater certainty, a Party may implement this Article on the basis of sworn statements or documents having evidentiary value, such as statutory declarations. A Party may also provide that such presumptions are rebuttable presumptions that may be rebutted by evidence to the contrary.]

¹⁹¹ Each Party may establish the means by which it shall determine what constitutes the “usual manner” for a particular physical support.

International: This is TRIPS-plus, ACTA-plus, but similar to AUSFTA article 17.11. Certain presumptions exist in the Berne Convention itself,⁷ although these are nowhere near as broad. It is also common for Commonwealth countries to include a range of presumptions, which stem from the 1911 UK *Copyright Act* and its abandonment of copyright registration: in the absence

⁶ TRIPS Article 41.5: ‘ ... Nothing in this Part creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.

⁷ For example, art 15(2) presumes that the person or body corporate whose name appears on a film in the usual manner to be the maker of the film. Art 15(3) presumes the publisher of an anonymous or pseudonymous work to represent the author and have the right to protect and enforce the author’s rights. Art 15(4) allows a presumption as to the nationality of the unknown author.

of registration, it was thought, copyright owners would lose the benefit of a simple way to prove ownership, and into this breach stepped the presumptions.⁸ The effect of these provisions depends very much on what is meant by ‘presumption’ and the strength of the presumption. The provisions may not be concerning – but only **if interpreted appropriately**, ie such that where there’s a real dispute, a copyright plaintiff must go into evidence. Note however that in Australia there was an attempt by a copyright owner to use a presumption of originality/subsistence in copyright to establish the existence of copyright in questionable material (a purely factual, whole of universe collection in the form of a telephone directory). The Australian court rejected the attempt to do an end run around the requirement to prove the existence of original subject matter. Implementation/interpretation is therefore critical.⁹

Australia: Australia is subject to a similar provision in AUSFTA Article 17.11. These presumptions are found in the *Copyright Act*, ss 126-131 (civil proceedings) and ss 132A-132C (criminal proceedings). Australia uses presumptions in its copyright law with heady abandon,¹⁰ but the presumptions that exist have not been broadly interpreted: as noted, where matters were seriously in question parties have been required to go into evidence.

Article QQ.H.2: {Presumptions} p67

[US/BN/MY/NZ/SG/CA propose; 2 AU/PE/CL/VN/MX oppose¹⁹²: In civil, [BN/MY oppose: administrative,] and criminal proceedings involving trademarks, each Party shall provide for a rebuttable presumption that a registered trademark is valid.

¹⁹² Negotiators' Note: JP is considering this provision.

International: this is TRIPS plus, ACTA plus, and AUSFTA plus. There is no equivalent provision in any international treaty to which Australia is a party. It would be particularly troubling if coupled with a presumption of registrability which allowed trade marks on to the register too

⁸ Luke Pallaras, ‘Falling between two stools: Presumptions under the Copyright Act 1968 (Cth)’ (2010) 21 *Australian Intellectual Property Journal* 100.

⁹ In *Telstra v Phone Directories Telstra Corp Ltd v Phone Directories Co Pty Ltd* (2010) 273 ALR 725 Telstra – producer of the white pages phone book – did try to rely on section 129 to establish the core issue in question in that case: is a telephone directory an original work of authorship? But they did so in a context where they had **also** gone into extensive evidence to try to show their human employees were real authors. With all the evidence in front of it, the Full Federal Court considered only whether it was more likely than not that the work was original – and held all the evidence – mostly submitted by Telstra – showed that on the balance of probabilities there were no acts of human authorship and the telephone directory was not original.⁹

¹⁰ Presumptions in civil cases involving copyright infringement are found in Part V Div 4 of the *Copyright Act 1968* (Cth) (ss126-131). Presumptions in criminal cases of copyright infringement can be found in Part V, Div 5 Subdiv G (ss132AU-132C). Presumptions relating to moral rights can be found in Part IX Div 7 ss 195AZD-195AZG; 195AZGD-195AZGF. In total there are 23 separate provisions creating presumptions in various forms of action for breach of the *Copyright Act 1968* (Cth). This is considerably more than the four appearing in the UK’s *Copyright Designs and Patents Act 1988* (UK) although the numbers alone are deceptive: the Australian legislative drafters have an unfortunate habit of elaborating on points to a degree that would be unheard of in other jurisdictions, and some provisions are simply the same presumption applied to different subject matter. The Australian legislation also has separate provisions applying to copyright infringement and moral rights infringements. The UK legislation, by contrast, has one set of provisions applying to both economic and moral rights infringements: *Copyright Designs and Patents Act 1988* (UK) Ch 6, ss104-106.

readily. If there is to be a presumption of validity at the litigation stage, to avoid boot-strapping, a more rigorous approach would need to be adopted at the examination stage – which would have resource implications in terms of staffing/time at the trade marks office. It is also inconsistent with international innovations, such as in the UK, where examiners no longer consider possible conflicts with registered marks, instead leaving it to third parties to make the decision whether to oppose registration.¹¹

Australia: Australia is right to oppose the inclusion of this provision, it would require a change to Australian law. It would also be inconsistent with the scheme of Australian trade mark law, which provides for a presumption of *registrability* (that is, in the case of doubt over whether a trade mark should proceed to registration, the applicant is to be given the benefit of the doubt: s 33). Adoption of this provision would also mean that Australia could never adopt the approach taken in the UK.

Article QQ.H.2: {Presumptions} p67

[BN/SG/MY oppose¹⁹³: In civil or administrative patent enforcement proceedings, each Party shall provide for a rebuttable presumption that each claim in a patent substantively examined and granted by the competent authority satisfies the applicable criteria of patentability in the territory of the Party ¹⁹⁴].]

¹⁹³ Negotiators' Note: JP is considering this provision.

¹⁹⁴ Negotiators' Note: AU/MX/US/PE will consider options to address concerns intersessionally and will involve the wider group.

International: this is TRIPS plus, ACTA plus and AUSFTA plus. There is no equivalent provision in any other international treaty to which Australia is a party. It should be rejected, given international concerns over the quality of granted patents. I have discussed more extensively the way that the patent and enforcement provisions in the February 2011 US proposal for the TPP largely ignore growing evidence regarding the problems with the patent system. As I argue in a forthcoming book chapter,

[The US] TPPA proposal [is] not likely, overall, to be helpful in addressing the most pressing issues in patent law today; they risk being positively counterproductive, and exporting to the world the US' own 'patent crisis'. The thought of a flood of low quality patents issuing from patent offices throughout the Asia-Pacific (to the extent that this is not already a problem) should give everyone – including the negotiators of these and future agreements – serious pause.¹²

As I argue in that chapter, one problem is the tendency in agreements like this to **lower** requirements for registration but then **give more enforcement powers to right** holders. This combination of **easier to get, stronger rights** is a cause for the flood of patents internationally,

¹¹ Of course, it might be argued that since third parties *can* oppose under the UK system *prior to registration*, perhaps by the time a mark is registered it could be presumed there is no conflict with existing marks because if there were, the relevant owner of an existing affected mark would have opposed. This would seem to put an unrealistic burden on third parties, however.

¹² Kimberlee Weatherall, 'Ignoring the science: what we know about patents suggests dire consequences from ACTA and the TPPA' in Bryan Mercurio & Ni Kuei-Jung (eds), *Science and Technology In International Economic Law: Balancing Competing Interests* (Routledge: London, in press) (cites omitted).

strains on the patent and litigation systems, and rising concerns such as concerns with ‘patent trolls’. There would also be very real questions as to what counts as ‘substantive examination’ of a claim, and what level of evidence is required to ‘rebut’ a presumption (a standard that may vary from country to country: is it ‘clear and convincing’ evidence? Or just evidence sufficient to satisfy the balance of probabilities?). The reference to ‘substantive examination’ looks like the attempt to recognise the problems with presumptions of validity but the difficulties in operationalizing such a concept surely suggests that the idea of the presumption itself is bad.

Australia: This provision would require a change to Australian law and is not consistent with current Australian policy, or with general international concerns about the quality of granted patents. With patent offices suffering under significant backlogs, it would not appear to be the right time to make it *harder* to challenge patents. Under the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth), the government intention is that examination of patents will become more rigorous (with the Commissioner of Patents only accepting a patent if satisfied on the balance of probabilities that there is a patentable invention, unlike the previous standard where applicants were given the benefit of the doubt). In addition, patents will become easier to challenge in pre-grant opposition proceedings, with the office again applying a balance of probabilities, as opposed to the present standard where an opposition succeeds only if the patent is ‘clearly invalid’. Some commentators have speculated that the increased rigour of these processes will translate into a greater presumption of validity to granted patents. However, if that *was* the intention the government had ample opportunity to state that in the legislation. Thus this TPPA proposal would seem to overturn government policy.

2.3 *Publicity and Statistics*

Article QQ.H.3: {Enforcement Practices With Respect to Intellectual Property Rights} p67

1. Each Party shall provide that final judicial decisions and administrative rulings of general application pertaining to the enforcement of intellectual property rights shall [SG/BN/MY/CA propose: preferably] be in writing and [MY oppose: shall] [MY/CA propose: may] state [VN/SG/BN/MY/CA oppose: any relevant findings of fact and] the reasoning or the legal basis on which the decisions and rulings are based. Each Party shall also provide that such decisions and rulings shall be published [¹⁹⁵] or, where publication is not practicable, otherwise made available to the public, in a national language in such a manner as to enable interested persons and Parties to become acquainted with them.

¹⁹⁵ [US: A Party may satisfy the requirement for publication by making the decision or ruling available to the public on the Internet.]

International: TRIPS-plus (TRIPS only requires that decisions on the merits ‘preferably’ be in writing and made available ‘at least to the parties to the proceeding without undue delay’: article 41.3): may have resource implications for some countries. Similar to ACTA article 30, which requires parties to publish or make available to the public information (inter alia) on ‘final judicial decisions, and administrative rulings of general application pertaining to the enforcement of intellectual property rights’.

Australia: Australia is subject to a similar provision in AUSFTA Article 17.11.2. Full compliance might require review of Australian administrative practice. Although Australian court and administrative decisions are widely available online and for free both via court websites and

AustLII (www.austlii.edu.au), one question which does arise however is what **proportion** of administrative decisions in particular are made available online by the Australian patent and trade mark office: it seems from practitioner comments that at least some administrative decisions are not being sent to AustLII, although it is not clear how many (although note that strictly speaking, the TPP draft only applies to rulings ‘pertaining to the enforcement of intellectual property rights’). I understand that the US also has a practice of not publishing all judgments: query how legitimate this is under a provision of this kind.

Article QQ.H.3: {Enforcement Practices With Respect to Intellectual Property Rights} p68

2. Each Party recognizes the importance of collecting and analyzing statistical data and other relevant information concerning intellectual property rights infringements as well as collecting information on best practices to prevent and combat infringements.

3. Each Party [US/AU/PE/NZ/CL/MX/CA/JP/SG/BN/VN propose: shall] [MY propose: may] publish or otherwise make available to the public information on its efforts to provide effective enforcement of intellectual property rights in its civil, administrative and criminal systems, such as statistical information that the Party may collect for such purposes.

International: this is an unbalanced provision. It is TRIPS plus but ACTA-minus. The language has softened from the original US proposal which would positively have required parties to ‘promote the collection and analysis of statistical data and other relevant information concerning intellectual property rights infringements as well as the collection of information on best practices to prevent and combat infringements’ as well as ‘publicize information on its efforts to provide effective enforcement of intellectual property rights in its civil, administrative and criminal systems, including statistical information that the Party collects for such purposes’ (the language of the original US proposal came from ACTA). The new drafting does not contain a positive obligation to collect or publish statistics or best practices.

Even in softened form, the provision is clearly utterly **one-sided**: there is no suggestion that information or best practices regarding IP exceptions or preventing or monitoring IP misuse. While in general, collection of information should be seen as a good thing, one likely impact of such a provision is to enable ‘peer pressure’ among the Parties to match figures produced by other Parties (it seems likely that information would also feed into the USTR’s Special 301 processes). Such information also runs the risk of being de-contextualised: producing figures on enforcement efforts in IP without the context of other enforcement statistics (or even GDP figures) runs the risk of creating a misleading picture.

Much IP enforcement policy-making seems to proceed on the basis either of an absence of statistics as to the scale of any actual problem, or in reliance on statistics generated by self-interested stakeholders who fail to reveal their methodologies or underlying data. It would be helpful if policy-making were only made on the basis of evidence gathered through rigorous and transparent methods and subject to peer-review. But there is no mention of such standards in the provision (indeed, the confidentiality provisions in the chapter tend against such transparency, as commercial confidentiality is often cited as a reason for not subjecting infringement reports to peer review), nor is it clear that the government is itself to have any hand in gathering statistics (the reference to ‘promoting collection’ could refer to promoting

collection *by private bodies* – whose reports have been widely criticised¹³). The provision would be improved by references to scientific standards, transparency, and peer review.

Australia: Australia is under a similar obligation under Article 17.11.3 of AUSFTA to ‘inform the public of its efforts to provide effective enforcement of intellectual property rights in its civil, administrative, and criminal system, including any statistical information that the Party may collect for such purpose.’

Article QQ.H.4.1: {Civil Procedures and Remedies / Civil and Administrative Procedures and Remedies}

1. Each Party shall make available to right holders ¹⁹⁶ civil judicial procedures concerning the enforcement of any intellectual property right ¹⁹⁷ covered in this Chapter.

¹⁹⁶ For the purposes of this Article, the term “right holder” shall include those authorized licensees, federations and associations that have the legal standing and authority to assert such rights. The term “authorized licensee” shall include the exclusive licensee of any one or more of the exclusive intellectual property rights encompassed in a given intellectual property.

¹⁹⁷ Negotiators' Note: AU/US/JP would like to consider this proposal in tandem with the definition of intellectual property rights in this Chapter.

International: This is consistent with TRIPS but see comments above in relation to the absence of any reference to safeguards found in equivalent TRIPS provision article 41. The ACTA has an identical provision in Article 7.1. AUSFTA has an identical provision in Article 17.11.5. The provision would seem to preclude a party from adopting a purely administrative procedure for enforcement. The reason for footnote 197 is unclear, but may arise from a US/AU/JP concern that if the agreement covers traditional knowledge and genetic resources, these jurisdictions would not provide for any method of enforcing rights or interests in such material.

Australia: Australia provides civil procedures in the Federal Magistrates Court and Federal Court for IP enforcement. This would not change Australian law or Australia’s existing international obligations.

2.4 Damages and injunctions

2.4.1 Compensatory damages

Article QQ.H.4.2: {Civil Procedures and Remedies / Civil and Administrative Procedures and Remedies} p68

2. Each Party shall provide [¹⁹⁸] that in civil judicial proceedings its judicial authorities have the authority at least to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered [PE oppose: because of an infringement of that person's

¹³ See US Government Accountability Office, *Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods*, GAO-10-423, Apr 12, 2010, available at <http://www.gao.gov/products/GAO-10-423>.

intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.] [SG/PE/AU/NZ/MY/CL/CA/MX/BN/VN oppose: ¹⁹⁹]

2bis. At least in cases of copyright or related rights infringement and trademark counterfeiting, each Party shall provide that, in civil judicial proceedings, its judicial authorities have the authority to order the infringer to pay the right holder the infringer's profits that are attributable to the infringement.^[200]

¹⁹⁸ [AU/NZ/MY/CA/JP/SG propose: A Party may also provide that the right holder may not be entitled to either of the remedies set out in 2 and *2bis* in the case of a finding of non-use of a trademark] [JP/AU/SG/CA/MY propose: it is understood that there is no obligation for a Party to provide for the possibility of the remedies in 2 and *2bis* to be ordered in parallel.]

¹⁹⁹ [US propose: In the case of patent infringement, damages adequate to compensate for the infringement shall not be less than a reasonable royalty.] [Negotiators' note: JP can go along with consensus.]

²⁰⁰ [CA propose: A Party may exclude from the application of this Article cases of Copyright or related rights infringement where an infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity or where an infringer is a non-profit entity.][JP propose: A Party may presume those profits to be the amount of damages referred to in the preceding paragraph.]

International: The wording of para 2 is consistent with TRIPS article 45 (unlike the US February 2011 proposal which lacked the last phrase qualifying the provision as only applying to infringers with actual or constructive knowledge). AUSFTA Article 17.11.6(a) is stronger, since it lacks the phrase about knowledge.¹⁴ An account of profits is TRIPS-plus but not AUSFTA-plus (as it relates to copyright infringement and trade mark counterfeiting). **Footnote 199 is AUSFTA-plus, TRIPS-plus and ACTA-plus.** Prescribing some kind of minimum patent damages that would apply **even in the absence of proof of any harm** is controversial, and would require a change to Australian law.

A key interpretive question is whether, given the unqualified nature of the provision, compensatory damages must be available as an option in every single infringement case that might be brought: ie, is it consistent with this provision to preclude damages entirely in some cases via statute (as opposed to giving the court authority not to award remedies in certain cases). Note that there are situations in US law where damages are excluded (for example, 28 USC 287 which eliminated remedies for infringement involving the “medical activity” of a “medical practitioner.”) The difference can be significant: the litigation calculus facing a right holder and defendant where the right holder *cannot* get damages is quite different from the calculus that applies if the right holder *may not* get damages.

Australia: Australian IP law provides for damages and accounts of profits.¹⁵

¹⁴ But note that Australian law continues to state that the court may decline to order damages in the case of innocent infringement (*Copyright Act* s 115(3); *Patents Act* s 123). This is consistent with AUSFTA since the court still has the authority to award damages even against innocent infringers.

¹⁵ *Copyright Act* 1968 s115; *Patents Act* 1990 s 122; *Trade Marks Act* 1995 s 126.

2.4.2 Measures of damage and retail price

Article QQ.H.4.2ter: {Civil Procedures and Remedies / Civil and Administrative Procedures and Remedies p69

2ter. In determining the amount of damages under paragraph 2, its judicial authorities shall have the authority to consider, *inter alia*, any legitimate measure of value the right holder submits, which may include lost profits, the value of the infringed goods or services measured by the market price, or the suggested retail price.

International: This draft provision is TRIPS plus, and AUSFTA plus. It is a step back from the Feb 2011 US proposal which would have *required* courts to consider measures of value submitted by the right holder, and matches the final ACTA text. The language allows the court to reject retail price as illegitimate in a given case.

This provision is still troubling, as it seems to require that judges have the authority to consider these various measures *in every single IP infringement case*, and it is not clear that such measures are always appropriate. Research has demonstrated the tendency by right holders in some markets to price their goods at a level that is unaffordable for the vast majority of the population:¹⁶ in such a case a measure of retail price bears no relation to any harm that might be suffered from infringement. Sometimes, particularly in cases where IP rights cover some component of a product, a royalty is clearly more appropriate. In the US in patent law, reforms have been proposed to require apportionment of damages. More recent proposals would require the court to ‘identify the methodologies and factors that are relevant to the determination of damages’, and would allow the court or jury to ‘consider only those methodologies and factors relevant to making such determination’, with only evidence relevant to such methodologies being admissible (See 111th Congress, 1st Sess, S.515, sec.4 (page 28)). There are various provisions in treaties and laws around the world that limit damages in certain cases to a reasonable royalty only, which appears to be inconsistent with this apparently blanket requirement.

The language should not be included in the chapter, as it appears to offer blanket legitimation to a measure that would only be appropriate in assessing compensatory damages in some cases. To make that clear, if any such language is to be retained it should be qualified using the phrase “in appropriate cases” to make it clear that in some cases, it is not appropriate, and clearly giving legislatures the power to identify cases such a measure is not appropriate.

Australia: Australian legislation does not specify matters to be considered in assessing damages. Courts clearly have the authority to consider any legitimate measure of value. That position would probably not need to change under this drafting. At present, Australian courts can in their discretion accept or reject evidence depending on how convincing and relevant they find it (*Evidence Act 1995* s 136).

¹⁶ See J. Karanagis (ed), *Media Piracy in Emerging Economies* (2011).

2.4.3 Injunctions

Article QQ.H.4.3: {Civil Procedures and Remedies / Civil and Administrative Procedures and Remedies} p69

[US/CA/BN/AU/JP/MX/NZ/PE/VN propose: 3.²⁰¹ Each Party shall provide that its judicial authorities have the authority to order injunctive relief that conforms to the provisions of Article 44 of the TRIPS Agreement, *inter alia*, to prevent goods that involve the infringement of an intellectual property right from entering into the channels of commerce [VN propose: in that Party's Jurisdiction].]²⁰²

²⁰¹ Negotiators' Note: AU supports this paragraph ad referendum.

²⁰² Negotiators' Note: CL/MY/SG will revert back intersessionally.

International: No equivalent general provision in AUSFTA, but general obligation clearly exists in TRIPS. AUSFTA Article 17.11.14 requires that judicial authorities have the power to enjoin export of allegedly infringing goods. The ACTA text has a more specific provision in Article 8, which also refers to injunctions against third parties (to prevent infringing goods entering the channels of commerce).

Australia: Australian IP law allows injunctions as a remedy.¹⁷ Copyright, trade mark, and patent law all prohibit export at least in a commercial context.¹⁸

2.4.4 Compensation for abuse of enforcement procedures

Article QQ.H.4.4: {Civil Procedures and Remedies / Civil and Administrative Procedures and Remedies} p69

[CL/PE/BN/VN propose;²⁰³ US/NZ oppose: 4. Each Party shall ensure that its judicial authorities shall have the authority to order a party at whose request measures were taken and who has abused enforcement procedures to provide the party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse.]²⁰⁴

²⁰³ Negotiators' Note: JP is considering this provision.

²⁰⁴ Negotiators' Note: MY support the principle but are still considering the need for this proposal in the context of Article 48 of TRIPS. SG/MX/VN/AU/CA can go along with the consensus.

International: This would seem to be a helpful addition. The language comes from article 48 of TRIPS, although it is notable that the second part of article 48 – which requires that ‘the judicial

¹⁷ See eg *Copyright Act 1968* s 115(2); *Patents Act 1990* s 122(1); *Trade Marks Act 1995* s 126.

¹⁸ The *Copyright Act* prohibits reproduction (ss31, 85-88), and sale and distribution of infringing copies (ss38, 103). The *Trade Marks Act* specifically provides that applying a trade mark in Australia to goods destined for export this is taken as ‘use of the trade mark’ (s 228). In patent law, it is infringement to export patented products for commercial purposes, whether the contract pursuant to which export takes place was made in the jurisdiction or outside it: *Sterling Drug Inc v Beck* [1972] FSR 529; *United Telephone Co v Sharples* (1885) 29 Ch D 164.

authorities shall also have the authority to order the applicant to pay the defendant expenses, which may include appropriate attorney's fees.'

Although the language does come from TRIPS, the drafting and placing of this provision is odd and it is not entirely clear what it is provision is aimed at. If the provision is aimed at compensating people wrongfully restrained **prior to trial** (ie interlocutory injunctions) then it is not clear why compensation is limited to cases where the procedure has been **abused**. In Australian law, a party seeking an interlocutory injunction is in almost all cases required to give an undertaking as to damages – an undertaking to compensate the wrongfully restrained party – if the initiating party ends up losing at trial.¹⁹ Such compensation is due to the wrongfully restrained party regardless of whether the party seeking the injunction was 'abusing' enforcement procedures.

On the other hand, if the provision is aimed only at **final** (rather than interlocutory) measures (as the placement in this article might suggest) it would seem to have a very narrow application – in cases where a person has been granted final remedies in a final adjudication which later turn out to be unjustified. Article 48 of TRIPS is directed at final remedies (there is a separate, broader right to compensation for persons subject to an interlocutory injunction or other provisional measures: see article 50.7).

2.4.5 *Statutory and punitive damages in copyright and trade mark*

Article QQ.H.4.X p69

(1) In civil judicial proceedings, with respect to infringement of copyright or related rights protecting works, phonograms, and performances, each Party shall establish or maintain a system that provides for one or more of the following:

- (a) pre-established damages, which shall be available upon the election of the right holder; or
- (b) additional damages²⁰⁵.

(2)²⁰⁶ In civil judicial proceedings, with respect to trademark counterfeiting, each Party [US propose: shall] [NZ/MY/BN/JP propose: may] also establish or maintain a system that provides for one or more of the following:

- (a) pre-established damages, which shall be available upon the election of the right holder; or
- (b) additional damages.

(3) Pre-established damages shall be set out in an amount that would be sufficient to compensate the right holder for the harm caused by the infringement [VN oppose: , and with a view to deterring future infringements].

(4) In awarding additional damages, judicial authorities shall have the authority to award such additional damages as they consider appropriate, having regard to all relevant matters, including the

¹⁹ See *European Bank Ltd v Robb Evans of Robb Evans & Associates* (2010) 240 CLR 432.

[seriousness / extent / blatancy of the infringing conduct]²⁰⁷ and the need to deter similar infringements in the future.

²⁰⁵ For greater certainty, additional damages may include exemplary or punitive damages.

²⁰⁶ Negotiator's Note: AU is still considering this paragraph.

²⁰⁷ Negotiators' Note: Parties are considering the drafting choice of the word that represent the concept of seriousness.

International: This draft text is **TRIPS plus, AUSFTA plus and ACTA plus**.

Statutory damages should be opposed. They have well-known and serious problems. They can lead to excessively high awards based on the US experience where awards of statutory damages are frequently arbitrary, inconsistent, unprincipled, and sometimes grossly excessive. Awards of this kind operate punitively, but the money goes to the copyright owner, not the state, leading to private windfalls and encouraging litigation. They can operate '*in terrorem*': that is, they are used with considerable success to strike terror into the heart of anyone with the temerity to make unauthorized uses" of copyright. There is also a query whether the current drafting would allow a country to adopt differentiated statutory damages (eg, different levels for personal vs commercial kinds of infringement). US precedent (they have differentiated awards) suggests yes, but were this not the case the text should be amended.

The ACTA text allowed for presumptions for damages as a third alternative in addition to additional and statutory damages: with those presumptions being required to provide an award sufficient to compensate the right holder. **Thus a country was not required even under ACTA to have a system of punitive damages.** The present TPP text suggests that a country **must** have **punitive/deterrent** damages, whether the particular figures are at large (as under additional damages) or pre-established (as under statutory damages).

Paragraph 4 is **completely inappropriate for a treaty**: this is legislative drafting, not treaty drafting. If a country chooses to have additional damages defining how those damages are to be determined should be a matter for national law: in particular since there may be different principles applying outside IP law and developing entirely different principles within IP law is inherently problematic – as it may set up incongruent differences between the level of penalties and remedies in IP law as opposed to other areas of civil law, hampering the development of consistent legal principle and potentially bringing the legal system in general into disrepute in a given country.

Australia: Australia does not have a statutory damages system. Australia allows for the imposition of additional damages which are punitive and deterrent in nature for flagrant infringement in copyright, patent, and trade mark law.²⁰ In any event, Australia needs as much flexibility as it can get to make adjustments to its present policy, with which there are a number of problems. Additional damages awards in Australia are out of line with other countries. In some cases, additional damages awards exceed ten times the proven harm or loss, reaching very substantial six-figure sums; even exceeding, arguably, the fines that would be imposed by a criminal court – but without the protections of criminal procedure. Additional damages can also

²⁰ *Copyright Act* s 115; *Patents Act* s.122(1A)); *Trade Marks Act* 1995 s126(2).

be quite arbitrary.²¹ The issue of the appropriate measure of damages, particularly additional damages, is likely to come up more urgently in the future: most likely when some poor individual gets sued for downloading.

2.4.6 Patent treble damages

ARTICLE QQ.H.4.Y p70

[US propose; SG/PE/VN/CA/CL/NZ/MY/BN/AU/MX/JP oppose: 6. In civil judicial proceedings concerning patent infringement, each Party shall provide that its judicial authorities shall have the authority to increase damages to an amount that is up to three times the amount of the injury found or assessed.²⁰⁸]

²⁰⁸ No Party shall be required to apply this paragraph to actions for infringement against a Party or a third party acting with the authorization or consent of a Party.

International: This provision is **TRIPS plus, AUSFTA plus and ACTA plus**. The threat of treble damages has the potential to significantly increase the risk of litigation. In a context where there are concerns about the quality of granted patents, and where patent litigation is extremely expensive, treble damages are another factor which may give an accused infringer the incentive to settle or pay a royalty even in relation to a patent of doubtful validity. Note also the recent *Australian Draft Report of the Pharmaceutical Patents Review*, which noted the need for more incentives for parties to challenge the validity of patents. The threat of treble damages tends in the opposite direction, since it increases the risk of proceeding through litigation even where there is a good chance of proving invalidity.²² Footnote 208 suggests that Australia (or any other signatory) could provide that treble damages would not be available against Australia or some third party authorized by the Crown. Australia should be aware that the US in particular has a tendency to exempt government itself from a wide range of IP laws and remedies. Not only is this hypocritical (what's good enough for the rest of the country is not good enough for the State), and not only does this tend to insulate government from being aware of the challenges posed to ordinary activity by IP law, but it gives the US government something of an advantage internationally. Instituting similar rules in Australia might be seen as inconsistent with principles of competitive neutrality.

Australia: Australia does not have treble damages for patent infringement. Australian law does provide for additional (punitive) damages, the assessment of which is a matter for the court.²³

²¹ Consider for example *Elwood Clothing v Cotton On Clothing* [2009] FCA 633, an extraordinary cases where a trial judge, having concluded at first instance that there was no infringement, and having then been overturned, made an award of additional damages for 'flagrant infringement' (ie awarding deterrent/punitive damages in a case where the question whether infringement was even occurring was sufficiently close that the Trial Judge had indeed found no infringement).

²² Pharmaceutical Patents Review Draft Report, available at <http://www.ipaustralia.gov.au/about-us/ip-legislation-changes/review-pharmaceutical-patents/>. The absence of sufficient incentives to challenge the validity of patents is well known in the patent literature. The difficulty is that a party which succeeds in proving a patent is invalid cannot internalize the full benefit of that success, since other parties (including competitors) can also take advantage of the space left through removal of the patent from the register. Society gains when an invalid patent is removed from the register.

²³ *Patents Act* s 122(1A)

On one view, Australia has only relatively recently introduced additional damages into patent law, and the impact of this change should be assessed before adding new, more specific rules. On the other hand, Australian approaches to additional damages tend to allow courts to make at-large assessments which, at least in copyright cases, have exceeded 10 times the proven damage. The language of this provision, in *limiting* the award of punitive damages to no more than three times the damage proved, might (perhaps ironically) place a much-needed cap on damages awards.

2.4.7 Attorney Costs

ARTICLE QQ.H.4.Y p70

...

7. Each Party shall provide that its judicial authorities, [PE oppose: where appropriate,] [CA propose:²⁰⁹] [PE propose: except in exceptional circumstances] have the authority to order, at the conclusion of civil judicial proceedings concerning infringement of at least copyright or related rights, [CA/MX/US propose: patents and [CA/MX/US oppose: or] trademarks, that the prevailing party be awarded payment by the losing party of court costs or fees and appropriate attorney's fees, or any other expenses as provided for under that Party's law.

209 [CA propose: For the purposes of this Article, where appropriate shall not be limited to exceptional cases.]

International: This provision on costs is TRIPS-plus (Art 45 refers to 'expenses which *may* include reasonable attorneys fees) and AUSFTA-plus but the same as ACTA provided that the qualification of 'where appropriate' is included.

Australia: the provision is not controversial for Australia. Australian courts generally have the discretion to order an unsuccessful party pay costs, subject to rules relating to the rejection of reasonable settlement offers. Courts would retain their usual discretion (for example, costs may not be recoverable if a reasonable settlement offer was refused) (the provision only requires that the judicial authorities have the authority to make an award, not that they shall make such an award).

2.5 Seizure

2.5.1 Seizure of suspected infringing goods, materials, implements and documentary evidence

ARTICLE QQ.H.4.Y p70-71

⁹²¹⁰. In civil judicial proceedings concerning copyright or related rights infringement and trademark counterfeiting, each Party shall provide that its judicial authorities shall have the authority [VN propose: , at the right holder's request,] to order [VN propose: as provisional measures] the seizure or other taking into custody of suspected infringing goods, materials and implements relevant to the infringement, and, at least for trademark counterfeiting, documentary evidence relevant to the infringement.

²¹⁰ Negotiators note: NZ share view of the article but would rather see it placed some other place; MX is considering this issue in light of Article QQ.H.4.13; JP proposes to move paragraph. 9 to Article QQ.H.5. Otherwise, JP will support VN proposal.

International: The provision is very similar to ACTA article 12.3 and AUSFTA article 17.11.9. It has a slightly ambiguous relationship with TRIPS. The unqualified nature of the provision is troubling: seizure of suspected (but not yet proven) infringing goods or implements in advance of a finding of infringement and in the absence of a reason to believe that the defendant will not act in good faith (ie goods will be sold or ‘disappeared’ in advance of trial) would be unusual. Although the provision only requires *authority* in courts to order seizure there is no mention of *any* safeguards for defendants’ interests.

The provision should be part of the provisional measures section and subject to stringent safeguards accorded under TRIPS (and which should be in the TPP chapter) relating to provisional measures. Note that the equivalent provision in ACTA is part of the article dealing with provisional measures. TRIPS provides for:

- Disposal or destruction of goods *found to be* infringing;
- *Provisional* seizure of evidence and/or provisional measures *only* to preserve evidence or to prevent existing or immanent infringement, and only subject to detailed safeguards set out in art 50, including:
 - That the court can require evidence that the applicant is the right holder and that the applicant's right is being or about to be infringed
 - That the court can order the applicant to provide a security sufficient to protect the defendant and to prevent abuse;
 - that if measures are adopted *inaudita altera parte*, that the defendant be notified and have a right to a hearing to review the measures;
 - that the defendant be able to get the measures revoked if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period;
 - if no infringement is found, that courts can order the applicant to provide the defendant appropriate compensation for any injury caused.

It is not at all clear therefore how this article interacts with TRIPS or the TRIPS safeguards, which are mandatory and hence would have to apply in the case of any provisional measure adopted under the TPP (see more detailed discussion in next section on destruction of implements).

Australia: The provision is consistent with Australian law.

2.5.2 Destruction of infringing goods/implements

ARTICLE QQ.H.4.Y p71

...

10²¹¹. Each Party shall provide that in civil judicial proceedings:

- (a) At least with respect to pirated copyright goods and counterfeit trademark goods, each Party shall provide that, in civil judicial proceedings, at the right holder's request, its judicial authorities have the authority to order that such infringing goods be [VN propose:

disposed of outside the channel of commerce or] destroyed, except in exceptional circumstances, without compensation of any sort.

- (b) Each Party shall further provide that its judicial authorities have the authority to order that materials and implements that have been used in the manufacture or creation of such infringing goods, be, without undue delay and without compensation of any sort, destroyed or disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements.
- (c) in regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional circumstances, to permit the release of goods into the channels of commerce.

²¹¹ Negotiator's Note: MX supports this in principle but needs to reflect on this pending discussions on paragraph QQ.H.4.13.

International: This provision has a narrower application than the equivalent provision in TRIPS: Article 46 of TRIPS applies to all IP infringements). This more serious provision is confined to 'copyright piracy and trade mark counterfeiting'. It is stricter than Article 46 of TRIPS in certain key ways:

- The TPP language (unless qualified as VN proposes) requires **destruction**. Article 46 of TRIPS does not require destruction: it requires disposal outside the channels of commerce *or* destruction (if consistent with constitutional requirements);
- Regarding implements:
 - The TPP language covering implements covers materials and implements **used in the manufacture or creation of infringing goods**. TRIPS Article 46 only covers materials and implements **the predominant use of which has been in the creation of infringing goods**.
 - The TPP language proposes **destruction or disposal** of material or implements; TRIPS Article 46 only refers to **disposal** outside the channels of commerce in a manner to minimize the risk of further infringements.
- The TPP language is otherwise unqualified. TRIPS includes safeguards:
 - The need for **proportionality** between the seriousness of the infringement and the remedies ordered must be taken into account; and
 - The interests of third parties must be taken into account.

The provision is also ACTA-plus: the provision in ACTA is limited to materials and implements **predominantly** used to manufacture or create infringing goods. Although the ACTA provision (article 10) does not contain the TRIPS safeguards, ACTA's Article 6 requires parties to take account of the need for proportionality and the interest of third parties into account in all enforcement proceedings.

The failure to include the TRIPS safeguards raises important issues: First, why does the TPP text include no reference at all to proportionality or the interests of third parties? Proportionality is a **critical** consideration **especially** where a provision has broad coverage to any material and implements used to infringe. Bearing in mind that the definition of copyright 'piracy' is *not* confined to a lay understanding of piracy (ie, it is *not* confined to fraudulent and exact copies of published copyright material) it is entirely conceivable that, for example, legitimate publishers,

or legitimate businesses providing publishing and copying equipment, could get caught up by a provision like this, once the word **predominantly** is taken out of the mix.²⁴

Second, what is the relationship between TRIPS and the TRIPS safeguards and bilateral text of this kind? On this point different views have been expressed. My view is and remains that all TRIPS safeguards stated in mandatory language (as many of the safeguards in the enforcement provisions of TRIPS are) would remain binding on the parties,²⁵ although other experts in international IP law have asserted the opposite.²⁶ It is, however, extremely confusing *not* to include safeguards in the text, as it raises the question whether those safeguards still apply. It is also undesirable, since having the safeguards in place is important to ensure both the reality and the appearance of protecting the interests of persons other than right holders.

Australia: Australia is subject to an even stronger provision in AUSFTA: AUSFTA article 17.11.10 provides that infringing goods *shall* be destroyed except in exceptional circumstances, the coverage extends to materials and implements merely *used* in manufacture/creation of infringements, and the article is unqualified by any requirement of proportionality or consideration of third parties.

The consistency of this provision with Australian law depends on whether the provision extends to goods in the hands of innocent third parties/persons other than the infringer. If it does, the provision would be arguably inconsistent with Australian trade mark law, but consistent with Australian copyright law. Even when confined to goods taken from the infringer, the provision may not be consistent with Australian trade mark or patent law. Australian courts have power, in order to perfect an injunction restraining trade mark infringement, to order delivery up of infringing items (goods, labels, packaging, advertising material) for either the obliteration of the trade mark or for destruction. But the remedy is there to ensure the defendant is not tempted to put the infringing copies into circulation. As the infringement arises from the use of the trade mark in relation to goods or services, rather than the sale or provision of the goods or services themselves, there is authority that obliteration of the mark is in fact to be preferred over destruction: Lahore and Dufty, *Patents, Trade Marks & Related Rights* (looseleaf, 1996-), [58,500]; see *Warwick Tyre v New Motor and General Rubber* (1910) 27 RPC 161, 171; Bently and Sherman, *Intellectual Property Law* (2nd ed 2001), 1100.

²⁴ It might be argued that the purpose of removing references to ‘predominantly’ is to ensure that right holders do not have to engage in the difficult process of proving the predominant use of relevant machinery, and/or that flagrant infringers cannot avoid forfeiture by arguing spurious other uses of relevant equipment. This is nonsense. The onus could be placed on a defendant to show other legitimate uses to avoid forfeiture, and surely courts can be trusted to distinguish between genuine and spurious uses.

²⁵ Kimberlee Weatherall, ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 230, 259-60. See also Kamperman-Sanders et al, *The Anti-Counterfeiting Trade Agreement: An Assessment* (Directorate-General for External Policies, 2011), 21.

²⁶ Axel Metzger et al, Opinion of European Academics on ACTA, Institute for Legal Informatics <<http://www.iri.uni-hannover.de/acta-1668.html>>; Margot Kaminski, ‘An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement (ACTA)’ (PIJIP Research Paper No 17, American University Washington College of Law, 1 January 2011) <<http://digitalcommons.wcl.american.edu/research/17>>

2.6 Information in the hands of (alleged) infringers

ARTICLE QQ.H.4.Y p71

11²¹². Without prejudice to its law governing privilege, the protection of confidentiality of information sources, or the processing of personal data, each Party shall provide that, in civil judicial proceedings concerning the enforcement of intellectual property rights, its judicial authorities have the authority, upon a justified request [VN: propose²¹³] of the right holder, to order the infringer or, in the alternative, the alleged infringer, to provide to the right holder or to the judicial authorities, at least for the purpose of collecting evidence, relevant information as provided for in its applicable laws and regulations that the infringer or alleged infringer possesses or controls. Such information may include information regarding any person involved in any aspect of the infringement or alleged infringement and regarding the means of production or the channels of distribution of the infringing or allegedly infringing goods or services, including the identification of third persons alleged to be involved in the production and distribution of such goods or services and of their channels of distribution.

²¹² Negotiator's Note: MX is still considering this proposal.

²¹³ VN propose: A request for an order under this paragraph may be considered as unjustified in case such order would be out of proportion to the seriousness of the infringement.

International: This provision is TRIPS plus. The language of this draft closely matches the language of ACTA article 11. The equivalent provision in AUSFTA (Article 17.11.11) is differently worded from the TPPA draft. Notably, FN31 of the AUSFTA specifically provides that the provision 'does not apply to the extent that it would conflict with common law or statutory privileges, such as legal professional privilege'. VN's proposal would bring the language closer to TRIPS, which specifically provides that information need not be provided if it would be out of proportion to the seriousness of the infringement.

The earlier US proposal was less qualified than this provision: it made no reference for example to confidentiality or privilege; it referred to *any* information rather than *relevant* information; it did not refer to the purpose of collecting evidence, and did not require a 'justified request'. The earlier US proposal also required information to be provided to the right holder: the present draft (like ACTA) refers to providing the information to the judicial authorities as an alternative (AUSFTA refers to providing the information to the right holder's legal representative).

Australia: Australian law has procedures for obtaining information, but they are all more qualified than this provision. Preliminary discovery from a non-party (*Federal Court Rules 2011, pt 7 div 7.3*) can be used to seek information from any person to identify a prospective respondent (*Federal Court Rules, 7.22*) (for example, to identify the manufacturer of infringing goods found in the hands of a wholesaler or retailer); against a prospective respondent in order to determine whether there is a sufficient case against them, or against a third party where 'it appears that the person has or is likely to have or has had or is likely to have had in the person's possession any document which relates to any question in the proceeding' (*Federal Court Rules, Rule 7.22*). Subpoenas are also available against third parties requiring production of specific evidence.

All of the procedures available in Australian law are limited and subject to general principles proscribing misuse of court procedures. Preliminary discovery orders, for example, are only

allowed if the party seeking disclosure has exhausted discovery against the other parties; the power to make such orders is exercised with caution: *McIlwain v Ramsey Food Packaging Pty Ltd* (2005) 221 ALR 785. Subpoenas cannot be too widely drafted, or put the recipient to disproportionate effort or expense, or require the exercise of judgment on the part of the recipient. A subpoena requiring ‘the production of all documents relating to the applicant’s allegation of infringement by another would probably be oppressive.

The various qualifications that have been introduced likely ensure that specific IP-only adjustments to the Federal Court rules would not be required in Australia.²⁷

2.7 *Miscellaneous*

2.7.1 *Confidentiality*

ARTICLE QQ.H.4.Y p72

12. Each Party shall provide that in relation to a civil judicial proceeding concerning the enforcement of intellectual property rights, its judicial or other authorities have the authority to impose sanctions on a party, counsel, experts, or other persons subject to the court’s jurisdiction, for violation of judicial orders concerning the protection of confidential information produced or exchanged in connection with such a proceeding.²¹⁴

²¹⁴ Negotiators’ Note: PE/MX are considering the need for this proposal.

International: The provision is different from TRIPS, although TRIPS article 42 does provide that enforcement procedures ‘shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements’. There is no equivalent provision in ACTA.

Australia: Australia is subject to an identical provision in the AUSFTA Article 17.11.12(b). This is consistent with Australian law.

2.7.2 *Administrative alternatives*

ARTICLE QQ.H.4.Y

13. To the extent that any civil remedy [VN propose; MX oppose:²¹⁵] can be ordered as a result of administrative procedures on the merits of a case, each Party shall provide that such procedures conform to principles equivalent in substance to those set out in this Article (civil and administrative proceedings)

²¹⁵ [For greater certainty, civil remedies do not include administrative measures, decisions or any other actions taken by administrative authorities.]

²⁷ Specific, IP-only adjustments to rules of this kind are undesirable: they fragment and complicate court procedural rules and make the day to day management of litigation more complex: William Cornish, Josef Drexler, Reto Hilty, Annette Kur, “Procedures and Remedies for Enforcing IPRS: The European Commission’s Proposed Directive” [2003] 25 EIPR 447, 448.

International: The wording is almost identical to TRIPS art 49 and to article 7.2 of ACTA.

Australia: Australian law provides for judicial procedures in infringement cases, thus this provision is not applicable in Australia at present. No equivalent is found in AUSFTA.

2.7.3 Experts

ARTICLE QQ.H.4.Y

14. In the event that a Party's judicial or other authorities appoint technical or other experts in civil proceedings concerning the enforcement of intellectual property rights and require that the parties to the litigation bear the costs of such experts, that Party should seek to ensure that such costs are reasonable and related appropriately, *inter alia*, to the quantity and nature of work to be performed and do not unreasonably deter recourse to such proceedings.

International: There is no equivalent provision in TRIPS or ACTA. This does seem an excessive intervention in domestic legal affairs, especially since the details of such orders would lie in the hands of courts, not legislature.

Australia: Australia is subject to an identically worded provision in AUSFTA Article 17.11.15. Australian courts have, but rarely exercise, the power to appoint experts. Australian proceedings are generally adversarial with the parties briefing and presenting their own experts.

2.8 Remedies in relation to RMIs and TPMs

ARTICLE QQ.H.4.Y p72

[US/AU/SG propose; BN/VN/MX/JP oppose²¹⁶: 15. In civil judicial proceedings concerning the acts described in Article 4.[9] (TPMs) and Article 4.[10] (RMI), each Party shall provide that its judicial authorities shall, at the least, have the authority to:

- (a) impose provisional measures, including seizure or other taking into custody of devices and products suspected of being involved in the prohibited activity;
- (b) [US/SG propose; NZ/AU/MY oppose: provide an opportunity for the right holder to elect between actual damages it suffered (plus any profits attributable to the prohibited activity not taken into account in computing those damages) or pre-established damages;] [AU/NZ/PE propose: order damages of the type available for the infringement of copyright]
- (c) order [NZ propose: , where appropriate,] payment to the prevailing party at the conclusion of civil judicial proceedings of court costs and fees, and appropriate attorney's fees, by the party engaged in the prohibited conduct; and
- (d) order the destruction of devices and products found to be involved in the prohibited activity.

[US/AU/SG/NZ/MY/CL/CA propose [US propose: No Party shall make damages available under this paragraph] [AU/SG/NZ/MY/CL/CA propose: A Party may provide that damages shall not be available] against a [MY oppose: nonprofit] library, archives, educational institution, [CA propose: museum, or any other nonprofit entity as determined by a Party's law] [CA oppose: or public noncommercial broadcasting entity] [MY oppose: that sustains the burden of proving that such entity was not aware and had no reason to believe that its acts constituted a prohibited activity].]]²¹⁷

²¹⁶ Negotiators Note: PE/MY/NZ/CL/CA reserve their positions pending resolution of related provisions regarding TPM and RMI.

²¹⁷ Negotiator's Note: This will be discussed in relation to provisions regarding TPM and RMI

International: The provision is TRIPS plus, and ACTA plus. The idea of statutory or pre-established damages for anti-circumvention law seems new, and should be opposed. They have well-known and serious problems. They can lead to excessively high awards based on the US experience where awards of statutory damages are frequently arbitrary, inconsistent, unprincipled, and sometimes grossly excessive. Awards of this kind operate punitively, but the money goes to the copyright owner, not the state, leading to private windfalls and encouraging litigation. They can operate '*in terrorem*': that is, they are used with considerable success to strike terror into the heart of anyone with the temerity to make unauthorized uses" of copyright. The AU/NZ/PE proposal to require 'damages of the type available for the infringement of copyright' is not all that much better, since under the earlier parts of the TPP some form of punitive damages is required (pre-established or additional).

Australia: Australian law already provides, in RMI and anti-circumvention cases, for:

- Provisional measures, and payment of costs by the losing party, under the general/inherent powers of the court;
- Damages or account of profits for breach of the anti-circumvention and RMI provisions, including additional damages aimed at deterring flagrant conduct: ss 116AQ, 116D;
- The destruction of devices and products involved: s 116.

Australia does *not* provide for pre-established damages for breaches of the anti-circumvention or RMI provisions, although it does allow for additional damages. It is not clear why it would be in Australia's interests to oppose the stronger language of the exception creating a specific exception for non-profit entities, and instead to impose the softer language *allowing* a party to create an exception. The softer language is found in AUSFTA art 17.11.13: this may be a case of Australia simply wanting to replicate AUSFTA language rather than make a considered policy decision. Alternatively Australia may wish to protect domestic discretion (although why domestic discretion should be preserved where it favours rightholders, rather than in all the other cases where it might be pro-user to retain some discretion, is unclear).

2.9 Vexatious Proceedings

ARTICLE QQ.H.4.Y cont p73

[NZ/CA/SG/CL/MY propose: 16. Each Party may adopt or maintain measures to discourage vexatious or unreasonable proceedings, including those involving pharmaceutical products that are subject to marketing, regulatory or sanitary approval.]

International: No equivalent in TRIPS, ACTA or AUSFTA. Appears to be entirely protective of defendant interests (unlike most of the chapter) and is therefore to be welcomed. This is consistent with, but broader, **Article QQ.H.1** which requires the application of enforcement procedures in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse. It is probably helpful to have language of this kind in the text since it provides a specific ‘hook’ for specific procedures that might be instituted particularly in the pharmaceutical area (whether against originators or generics, since the provision – unlike most of the text – is even-handed).

Australia: Australia would comply with this provision under general rules of court which impose various sanctions against vexatious proceedings and/or unreasonable behaviour by parties in litigation.

2.10 *Provisional measures*

Article QQ.H.5: {Provisional Measures} p73

1. Each Party's authorities shall act on requests for relief *inaudita altera parte* expeditiously in accordance with the Party's judicial rules.
2. Each Party shall provide that its judicial authorities have the authority to require the applicant, with respect to provisional measures, to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant's right is being infringed or that such infringement is imminent, [VN//PE: and that any delay in the issuance of such measures is likely to cause irreparable harm to the right holders, or there is a demonstrable risk of evidence being destroyed,] and to order the applicant to provide a security or equivalent assurance set at a level sufficient to protect the defendant and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to such procedures.

International: This provision is confusing. It is confusing because it does not specify what kinds of provisional relief might be sought: cf TRIPS article 50 (preventing infringement and preserving evidence) and ACTA article 12 (preventing infringement and preserving evidence). The relationship between this provision and the other seizure provision (discussed above at page 20) is also confusing. As noted above, the seizure provision in article QQ.H.4.Y.9 does not specify whether it is targeted at provisional or final seizure (again, cf TRIPS which is very clear regarding this division). Assuming that article QQ.H.4.Y.9 is intended at provisional seizure it has none of the meagre safeguards found in this provision.

The provision is **extremely unbalanced** and despite the requirement for ‘reasonably available evidence’ of infringement or immanent infringement and the provision of a security to protect the defendant, the provision lacks basic safeguards found in TRIPS. Under TRIPS article 50, dealing with provisional measures, TRIPS also requires:

- Parties affected must be given notice, without delay after the execution of the measures at the latest (Art 50.4);
- A review, including a right to be heard, must take place upon the defendant's request with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed (Art 50.4); and

- The measures must be revoked on the defendant's request if proceedings on the merits are not initiated within a reasonable period (not to exceed the longer of 20 working days or 31 calendar days) (Art 50.6).

Even ACTA has better safeguards, requiring that '[w]here the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures' (ACTA article 12.5). Although compensation is mentioned earlier in the TPP draft in **QQ.H.4.4**, that provision only provides for compensation in cases of **abuse** of enforcement procedures. As noted above, under Australian law compensation would ordinarily be ordered for a party wrongfully subject to provisional measures (like an interlocutory injunction) *regardless* of whether the initiating party was abusing procedures.²⁸

The absence of the TRIPS safeguards again raises the relationship between TRIPS and the TRIPS safeguards and bilateral text of this kind. As noted above my view is that TRIPS safeguards stated in mandatory language (as the safeguards in article 50 are) would remain binding on the parties.²⁹ It is, however, extremely confusing *not* to include safeguards in the text, and undesirable, making the agreement look even more unbalanced that it is.

The US' original proposal had a time limit requiring that parties act on 'requests for provisional relief *inaudita altera parte* expeditiously... except in exceptional cases, generally execute such requests within ten days.' This specificity has, thankfully, disappeared.

Australia: Australian law does allow for provisional measures such as seizure of evidence *inaudita altera parte*.³⁰ The availability of search orders in particular is heavily circumscribed: an applicant must show that (a) they have a strong prima facie case; (b) the potential or actual loss or damage to the applicant will be serious if the order is not made; and (c) there is sufficient evidence that (i) the respondent possesses important evidentiary material; and (ii) there is a real possibility that the respondent might destroy such material or cause it to be unavailable for use in evidence in a proceeding or anticipated proceeding before the Court.³¹ In addition Australian courts have developed further, important protections for persons the subject of such an order: requirements for the presence of an independent legal practitioner; that the party engaged in the search be small; that neither the right holder nor their employees be given access to the material directly; that the order not be carried out at the same time as a police search.³² These local protections are maintained by the phrase 'in accordance with the Party's judicial rules'.

²⁸ See above part 2.4.4 page 19.

²⁹ Kimberlee Weatherall, 'Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement' (2011) 33 *Sydney Law Review* 230, 259-60. See also Kamperman-Sanders et al, *The Anti-Counterfeiting Trade Agreement: An Assessment* (Directorate-General for External Policies, 2011), 21. But cf Axel Metzger et al, Opinion of European Academics on ACTA, Institute for Legal Informatics <<http://www.iri.uni-hannover.de/acta-1668.html>>; Margot Kaminski, 'An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement (ACTA)' (PIJIP Research Paper No 17, American University Washington College of Law, 1 January 2011) <<http://digitalcommons.wcl.american.edu/research/17>>

³⁰ *Federal Court Rules 2011* (Cth) rule 7.32 (asset freezing orders); 7.42 (search orders) (both may be made with or without notice to the respondent).

³¹ *Federal Court Rules 2011* (Cth) rule 7.43.

³² See *Federal Court Practice Note* CM11 1 August 2011 (available at <http://www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/cm11>)

3 Border Measures

3.1 Evidence from the right holder

Article QQ.H.6: {Special Requirements Related to Border Enforcement²¹⁸ / Special Requirements related to Border Measures} [²¹⁹] p73

1. Each Party shall provide that any right holder initiating procedures for its competent authorities to suspend release of suspected counterfeit [SG/BN/MY/VN/CA oppose: or confusingly similar] trademark goods, or pirated copyright goods²²⁰ into free circulation is required to provide adequate evidence to satisfy the competent authorities that, under the law{s} of the [CA/NZ/MX/US/PE/AU oppose: country of importation] [CA/NZ/MX/US/PE/AU²²¹ propose: Party providing the procedures], there is *prima facie* an infringement of the right holder's intellectual property right and to supply sufficient information that may reasonably be expected to be within the right holder's knowledge to make the suspected goods²²² reasonably recognizable by its competent authorities. The requirement to provide such information shall not unreasonably deter recourse to these procedures.

²¹⁸ Negotiators Note: The scope of border measures in this section will be confined to counterfeit trademark goods, pirated copyright goods. The US proposal for inclusion of, confusingly similar trademark goods is still under negotiation and Parties have different views on this proposal.

²¹⁹ [CA propose: It is understood that there shall be no obligation to apply the procedures set forth in this Article to goods put on the market in another country by or with the consent of the right holder.]

²²⁰ For purposes of Article 14:

- (a) counterfeit trademark goods means any goods, including packaging, bearing without authorization a trademark that is identical to the trademark validly registered in respect of such goods, or that cannot be distinguished in its essential aspects from such a trademark, and that thereby infringes the rights of the owner of the trademark in question under the law of the country of importation; and
- (b) pirated copyright goods means any goods that are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and that are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.

²²¹ Negotiators' Note: AU supports this ad referendum.

²²² Negotiators' Note: Need to clean up terminology in H.6 relating to 'goods' and 'merchandise'.

International: As to the information required to be supplied by the right holder, this provision is more or less the same as TRIPS article 52, article 17 of ACTA and AUSFTA article 17.11.19. The key question appears to be whether the border measures should extend to ordinary trade mark infringement (through adoption of a 'confusingly similar mark') or only counterfeit trade mark goods (where the mark used is identical or cannot be distinguished in its essential aspects). This is discussed below (next section, dealing with scope).

Care should be taken around language that refers to procedures to suspend release of suspected counterfeit goods ‘into free circulation’. Depending on how other provisions are drafted, this might be read as requiring measures to apply wherever the action of customs officials could release goods into free circulation whether locally or in other countries – which might mean imposing measures on in transit and export goods. The question of ‘in transit’ and export goods is addressed further below, but language in *each* of the provisions needs to be considered to ensure it does not create additional scope in the border measures by a side wind.

Critical questions arise as to the country under whose law any alleged infringement should be identified. The language of this provision adopts the approach of ACTA and the approach of the EU in referring to the country where the measures are being applied (although the footnote refers to the country of importation). This question is **critical** but is addressed below in the discussion of ‘in transit’ measures. The short point is that referring to the law of the country where the measures are applied is **extremely problematic in the case of in transit goods** and if the measures extend so far, this question **needs to be revisited**.

Re footnote 219 regarding parallel imports: an equivalent provision may be found in ACTA footnote 5 to section 3 of Part II. Parallel imports are a contentious area in Australian law and policy at the moment (see discussion of provisions elsewhere).

3.2 *Scope of border measures*

Article QQ.H.6: {Special Requirements Related to Border Enforcement (cont) p74

1*bis*. Each Party shall provide for applications to suspend the release of, or to detain, any suspect goods ²²³ [SG/VN oppose: under customs control ²²⁴ in its territory.] [SG/VN propose: that are imported into the territory of the Party²²⁵] A Party may provide that, at the request of the right holder, an application to suspend the release of, or to detain, suspect goods may apply to selected points of entry [US/CA/JP/MX²²⁶ propose; CL/SG/VN oppose: and exit] under customs control.]^{227 228} [US/AU/CA/JP/NZ propose; MX /PE/CL/MY/SG/VN/BN oppose: Each Party shall provide that applications [NZ oppose: shall] remain in force [NZ propose: for the period requested by the right holder but not exceeding five years, or] for a period of not less than one year from the date of application, or the period that the good is protected by copyright or the relevant trademark registration is valid, whichever is shorter.[NZ propose: A Party may provide that its competent authorities have the authority to suspend or invalidate an application when there is due cause.]

²²³ Negotiators' Note: MY/CA/SG/AU/VN/BN: suspect goods need to be defined and revert back.

²²⁴ Negotiators' Note: CA/MY/AU: Customs controls need to be defined and revert back.

²²⁵ [SG propose: the requirement to provide for such application is applicable to the obligation to provide procedures referred to in Article QQ.H.6.1.]

²²⁶ Negotiators' Note: AU/PE can support consensus.

²²⁷ Negotiators' Note: MY/SG/VN/BN are considering this first clause.

²²⁸ Negotiators' Note: Parties are considering the need for a footnote to deal with the scope of this clause.

Regarding the **scope of IP rights covered**, the provision is TRIPS-plus: TRIPS only requires border measures for counterfeit trade mark goods and pirated copyright goods: TRIPS article 51. The provision may or may not be ACTA-plus in scope, depending on how ACTA is interpreted. I have argued that ACTA very much leaves the scope of border measures to the law of the particular country: patents and trade secrets/confidential information are explicitly excluded (article 13, footnote 6) but the language is unclear as it relates to other rights and possibly allows a country to choose which rights and which infringements to protect with border measures.³³ Other analysts argue that ACTA only excludes patents and confidential information and that all other IP rights (and all other forms of infringement) must be protected by border measures.³⁴

Regarding the **scope of infringements covered**, the extension to cases of trade mark infringement involving ‘confusingly similar’ (in Australian terminology, ‘deceptively similar’) marks is internationally controversial, because (a) it requires customs officials to engage in legal analysis that is arguably beyond their level of expertise, (b) it creates the potential for competitive activity to be caught by and fought out at the level of border measures where it would be more appropriate for those fights to occur through the courts (ie it allows a company that believes a competitor is ‘too close’ to use the border measures); and (c) perhaps most importantly, allegations are regularly raised that generic pharmaceutical companies are using ‘deceptively similar’ or confusingly similar marks, and hence trade mark infringement of this kind may be used to initiate the seizure of generic pharmaceuticals, thus potentially impacting on access to medicine.

Regarding the **kinds of activity covered (import, export, in transit)** the language of this provision is **opaque**. It requires countries to allow right holders to make ‘applications to suspend the release of, or to detain, **any suspect goods under customs control**’. Literally that would seem to apply to goods whether imported, ready for export or in transit – which would be a huge and very controversial extension over both TRIPS (which requires measures only in relation to import and allows for measures to intercept exports and does not mention ‘in transit’ goods) and ACTA (which requires measures for import and export and allows measures for in transit goods). AUSFTA talks only about **import**. The question of scope seems to be dealt with in paragraph 4, but the language of this provision also needs to be considered to ensure it does not create an obligation to seize in transit or export goods by a side wind.

Regarding the **duration of measures at the border**: Australia is subject to a very similar provision in AUSFTA Article 17.11.19. A 12 month period for notices of objection to remain ‘live’ is not controversial (in fact, in Australia the period is 4 years). Australian law already provides for border measures.

3.3 *Security from right holders seeking border protection*

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont) p75

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

³⁴ Henning Grosse Ruse-Khan, ‘A Trade Agreement Creating Barriers to International Trade? ACTA Border Measures and Goods in Transit’ (Research Paper No 10-10, Max Planck Institute for Intellectual Property, Competition & Tax Law, 2010); Margot Kaminski, ‘An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement (ACTA)’ (PIJIP Research Paper No 17, American University Washington College of Law, 1 January 2011) <<http://digitalcommons.wcl.american.edu/research/17>> 27-8.

2. Each Party shall provide that its competent authorities have the authority to require a right holder initiating procedures to suspend the release of suspected counterfeit [BN/SG/MY/VN/CA oppose: or confusingly similar] trademark goods, or pirated copyright goods, to provide a reasonable security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Each Party shall provide that such security or equivalent assurance shall not unreasonably deter recourse to these procedures. A Party may provide that such security may be in the form of a bond conditioned to hold the defendant harmless from any loss or damage resulting from any suspension of the release of goods in the event the competent authorities determine that the article is not an infringing good.

International: The wording of the provision, however, varies in detail from TRIPS and ACTA:

- TRIPS does not include the option of a bond;
- ACTA permits a party to ‘permit the defendant to obtain possession of suspect goods by posting a bond or other security’, although only ‘only in exceptional circumstances or pursuant to a judicial order’.

These differences add to the complexity and confusion which increasingly surround international IP law.

Australia: Australia is subject to a similar provision in AUSFTA Article 17.11.20. This would not change Australian law.

3.4 *Information to be given to right holder*

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont) p75

3. Without prejudice to a Party's laws pertaining to privacy or the confidentiality of information, where its competent authorities have detained or suspended the release of goods that are suspected of being counterfeit or pirated, a Party may provide that its competent authorities have the authority to inform the right holder [CA/VN propose: who has filed a request for assistance] [MY/CA/BN/PE/VN oppose: promptly] [MY/CA/PE²²⁹ /BN/SG/VN propose: within a reasonable period] of the names and addresses of the consignor, exporter, consignee or importer, a description of the merchandise, quantity of the merchandise, and, if known, the country of origin of the merchandise.: Where a Party does not provide such authority to its competent authorities when suspect goods are detained or suspended from release, it shall provide [US/VN propose: , at least in cases of imported goods,] its competent authorities with the authority to provide the foregoing information to the right holder [SG/VN oppose: within 30 days²³⁰] [SG/VN propose: within a reasonable period] of the seizure or determination that the goods are counterfeit or pirated, whichever is earlier.

²²⁹ Negotiators' Note: CA would need to include minor amendments on disclosure.

²³⁰ For purposes of this Article, “days” shall mean “business days”.

International: This creates a very extensive right to information in circumstances where the infringing nature of the goods has not yet been established. Cf:

- TRIPS, which states (article 57) that a party **may** provide its authorities with the authority to inform the right holder of the names and addresses of the consignor, the

importer and the consignee and of the quantity of the goods in question, **where a positive determination has been made on the merits of a case;**³⁵

- AUSFTA, which states (article 17.11.21) that ‘**where its competent authorities have made a determination that goods are counterfeit or pirated**, a Party shall provide that its competent authorities have the authority to inform the right holder of the names and addresses of the consignor, the importer, and the consignee, and of the quantity of the goods in question’.

That is not, however, necessarily a good thing. *Especially* if border measures are extended beyond straightforward counterfeit cases to cases where questions of infringement may be more finely balanced (‘confusingly similar’ trade mark infringements), and in any event for copyright (where the measures are not confined to the lay concept of counterfeits), this is an extraordinary disclosure of potentially commercial-in-confidence information, possibly to a competitor. These provisions are *not* just used against ‘evil counterfeiters and pirates’, but may be used by competitors in the context of a legitimate dispute over a trade mark. In that context, the too-ready release of information would seem to be entirely inappropriate. The reference to the law regarding confidentiality might offer some protection here – but it may not, since laws relating to confidentiality may include quite broad exceptions relating to the enforcement of law depending on the jurisdiction.

ACTA is put more broadly than TRIPS or AUSFTA, but is more nuanced than this TPP wording. Under ACTA (article 22):

- a Party **may** authorize its authorities to provide a right holder with information **about specific shipments of goods**, including the description and quantity of **the goods**, to assist in the detection of infringing goods;
- A party **may** authorize its authorities to provide right holders with more detailed information, including the description and quantity of the goods, but also the **people and companies involved**: ie the name and address of the consignor, importer, exporter, or consignee, and, if known, the country of origin of the goods, and the name and address of the manufacturer of the goods, **to assist in the determination of whether the goods are infringing or not**;
- If it does not provide this second kind of more detailed information, a party must provide that level of information to the rightholder, within 30 days of seizure or 30 days of determining the goods are infringing (the option of choosing between these lies with the Party).

Under this drafting of the TPP provisions:

- A party could release highly detailed, potentially commercial-in-confidence information to a right holder without any limitation as to the purpose for which that information is being released; and
- A party is **required** to release detailed information to the right holder, within 30 days of seizure.

In short, this provision would seem to authorize a fishing expedition on the part of right holders. **It is highly controversial and could get Australian traders into hot water in other jurisdictions.** It might also provide incentives, or at the very least, the opportunity, for

³⁵ Query whether there is an argument that by providing a party *may* provide information following a determination on the merits, there is an argument that a party may *not* provide such information before such a determination (under an *expression unius* approach to interpretation). The argument probably cannot stand, however, in the face of general provisions in TRIPS allowing for more extensive protection: especially article 1.1.

companies to use border measures chiefly in order to extract information about competing activities.

Australia: Australian law actually does provide for release of information about the **importer and exporter** on seizure (*Copyright Act* s 135AC; *Trade Marks Act* s 134).

3.5 *Ex officio border measures and scope (import/export/in transit)*

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont) p75

[US/PE/AU/SG/MY/CL/CA/BN/JP propose; NZ/VN/MX oppose: 4. Each Party shall provide that its competent authorities may initiate border measures *ex officio*²³¹ with respect to [AU propose: merchandise that is] imported, [MY/CL/AU/PE/BN oppose: exported,] [CL/AU/PE propose; SG oppose: destined for export,] [AU/MY/SG/CA/BN/CL oppose: or in-transit merchandise, [PE oppose:²³²] [PE/SG/MY/CL/CA/BN oppose: or [AU oppose: merchandise] [US propose: entering into or exiting from] [US oppose: in] free trade zones], that is suspected of being counterfeit [SG/PE/MY/CA/BN oppose: or confusingly similar] trademark goods, or pirated copyright goods.]

²³¹ For greater certainty, the parties understand that *ex officio* action does not require a formal complaint from a private party or right holder [MY/BN propose: , provided that they have acquired *prima facie* evidence that intellectual property rights are being infringed].

²³² For purposes of this Article, **in-transit merchandise** means goods under “Customs transit” and goods “transhipped,” as defined in the *International Convention on the Simplification and Harmonization of Customs Procedures* (Kyoto Convention).

International: Regarding the **kinds of activity covered (import, export, in transit)** there is clearly plenty of disagreement, with parties variously supporting import, export, and in-transit seizures. Australia supports seizures on import and before export (playing the pernickety lawyers with interesting potential consequences by insisting this must refer to goods ‘destined for export’ rather than those ‘exported’³⁶). Australia opposes the inclusion of a requirement for in-transit seizures.

Cf other international agreements:

- TRIPS requires measures only in relation to import and allows for measures to intercept exports and does not mention ‘in transit’ goods; the argument has been raised that in transit seizures may be impermissible barriers to trade;³⁷
- ACTA requires measures for import and export and allows (without requiring) measures for in transit goods.

³⁶ What, after all, are the boundaries of ‘goods destined for export’? Is the phrase confined only to ‘complete’ goods at the point where they are ready for export? Presumably the point is a little moot, however, since it is hard to foresee many circumstances where customs would be in a position to seize goods that were not on the point of export.

³⁷ *European Union and a Member State—Seizure of Generic Drugs in Transit*, WTO Doc WT/DS408/1 (19 May 2010) (Request for Consultations by India); *European Union and a Member State – Seizure of Generic Drugs in Transit*, WTO Doc WT/DS409/1 (19 May 2009) (Request for Consultations by Brazil). Canada, Ecuador, China, Japan and Turkey requested to join the consultations. For a description and assessment of the arguments see Bryan Mercurio, ‘‘Seizing’ Pharmaceuticals in Transit: Analysing the WTO Dispute that wasn’t’ (2012) 61 *International and Comparative Law Quarterly* 389.

- AUSFTA talks only about **import**.

A key question in all border measures how the ‘infringing’ nature of goods is to be determined – that is, under which jurisdiction’s law must the articles be infringing – the country applying the measures (as some text earlier in this article suggests) or the country of final import (ie the country where the goods will enter the market)? The question is particularly complicated:

- In export cases, where the final destination of goods may not be known at the time measures are applied; and
- In ‘in-transit’ cases, where there are (at least) three jurisdictions whose law might be relevant: the country of export, the country of import, and the country of transit.

The importance and difficulty of the questions may be illustrated by reference to the ‘Dutch Seizures’ case which gave rise to a request for consultations within the WTO (later amicably resolved).³⁸ In that case authorities in the Netherlands seized a shipment of generic pharmaceuticals that was said to infringe IP rights in the Netherlands, although there was no infringement of IP rights in either the country of export or the destination. The key question is whether the Netherlands should be entitled to seize goods that are not infringing in their final destination? On the other hand, is there an expectation, with in transit seizures, that customs officials will be called on to determine whether the shipment is infringing in the country of destination (ie, apply the law of another country?).

TRIPS offers no answers here: TRIPS refers only to the law of the country of importation (understandable since it requires only measures to intercept imports). ACTA appears to adopt the law of the country where measures are imposed, but is somewhat cryptic.³⁹ Language in this draft of the TPP adopts both positions: at times the ‘country of importation’ is referred to; on other occasions the ‘law of the country applying the measures’ is referred to. Australia appears to support the latter position.⁴⁰

Resolving these questions is **far from straightforward**. There have been years of dispute within the EU over whose law should apply and whether countries were entitled to seize ‘in transit’ goods where there is no proven risk that the goods may be diverted to the local market.⁴¹ The implications of any position, and its potential impact on legitimate exports and

³⁸ For a detailed discussion of the case and the legal issues that arose see Bryan Mercurio, ‘Seizing’ Pharmaceuticals in Transit: Analysing the WTO Dispute that wasn’t’ (2012) 61 *International and Comparative Law Quarterly* 389; Kimberlee Weatherall, ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 230, 249-253.

³⁹ Kimberlee Weatherall, ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 230, 249-253

⁴⁰ It should also be noted that language simply adopting the country of importation does not necessarily finally resolve the question whether goods must be seized when in transit. The question still arises whether IP rights are infringed in a jurisdiction when goods are present in transit. For example, if goods are not offered for sale in the local market, are any of the exclusive rights of the patent or trade mark owner infringed? EU courts seized goods on the basis of a ‘manufacturing fiction’ (would the goods infringe if manufactured within the jurisdiction). That fiction has been rejected by the EU since: see Mercurio. In any event years of dispute in the EU establish the care needed over any language in border measures in the TPP or any other agreement.

⁴¹ See Bryan Mercurio, ‘Seizing’ Pharmaceuticals in Transit: Analysing the WTO Dispute that wasn’t’ (2012) 61 *International and Comparative Law Quarterly* 389; Kimberlee Weatherall, ‘Politics, Compromise, Text, and the Failures of the Anti-Counterfeiting Trade Agreement’ (2011) 33 *Sydney Law Review* 230, 249-253; Henning Grosse Ruse-Khan, ‘A Trade Agreement Creating Barriers to International Trade? ACTA Border Measures and Goods in Transit’ (Research Paper No 10-10, Max Planck Institute for Intellectual Property, Competition & Tax Law, 2010).

imports that happen to pass through a country where there is infringement, should be considered. Not only would such a provision open up the potential for more seizures of legitimate generic goods as per the Dutch seizures that have caused so much angst, if the authorities in a country may seize goods on the basis that they infringe a patent (or a trade mark) only in the transit country, where no equivalent IPRs exist either in the country of origin or the market in which the goods will be sold, the effective result is the extraterritorial application of the transit country's patent (or trade mark). This would seem to be contrary to the independence of patents as required by the Paris Convention, and the fundamental principle of the territoriality of IPRs.

3.6 *Determination of infringement*

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont) p76

5. Each Party shall adopt or maintain a procedure by which its competent authorities may determine, within a reasonable period of time after the initiation of the procedures described under Article QQ.H.6(1)²³³ whether the suspect goods infringe an intellectual property right. Where a Party provides administrative procedures for the determination of an infringement, it [VN²³⁴ propose: may] [VN oppose: shall] also provide its authorities with the authority to impose administrative penalties, which may include monetary penalties or the seizure of the infringing goods, following a determination that the goods are infringing.

²³³ Negotiators' Note: US to revisit after the decision on scope of application *ex officio*.

²³⁴ Negotiators' Note: VN can accept "shall" option if the scope of Border control is confined to trademarks counterfeit and copyright pirated goods

International: This provision is quite differently worded from TRIPS, which envisages the **right holder commencing proceedings** leading to a decision on the merits, or AUSFTA (which does not contain a direct equivalent). It is similar to ACTA articles 19 and 20. Although a similar provision is included in ACTA it is not at all clear how the provision would interact with article 55 of TRIPS. Does the fact that the competent authorities (say, customs) are entitled to make a determination as to infringement relieve the right holder of any obligation to take action?⁴²

Australia: the provision is consistent with Australian law, provided that:

1. Competent authorities includes courts; and
2. The provision does not require those authorities to take the initiative to determine whether the goods are infringing. TRIPS Art 55 and Australian law put the onus on the right holder to initiate proceedings; otherwise the seized goods are released. (*Trade Marks Act* 1995 s 136; *Copyright Act* s135AF).

It is not clear that this provision is in the interests of Australians who are engaged in international trade. This provision could allow a country to give to individual customs officers the power to make determinations about whether goods are infringing. This would create risks of inappropriate seizure of goods. It is not difficult to imagine local customs being quite ready to intercept imported goods at the behest of a local IP owner (or a local person asserting they own

⁴² This is probably consistent with TRIPS which only requires that proceedings be initiated by someone other than the defendant: thus proceedings initiated by government authorities is sufficient to avoid a need to return the goods under TRIPS article 55.

IP). The potential for corruption is significant. It would be better to have such matters handled by the courts where more transparency can be expected.

3.7 *Destruction of seized goods*

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont) p76

6. Each Party shall provide that its competent authorities have the authority to order the destruction [VN propose: , or disposal outside the channel of commerce,] of goods following a determination that the goods are infringing. In cases where such goods are not destroyed, each Party shall ensure that, except in exceptional circumstances, such goods are disposed of outside the channels of commerce in such a manner as to avoid any harm to the right holder. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit the release of the goods into the channels of commerce.

International: A very similar provision exists in AUSFTA Article 17.11.23 and ACTA article 20.1. It is similar to TRIPS article 59.

Australia: Where infringement proceedings are commenced, Australian courts have the authority to order destruction of infringing goods: *Copyright Act* s 116; in trade mark law this is a matter of the court's inherent jurisdiction (discussed above). This would be sufficient for compliance. The Australian system since 2012 has operated slightly differently from the way envisaged in TRIPS. On seizure, both importer and right holder are notified. The importer then has a limited period of time in which to make a 'claim' for the seized goods, otherwise they are forfeited. The purpose is to ensure that importers are not able to reclaim the copies without giving the right holder contact information that will assist the objector to test the matter in court. If the importer does 'claim' the goods, then the onus falls on the right holder to commence proceedings, otherwise the goods are released. Under the Australian system the goods may therefore be forfeit and destroyed even in the absence of a determination of infringement (if the importer fails to claim the goods). If the goods are claimed, courts will determine whether the goods infringe.

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont) p76

7. Where a Party establishes or assesses, in connection with the procedures described in this section [article], an application fee, storage fee, or destruction fee, such fee shall not be set at an amount that unreasonably deters recourse to these procedures

There is no equivalent provision in TRIPS. ACTA includes a similar provision: Article 21. Australia is subject to a very similar provision in AUSFTA Article 17.11.24. In any event it is unlikely to be readily justiciable except perhaps in extreme cases.

Article QQ.H.6: {Special Requirements Related to Border Enforcement} (cont)

8. Each Party shall include in the application of this Article goods of a commercial nature sent in small consignments. A Party may exclude from the application of this Article small quantities of goods of a non-commercial nature contained in travellers' personal luggage.²³⁵

²³⁵ For greater certainty, a Party may also exclude from the application of this Article small quantities of goods of a non-commercial nature sent in small consignments

International: There is a similar provision in ACTA. There is no similar provision in the AUSFTA. An exception for 'personal imports' is critical to include – it does, after all, constitute the mechanism for ensuring countries not required to introduce 'border iPod or bag searches'.

Australia: Australians should also be perhaps concerned about the voluntary nature of the *de minimis* exception. A representative of the Australian Attorney-General's Department has in the past indicated that the government was 'considering' how to address the 'problem' that Australians were returning from holidays carrying DVDs of latest releases. According to Fiona Phillips, in a paper given to WIPO, '[t]he Australian Government has received a number of representations from DVD rental businesses stating that their businesses are suffering because people returning to Australia are importing infringing copies of the latest releases... We are currently considering options for addressing these issues. Our obligations under TRIPs in relation to border measures and the fact these goods are being imported for personal use make finding a policy solution challenging'. This was, however, in 2006, and nothing has happened since...

4 Criminal Procedures and Remedies

4.1 General

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p76

1. Each Party shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright or related rights piracy on a commercial scale.

2. [US/AU/SG/PE propose; CL/VN/MY/NZ/CA/BN/MX oppose: Willful copyright or related rights piracy on a commercial scale includes:

(a) significant willful copyright or related rights infringements that have no direct or indirect motivation of financial gain; and

(b) willful infringements for purposes of commercial advantage or [AU/SG/PE/JP oppose: private] financial gain.[AU/SG/PE/CA/JP oppose: ²³⁶]

Each Party shall treat willful importation [SG/MX/BN/MY/VN oppose: or exportation] of counterfeit trademark goods [VN oppose: or pirated copyright goods] on a commercial scale as unlawful activities subject to criminal penalties.²³⁷

²³⁶ [US propose; AU/SG/PE/CA/JP oppose: For greater certainty, "financial gain" for purposes of this Article includes the receipt or expectation of anything of value.]

²³⁷ [US/CA propose; JP oppose: A Party may comply with this obligation in relation to [JP: importation and] exportation of pirated [JP: copyright] goods through its measures concerning distribution.] [JP alternatively propose: A Party may comply with its obligation relating to importation and exportation of counterfeit trademark goods or pirated copyright goods by providing for distribution, sale or offer for sale of such goods on a commercial scale as unlawful activities subject to criminal penalties.]

International: This provision is **significantly TRIPS-plus**. It is also **significantly ACTA-plus**. Australia is subject to a very similar provision in AUSFTA Article 17.11.26, but with certain, **critical differences**.

TRIPS article 61 only requires criminalisation of wilful trademark counterfeiting or copyright piracy on a commercial scale. A WTO Dispute Settlement decision in the US dispute with China over criminal provisions makes it clear that under TRIPS, WTO members are entitled to make determinations as to what counts as ‘commercial scale’ infringement, including, in the Chinese case, by means of quotas for numbers of infringing copies required to be proven before criminal liability would apply. The TRIPS provisions thus have considerable room for adjustment to local social and economic conditions.⁴³

Original US proposals for ACTA looked similar to the US proposals for the TPP. The final text of ACTA, however, is more limited, requiring criminal liability for ‘at least’ acts ‘carried out as commercial activities for direct or indirect economic or commercial advantage’ (ACTA article 23.1).

The AUSFTA article 17.11.26 requires Australia to criminalise:

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

The big **differences** here are the absence of the word **private** from the concept of financial gain and the definition of ‘gain’ to include the receipt of things of value.

The US proposal for the TPP **massively increases the scope of criminal liability over TRIPS**, by including non-commercial activities (like peer to peer file-sharing) where the extent of infringement is ‘significant’, *and* including within the concept of ‘commercial scale’ **single commercial infringements**. Remember too that **infringement** here includes not just ‘piracy’ type infringement (such as copying and selling wholesale and exact reproductions of complete copyright works – like whole DVDs, whole pieces of software, whole books or video games). Infringement here is broad enough to include cases where ‘too much’ has been copied. The publisher of a book that includes a photograph without proper authorisation from the copyright owner is a criminal infringer, even if unlikely to be charged.

Australia should **not be proposing the current language it supports, even without the word ‘private’ and the footnote**. The provisions supported by Australia probably render most businesses around Australia criminal, in the sense that copyright infringement (in many cases harmless, but that is not the criterion) is common in business: employees use photographs from the internet in their presentations and publications; material is saved and forwarded without permission from copyright owners. **All of this is criminal** under the language Australia supports.

⁴³ Panel Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights—Report of the Panel*, WTO Doc WT/DS362/R (26 January 2009). According to the DSB in that case, ‘commercial scale’ means ‘counterfeiting or piracy carried on at the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market’: page 115).

The US proposal for the TPP **significantly increases criminal liability for Australia even over what we already have in AUSFTA to include many acts of ordinary consumers** through the inclusion of the word ‘private’ and footnote 236 (defining ‘financial gain’ to include ‘the receipt or expectation of anything of value’). Australian law specifically defines ‘profit’ in the criminal provisions to *exclude* any advantage, benefit, or gain that is received by a person and results from, or is associated with, the person’s private or domestic use of any copyright material (s 132AA). The US drafting, accepted in full, suggests if you copy one of your CDs, and I copy one of my CDs, so we can swap them – that’s a criminal act (we both receive a ‘financial gain’ in the sense of ‘something of value’ even though private and small).

There are all kinds of reasons to oppose this expansion of criminal liability. Over-criminalisation of conduct not considered ‘serious’ by the broader population is liable to bring the law into disrepute. Further, since Australia amended its law to comply with AUSFTA – significantly expanding criminal liability – we have not seen any kind of diminishing in pressure to increase enforcement and the strength of IP laws, nor any surge in prosecutions. This suggests that the change will have little practical impact to assist copyright or trade mark owners – although it may operate to chill innovations and activities through fear of criminal prosecution. Further, the redefinition of ‘commercial scale’ to include all infringements for private gain has nothing to do with the kinds of counterfeiting that are said to be problematic by organisations like the OECD. To counter large-scale counterfeiting or piracy, it is not necessary to criminalise single acts of infringement, especially single acts for private ‘financial gain’. Such individual acts are unlikely to be the subject of transborder enforcement or even local enforcement by international IP owners.

4.2 Counterfeit labels and packaging

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p77

[US propose; AU/BN/MY/NZ/SG/CL/VN/PE/CA/MX/JP oppose: 3. Each Party shall also provide for criminal procedures and penalties to be applied, even absent willful trademark counterfeiting or copyright or related rights piracy, at least in cases of knowing trafficking in:

- (a) labels or packaging, of any type or nature, to which a counterfeit trademark ²³⁸ has been applied, the use of which is likely to cause confusion, to cause mistake, or to deceive; and
- (b) counterfeit or illicit labels²³⁹ affixed to, enclosing, or accompanying, or designed to be affixed to, enclose, or accompany the following:
 - (i) a phonogram,
 - (ii) a copy of a computer program or a literary work,
 - (iii) a copy of a motion picture or other audiovisual work,
 - (iv) documentation or packaging for such items; and
- (c) counterfeit documentation or packaging for items of the type described in subparagraph (b).]

[NZ/AU/BN/MY/US/CA/SG/MX/JP propose; PE/CL/VN oppose: 4. Each Party shall provide for criminal procedures and penalties to be applied in cases of willful importation²⁴⁰ and domestic use, in the course of trade and on a commercial scale, of labels or packaging²⁴¹:

- (a) to which a mark has been applied without authorization which is identical to, or cannot be distinguished from, a trademark registered in its territory; and
- (b) which are intended to be used in the course of trade on goods or in relation to services which are identical to goods or services for which such trademark is registered.]

[US propose; CA/JP oppose: Each Party shall further ensure that criminal penalties and procedures are applied in cases of knowing trafficking in illicit labels²⁴² affixed, enclosing, or accompanying, or designed to be affixed to, enclose, or accompany phonograms, copies of computer programs, literary works, motion pictures, or other audiovisual works.]

²³⁸ US: Negotiator's Note: For greater certainty, the definition of "counterfeit trademark goods" in footnote [12] shall be used as context for this Article.

²³⁹ US: For purposes of this Article, "illicit label" means a genuine certificate, licensing document, registration card, or similar labeling component:

- (A) that is used by the copyright owner to verify that a phonogram, a copy of a computer program or literary work, a copy of a motion picture or other audiovisual work, or documentation or packaging for such phonogram or copies is not counterfeit or infringing of any copyright; and
- (B) that is, without the authorization of the copyright owner—
 - (i) distributed or intended for distribution not in connection with the phonogram or copies to which such labeling component was intended to be affixed by the respective copyright owner; or
 - (ii) in connection with a genuine certificate or licensing document, knowingly falsified in order to designate a higher number of licensed users or copies than authorized by the copyright owner, unless that certificate or document is used by the copyright owner solely for the purpose of monitoring or tracking the copyright owner's distribution channel and not for the purpose of verifying that a copy or phonogram is noninfringing.

²⁴⁰ A Party may comply with its obligation relating to importation of labels or packaging through its measures concerning distribution.

²⁴¹ A Party may comply with its obligations under this paragraph by providing for criminal procedures and penalties to be applied to attempts to commit a trademark offence.

²⁴² US: For purposes of this Article, "illicit label" means a genuine certificate, licensing document, registration card, or similar labeling component:

- (A) that is used by the copyright owner to verify that a phonogram, a copy of a computer program or literary work, a copy of a motion picture or other audiovisual work, or documentation or packaging for such phonogram or copies is not counterfeit or infringing of any copyright; and

(B) that is, without the authorization of the copyright owner—

(i) distributed or intended for distribution not in connection with the phonogram or copies to which such labeling component was intended to be affixed by the respective copyright owner; or

(ii) in connection with a genuine certificate or licensing document, knowingly falsified in order to designate a higher number of licensed users or copies than authorized by the copyright owner, unless that certificate or document is used by the copyright owner solely for the purpose of monitoring or tracking the copyright owner's distribution channel and not for the purpose of verifying that a copy or phonogram is noninfringing.

International: The provision is TRIPS plus, ACTA plus and AUSFTA plus.

The provision would seem to be targeted at trafficking in labels and packaging for counterfeit goods and pirated copyright goods. The policy problem such provisions would appear to be aimed at is the fact that certain packaging and labeling is specific to certain kinds of copyright and trade mark goods (the sleeves of DVDs and CDs; the distinctive packaging of large brands etc). Persons engaged in commercial scale counterfeiting or piracy may split up shipments or even manufacture so that labeling may be shipped separate from goods to be sold using the counterfeit labeling. Provisions of this kind enable seizure of such labeling and packaging and the criminal charge of individuals involved even in the absence of proof as to the goods to which they were intended to be applied.

This basic aim has some justification. However, over a series of international instruments, the drafting of such provisions has gradually expanded in ways that go well beyond that relatively narrow, defensible goal:

- TRIPS does not deal with this kind of trade at all;
- AUSFTA contains a provision (article 17.11.28) relating to packaging/labeling of sound recordings, computer programs, and films and related items of documentation etc.
- ACTA creates a general prohibition on labels and packaging, bearing identical/indistinguishable trade marks, intended to be used on the registered goods (it is not confined to any particular kinds of goods);
- The TPP:
 - Includes a provision drafted like the ACTA provision (para 4), *plus*
 - A provision that contains two offences:
 - One relating to labels of packaging of any kind with a counterfeit trade mark attached – the offence does not require any proof that labels were intended to be used or on what goods, and which has no condition that the trafficking occur at a commercial scale (3(a)) although it does require that the labels be likely (though not necessarily intended) to cause confusion, to cause mistake, or to deceive;
 - Another offence relating specifically to the various security means copyright owners use to indicate authentic software, films and sound recordings (3(b)) which has much more stringent requirements regarding knowledge and intention (contained in the footnote).

The argument for these additional US-proposed provisions may be that providing intention and use of the labeling may be difficult in a context where only the shipment of labeling has been intercepted, for whatever reason. Removing requirements as to intention and scale, however,

massively increases the set of conduct which may be captured by the provisions: the dubious forensic benefits to certain IP owners, therefore, come at a great cost of increasing uncertainty for good faith commercial parties.

The problem with these apparently harmless-looking provisions, that look like they are targeted only at commercial counterfeiters, has always been that they are not drafted so as to conform to lay understandings of what constitutes counterfeiting (this is of course a recurring problem: see also the problems with the definitions of counterfeit trade mark goods and pirated copyright goods. The offences are not confined to labels/packaging that seek to imitate packaging/labels used by right holders. The only requirement is that an identical/indistinguishable mark be used on labeling/packaging/documentation for the same registered goods/services. So:

- An identical word mark might be used but in a context where no possible confusion could occur owing to all the other branding/get-up/colouring that is used;⁴⁴
- A company might use an identical/indistinguishable shape of packaging or colour which has been separately registered from any logos/product names etc. For example, Toblerone has a registration for their triangle-shaped box. Another chocolate maker who used a triangle shaped box, but in purple with completely different branding all over it, would literally be using an identical trade mark on the registered goods, but whether they should be considered counterfeiters, and whether importing their packaging should be a criminal act, is a very real question.

When these provisions were narrowly targeted at certain kinds of products where trafficking in packaging may be a proven problem, and with an explicit requirement to prove intention, the issue was less. With the broadening out of the provisions to cover *any kind of packaging at all* and *without an intention requirement*, the overbreadth of the provisions becomes much more problematic, and much more likely to capture innocent and good faith commercial conduct.

4.3 Movie Camcording

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p79

5. [AU/NZ/SG/MY/ CA/US propose; PE/VN/BN/MX/CL oppose: [US/CA propose: Each] [US/CA oppose: A] Party [SG/NZ/CL oppose: shall] [SG/NZ/CL/JP: may] provide criminal procedures and penalties [US/CA oppose: , in appropriate cases,] for the [US/CA propose: knowing and] unauthorized copying [MY: or recording] [US propose; CA/JP oppose: or transmittal] of [US/CA propose: a [JP propose: first-run] cinematographic work, or any part thereof,] [US/CA oppose: cinematographic works] from a performance in a [CA oppose: motion picture exhibition facility generally open to the public] [CA/JP propose: movie theater].]

International: This is TRIPS-plus. ACTA includes a short, optional provision in a watered down form (it is limited to ‘appropriate cases’). No equivalent provision is found in AUSFTA. Given the broad range of other activities already subject to liability under copyright law, this proposal seems, frankly, like overkill. Consider Australian law at present:

⁴⁴ Imagine for example someone has managed to get a trade mark for a reasonably descriptive kind of word. Another company might well use **exactly the same word on the same goods**, and even be **using the word in a trade mark way**, but in a context where **no possible confusion will occur** because of disclaimers, or because of all the other branding that makes clear the absence of any commercial association with the registered trade mark owner.

1. Filming a movie is (civil) copyright infringement (s101);
2. A copyright owner can seek delivery up of infringing copies & equipment in a civil case (s116);
3. If a person uploads the film online, they can be:
 - a. 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. If a person plans 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);
5. Sitting in the cinema *with* the camera could make a person criminally liable for possessing a device, intending it to be used to make an infringing copy (s 132AL).

Despite all this, if a provision was adopted in the TPP Australia might have to make changes to its law owing to the particular elements identified: specifically, the introduction of an offence covering the making of the copy of the film, without requiring proof of intention to distribute (ie the simple making of the copy). The proposed offence would cover acts done for purely personal or domestic purposes, and would likely end up covering some ordinary consumer activities, like parents filming school concerts if some film or part of a film was shown as part of the event. It would be better not to lock in an obligation to treat further acts as being criminal, *particularly* where there is no requirement of financial gain, nor of distribution of the copy.

4.4 Aiding and Abetting

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p79

6. With respect to the offenses for which this Article requires the Parties to provide for criminal procedures and penalties, Parties shall ensure that criminal liability for aiding and abetting is available under its law.

International: This is TRIPS and AUSFTA plus. ACTA has an equivalent provision (Article 23.4).

It is not appropriate to 'lock in' such provisions at an international level. Their application in IP contexts is contentious and the scope of such liability unpredictable. The Australian provisions on 'abetting' have not been applied in IP cases to date; their scope and meaning are unsettled. It is possible, for example, that an intermediary could be held liable for 'abetting' or 'aiding' infringement once they know that infringement is occurring. This risk will likely chill legitimate commercial and innovative activities, but is unlikely to deter underground and genuinely criminal activities: what is another set of criminal provisions to those already engaged in criminal infringement? Although the police are not going to be prosecuting YouTube any time soon, engaging in conduct known to be potentially criminal can have other implications: for example, when insurance is sought. Warranties that all relevant laws are being complied with are not uncommon in commercial contracts.

Nor would the risk of liability be confined to the online or commercial context. Also potentially at risk are libraries, universities, schools, perhaps Australia Post or couriers, eBay and other online auction houses where trade mark infringements may occur, The *Trading Post* which

publishes advertisements for a company said to be engaging in infringement. Australia would be well-advised to retain maximum flexibility to alter its laws.

Australia: Australia already has liability for aiding and abetting. The Australian *Criminal Code* 1995 (Cth), Part 2.4, Clause 11.2 (which applies to IP) provides that “[a] person who aids, abets, counsels or procures the commission of an offence by another person is taken to have committed that offence and is punishable accordingly.” Liability depends on showing (a) that the offence was in fact committed by the person so aided etc; (b) that the abettor intended to abet. Liability does not apply if the alleged abettor terminated his or her involvement, and took all reasonable steps to prevent the commission of the offence. Clause 11.4 addresses ‘incitement’. Under the *Trade Marks Act*, if a person aids or abets or is “in any way directly or indirectly, knowingly concerned in, or party to” the doing of an act *outside* Australia that would in Australia be an offence, the person is taken to have committed the offence in Australia: s 150.

Such a provision has broader implications in Australia, where the criminal provisions, are remarkably extensive: more so, perhaps, than in most other countries. Since the 2006 *Copyright Amendment Act*, Australia has at least 33 different criminal offences in the *Copyright Act* alone: most of them specified at 3 different levels (strict liability, summary, and indictable offences). This of course expands the impact of the aiding and abetting provisions in Australia as compared with other countries.

4.5 Criminal Penalties

Fines and imprisonment

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p79

7. With respect to the offences described in Article QQ.H.7[1]-[4] above, each Party shall provide:

- (a) penalties that include sentences of imprisonment as well as monetary fines sufficiently high to provide a deterrent to future acts of infringement, consistently with the level of penalties applied for crimes of a corresponding gravity;²⁴³
- (b) ²⁴⁴that its judicial authorities shall have the authority, when determining penalties, to account for the seriousness of the circumstances, which may include those that involve threats to, or effects on, health or safety;²⁴⁵

²⁴³ It is understood that there is no obligation for a Party to provide for the possibility of imprisonment and monetary fines to be imposed in parallel.

²⁴⁴ Negotiator's Note: CL/PE/MX/CA is still considering pending consultation with capital.

²⁴⁵ A Party may also account for such circumstances through a separate criminal offense.

International: This provision is TRIPS-plus, ACTA-plus and AUSFTA-‘plus and minus’. The general language of (a) is consistent with TRIPS and ACTA; the reference to aggravating circumstances is new. AUSFTA is more specific in requiring that penalties are required to be consistent with a policy of removing the infringer’s monetary incentive. Also, AUSFTA requires parties to ‘encourage its judicial authorities to impose fines at levels sufficient to provide a deterrent to future infringements’.

Sentencing should be a matter for domestic law, not treaty.

The provision has been significantly changed from the February 2011 US proposal. That proposal, as well as referring to removing the infringer's monetary incentive, also would have required Parties to establish 'policies or guidelines that encourage judicial authorities to impose those penalties at levels sufficient to provide a deterrent to future infringements, including the imposition of actual terms of imprisonment when criminal infringement is undertaken for commercial advantage or private financial gain'. Removal of the reference to guidelines is a good thing.⁴⁵ Removal of the reference in particular to imprisonment for private financial gain is important: it avoids conflating the private and personal acts of individuals in a non-commercial context with commercial-level acts, and would have made them all (equally) criminal, which is not consistent with either historical approaches or the usual issues that influence sentencing, such as the impact or harm caused by an act.

Australia: The imposition of both fines and imprisonment is not controversial in Australia: Australian law provides both. In general, the penalties are (in copyright and trade mark):

- For indictable offences:
 - \$93,500 per offence for an individual (550 penalty units)
 - \$467,500 per offence for a corporation⁴⁶
 - 5 yrs imprisonment per offence
- For summary offences:
 - \$20,400 per offence for an individual (120 penalty units)
 - \$102,000 per offence for a corporation
 - 2 yrs imprisonment per offence
- For offences of strict liability: \$10,200 per offence (60 penalty units)

Seizure of evidence

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p79

(c) that its judicial [VN propose: or other]authorities shall have the authority to order the seizure of suspected counterfeit trademark goods or pirated copyright goods, any related materials and implements used in the commission of the alleged offense, documentary evidence relevant to the alleged offense [MY oppose: , and assets²⁴⁶ derived from, or obtained directly [VN oppose: or indirectly] through the alleged infringing activity]. Where a Party requires the identification of items subject to seizure as a prerequisite for issuing any such judicial order, that Party shall not require the items to be described in greater detail than necessary to identify them for the purpose of seizure;

⁴⁵ In 2006, the Australian Law Reform Commission (ALRC) considered the question of federal sentencing and **recommended against grid sentencing approaches**, instead recommending that more information be provided to judges (through sentencing databases and the like). The ALRC also considered sentencing guideline judgments (which are used by some state courts including in NSW, where the court of appeal provides guidance to sentencing judges in lower courts through the issue of a comprehensive judgment). Not only is the decision to issue a guideline judgment a matter for the court's discretion (mandating such judgments would be contrary to the separation of powers), but some doubts about prescriptive attempts to guide judicial sentencing discretion have been expressed by the High Court of Australia; thus the ALRC preferred to concentrate appeal review (in the Federal Court) and provide more information rather than use more prescriptive means.

⁴⁶ Corporations are subject to penalties up to 5 times the penalties applied to individuals: *Crimes Act 1914* (Cth) s 4B(3).

International: The provision is TRIPS-plus. TRIPS only refers to seizure, *in appropriate cases*, of any materials and implements *the predominant use of which has been in the commission of the offence*. The TPP drafting goes beyond this by including:

- Any related materials and implements *used* in the commission of the offence, regardless of what proportion of their use is for infringement;
- Assets derived or obtained directly from infringement.

The drafting is consistent with ACTA article 25 and AUSFTA article 17.11.27(b)).

Australia: The provision would not change Australian law, which is already extensive on questions of seizure. Australian criminal law provides for search warrants and seizure of ‘evidential material’ which would include suspected infringing material, implements, and documents (*Crimes Act* 1914 (Cth), Part 1AA (dealing with search warrants), in particular s 3E). Australian law also meets the standard in (b) already with respect to seizure of items and their specification in search warrants (*Crimes Act* s 3F). As for proceeds of crime and material or implements, Australia has extensive orders for *proceeds* and *instruments* of crime (an ‘instrument’ is property is used, or intended to be used in, or in connection with, the commission of an offence (*Proceeds of Crime Act* 2002 (Cth) s 329). Orders include search orders (*Proceeds of Crime Act* s 225); orders that property not be dealt with except as specified (or be taken into custody) (*Proceeds of Crime Act* s 15B) and asset freezing orders (*Proceeds of Crime Act* s 17).

Forfeiture of infringing copies and implements

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p80

(e) that its judicial authorities shall have the authority to order the forfeiture or destruction of:

(i) all counterfeit trademark goods or pirated copyright goods; and

(ii) materials and implements [CA/VN/MX propose: predominantly] [CA/VN/MX oppose: that have been] used in the creation of pirated copyright goods or counterfeit trademark goods; and [CL/PE/VN/BN/SG/AU/CA/MX/JP oppose:

(iii) any other articles consisting of a counterfeit trademark]. In cases where counterfeit trademark goods and pirated copyright goods are not destroyed, the [MY oppose: judicial] [MY/SG/CL/AU/PE/MX/VN/JP: competent²⁴⁷] authorities shall ensure that, except in exceptional circumstances, such goods shall be disposed of outside the channels of commerce in such a manner as to avoid causing any harm to the right holder. Each Party shall further provide that forfeiture or destruction under this subparagraph and subparagraph (c) ²⁴⁸ shall occur without compensation of any kind to the defendant;

...

(g) that its judicial or other competent authorities shall have the authority to release or, in the alternative, provide access to, goods, material, implements, and other evidence held by the authority to a right holder for civil²⁴⁹ infringement proceedings.

²⁴⁶ Negotiators' Note: CA/BN/VN are reflecting on the definition of “assets” .

²⁴⁷ Negotiators Note: The use of the term “competent/judicial” in this subparagraph will be revisited.

²⁴⁸ Negotiators' Note: The cross reference to subparagraph (c) will be revisited during legal scrubbing.

²⁴⁹ A Party may also provide such authority in connection with administrative infringement proceedings

International: The provision is TRIPS-plus. TRIPS is:

- Confined to any materials and implements the **predominant** use of which has been in the commission of **the offence** (note: this language is not just used for infringing, but linked to the particular offence)
- Makes no mention of compensation
- Does not talk specifically about disposal outside the channels of commerce;
- Makes no mention of release for evidence.

The provision is ACTA-plus unless confined to materials and implements **predominantly** used to commit criminal infringement. ACTA does not mention release for use as evidence.

The provision is AUSFTA-minus (Article 17.11.27(c)). The appallingly-broad AUSFTA article (which basically matches what the US originally proposed for the TPP) extends to any materials/implements used for infringement, and actually makes destruction of both infringing goods and materials/implements mandatory 'except in exceptional circumstances'. In other words, this TPP drafting is an improvement on the US proposal but is still too broad.

Australia: sadly, this is consistent with Australian law. Copyright law specifically allows for forfeiture of infringing goods and implements used in infringement (they need not be *predominantly* thus used) (*Copyright Act* s 133). Forfeiture of infringing goods and implements in trade mark is governed by the *Proceeds of Crime Act* 2002 (Cth), which allows for forfeiture orders where the court is satisfied that certain property represents proceeds of an indictable offence or is an instrument of a serious offence whether the person has been convicted (s 48) or not (s 49). An 'instrument of an offence' means the property is used, or intended to be used in, or in connection with, the commission of an offence (s 329).

Proceeds of crime

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p80

(d) that its judicial authorities shall have the authority to order the forfeiture, at least for serious offenses, of any assets derived from, or obtained directly [VN oppose: or indirectly] through the infringing activity;

...

[US/NZ propose; BN/SG/MY/CL/PE/AU/VN/CA/MX/JP oppose: (f) that its judicial authorities have the authority to order the seizure or forfeiture of assets the value of which corresponds to that of the assets derived from, or obtained directly or indirectly through, the infringing activity];

International: The provision is TRIPS-plus (TRIPS makes no mention of proceeds). It is consistent with ACTA article 25.5, which requires that courts have the power to order forfeiture

‘of assets the value of which corresponds to that of the assets derived from, or obtained directly or indirectly through, the infringing activity’. It is AUSFTA-plus, since AUSFTA only requires the power to order ‘forfeiture of any assets *traceable to the infringing activity* for at least indictable offences’.

Australia: In Australia, the *Proceeds of Crime Act 2002* (Cth) allows for:

1. forfeiture orders where the court is satisfied that certain property represents proceeds of an indictable offence or is an instrument⁴⁷ of a serious offence⁴⁸ – even if the person hasn’t been convicted of the offence (s49);
2. forfeiture orders for proceeds of crime in cases where a person has been convicted of an indictable offence (s48);⁴⁹ and
3. forfeiture orders for proceeds of crime where the court is satisfied the property represents the proceeds of crime even in the absence of any finding as to the commission of any specific offence (s 49).

‘Proceeds’ of crime include property that is wholly or partly derived or realised, whether directly or indirectly, from the commission of the offence.⁵⁰ Orders are made on the application of a proceeds of crime authority (the Commissioner of the Australian Federal Police or the DPP). Note that there are qualifications around proceeds of crime law: orders can be made to reduce the effect of forfeiture orders on grounds such as hardship to the person’s dependants.

Ex officio action

Article QQ.H.7: {Criminal Procedures and Remedies / Criminal Enforcement} p80

[US/NZ/PE/SG/BN/CL/AU/MY/CA/MX propose: VN/JP oppose: (h) that its competent authorities may act upon their own initiative to initiate a legal action without the need for a formal complaint by a private party or right holder].

This provision is TRIPs-plus (this issue is not mentioned in TRIPs); but ACTA-consistent (article 26) and AUSFTA-consistent (see Art 17.11.27(d)) and not controversial from an Australian perspective. Police have the authority to act *ex officio* (although it is unlikely they would do so in most cases).

⁴⁷ An ‘instrument of an offence’ means the property is used, or intended to be used in, or in connection with, the commission of an offence: *Proceeds of Crime Act 2002* (Cth) s.329.

⁴⁸ ‘serious offence’ is extensively defined in s.338 of the *Proceeds of Crime Act 2002* (Cth). Relevantly, it means offences intended to cause loss to some person of more than \$10,000 in value, and also offences (taken together or separately) punishable by more than 3 years imprisonment. Most copyright and trade mark offences are punishable by more than 5 years’ imprisonment.

⁴⁹ Under Australian law, if a person is *convicted* of a serious offence, forfeiture can be automatic under Part 2-3 of the *Proceeds of Crime Act 2002* (Cth). There is no need for a forfeiture order.

⁵⁰ *Proceeds of Crime Act 2002* (Cth) s 329.

5 Trade Secrets

Article QQ.H.8 {Trade Secrets} p81

1.²⁵⁰[CL propose: In the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention] Parties shall ensure that natural and legal persons have the legal means to prevent trade secrets lawfully in their control from being disclosed to, acquired by, or used by others (including state commercial enterprises)²⁵¹ without their consent in a manner contrary to honest commercial practices.[²⁵²] As used in this Chapter, trade secrets encompass, at a minimum, undisclosed information as provided for in Article 39.2 of the TRIPS Agreement.

[US/MX/CA/NZ/JP²⁵³ propose; SG/MY/PE/VN/CL/AU²⁵⁴/BN oppose: 2. Each Party shall provide for criminal procedures and penalties at least in cases in which a trade secret relating to a product in national or international commerce is misappropriated, or disclosed, willfully and without authority for purposes of commercial advantage or financial gain, and with the intent to injure the owner of such trade secret.]

²⁵⁰ Negotiators' Note: AU supports this paragraph ad referendum.

²⁵¹ Negotiators' Note: BN seeks further clarification on “state commercial enterprise”.

²⁵² [US: For greater certainty, a Party may treat disclosure of a trade secret to that Party's authorities in connection with providing evidence of an alleged violation of that Party's law as not contrary to honest commercial practices.][AU propose: for the purposes of this paragraph “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.]

²⁵³ Negotiators' Note: CA/MX/NZ/JP supports in principle subject to final drafting.

²⁵⁴ Negotiators' Note: AU opposes this paragraph ad referendum

This is new. There is nothing like it in ACTA or AUSFTA.

The civil provision (para 1) broadly matches TRIPS. TRIPS article 39 on ‘undisclosed information’, which requires parties to provide means so that individuals and companies can prevent information from being ‘disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices’, provided that the information:

- a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- b) has commercial value because it is secret; and
- c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

One thing that is not clear on the face of the text is the relationship between the conditions in TRIPS and the TPP term ‘trade secret’. It might be assumed that concept of trade secret might be

determined by domestic law but perhaps is generally bounded by the terms of TRIPS. The footnote text proposed by Australia comes directly from footnote 10 of TRIPS.

The criminal proposal from US/MX/CA/NZ/JP is entirely new, and troubling. Criminal provisions regarding trade secret are in a state of development worldwide. Some countries – including Australia – do not have such provisions in specific terms.⁵¹ According to *Inside US Trade*,⁵² the US push for provisions on trade secret comes from US lobbyists and has been made a high priority by the Obama administration, based on general concerns about corporate and online espionage around the Asia-Pacific region. The US Chamber of Commerce has released a white paper entitled *The Case for Enhanced Protection of Trade Secrets in the Trans-Pacific Partnership Agreement*.⁵³

This should be opposed (and is being opposed by Australia), not least because it pre-empts any local Australian discussion about the appropriateness of introducing criminal penalties for ‘corporate espionage’. There is a real question whether criminal provisions are necessary specific to trade secret, given the plethora of other, general offences that could be relevant. In Australia, for example, some conduct relating to trade secret would be covered by other offences, such as fraud offences; computer-related offences pertaining to gaining unauthorised access to data; theft of physical items (eg documents) containing trade secrets; specific corporate provisions particularly those addressing senior corporate officers (such as directors’ duties, which apply beyond the board), as well as copyright infringement (reproduction of documents containing confidential information). There are risks from overcriminalisation, including risks from inconsistent drafting of criminal provisions covering similar conduct; overcharging in particular cases (charging under every applicable statute) etc.

Even if it is accepted that specific criminal provisions *are* appropriate, there would also need to be discussion regarding the appropriate scope of the provision and the scope of **exceptions**, including exceptions for investigative journalism, for government authorities and law enforcement, and to protect free speech including the constitutional implied right to freedom of political communication in Australia. Note that the **absence of a general constitutional right to free speech** is relevant here: without such constitutional protection there is a significant risk of overreaching, overcriminalisation and potential chilling of free speech and the media in proposals like this.

No such law should be introduced through a trade agreement in advance of democratic discussion involving a full range of stakeholders. If criminalization of trade secret

⁵¹ Cf the US which provides for prison sentences of 10 to 15 years under the Economic Espionage Act. Note also that in Australia, theft of a physical storage medium (a CD, a document) storing confidential information could be prosecuted under ordinary criminal laws relating to theft. If theft of confidential information led to profits for the thief, proceeds of crime legislation could be used to confiscate any such proceeds, including assets indirectly traceable to the crime.

⁵² *Inside US Trade*, 22 July 2013, TPP Members Reluctant To Adopt Criminal Sanctions For Trade Secret Theft, available at <http://insidetrade.com/Inside-Trade-General/Public-Content-Special-Promo/tpp-members-reluctant-to-adopt-criminal-sanctions-for-trade-secret-theft/menu-id-1037.html>.

⁵³ Available here: http://www.amcham.or.id/images/amcham_updates/TPP%20Trade%20Secrets%20Study%208-19-13.pdf. The paper raises concerns about inconsistency between countries’ protection of trade secrets and cites specific cases, including in Australia, where plaintiffs have been unsuccessful in claiming the damages they sought arising from trade secret misappropriation. The identified problems at least in the Australian cases seem to amount to no more than ‘we couldn’t claim the level of damages we wanted because we couldn’t prove we had suffered that level of loss’. Not being able to claim damages you cannot prove (for example, because the court considers them somewhat speculative) is not really a sound basis for criticizing the law.

misappropriation is to be considered, a reference should be made to a body such as the Australian Law Reform Commission to consider the arguments for and against, and how such a provision might be drafted. Even an optional provision in the TPP will constrain policy choices for Australian lawmakers.

6 Pay Television

Article QQ.H.9: {Protection of Encrypted Program-Carrying Satellite Signals/Protection of Encrypted Program-Carrying Satellite and Cable Signals} p81

1. Each Party shall make it a [CL/MX propose: civil or,] [VN propose: administrative or] criminal offense to:

- (a) manufacture, assemble, modify, import, export, sell, lease, or otherwise distribute a tangible or intangible device or system, knowing[CL ²⁵⁵] [CL/JP oppose: or having reason to know] that the device or [CL oppose: system is primarily of assistance] [CL propose: system's principal function is solely to assist] in decoding an encrypted program-carrying satellite [CL/VN/SG/PE/CA/MX oppose: or cable] signal without the authorization of the lawful distributor of such signal²⁵⁶; and [US/AU/NZ/PE/MY/SG/MX/VN/CA/CL propose, BN/JP oppose:
- (b) [VN oppose: [CA propose: except in circumstances where the lawful distributor has not made the signal available to persons in the area where the decoding occurs,] willfully receive²⁵⁷ [CL oppose: and make use of,] ²⁵⁸] or] willfully further distribute a program-carrying signal that originated as an encrypted satellite [PE/SG/MX/VN/CL/CA oppose: or cable] signal knowing that it has been decoded without the authorization of the lawful distributor of the signal, [PE/SG/MX/VN/CL/CA oppose: or if the signal has been decoded with the authorization of the lawful distributor of the signal, willfully to further distribute the signal for purposes of commercial advantage knowing that the signal originated as an encrypted program-carrying signal and that such further distribution is without the authorization of the lawful signal distributor.]]

[US/AU/PE/NZ/MX/CL²⁵⁹ propose²⁶⁰, MY/BN/VN/CA oppose: 2. Each Party shall provide for civil remedies, [CL/MX oppose: including compensatory damages,] for any person injured by any activity described in paragraph [1], including any person that holds an interest in the encrypted programming signal or its content.]

²⁵⁵ [CL propose: For purposes of paragraph 1, knowledge may be demonstrated through reasonable evidence, taking into account the facts and circumstances surrounding the alleged illegal act.]

²⁵⁶ [CA/AU/SG propose: The obligation regarding export may be met by making it a criminal offence to possess and distribute such a device or system.]

²⁵⁷ [CA propose: willfully receiving may mean operating a radio apparatus so as to receive an encrypted signal].

²⁵⁸ [US propose; CL/AU oppose: For greater certainty, “make use of” includes viewing of the signal, whether private or commercial].

²⁵⁹ Negotiators' Note: CL position will depend on the outcome of paragraph 1(a).

²⁶⁰ Negotiators' Note: SG agrees in principle but will reflect further on the language.

This provision, dealing basically with subscription (limited access) television and making it illegal to gain unauthorised access to such services, is TRIPS-plus and ACTA-plus (neither agreement deals with this issue). It is also AUSFTA-plus. Although Australia is subject to a similar provision in the AUSFTA, Article 17.7,⁵⁴ The key difference between this draft and AUSFTA lies in part (b), which adds a new wrong, namely, distributing further without permission a signal that has been originally decoded with permission but where the further distribution is without permission.

An issue here is geocoding: an issue that has been very controversial in Australia in recent times, arising from the recognition of the 'Australia tax' – the fact that Australians often pay more, or wait longer, for copyright content available elsewhere.⁵⁵ These kinds of provisions can potentially have broad effect beyond seeking to control 'pirate' decoders gaining access to satellite transmissions without permission, and may extend to attempting to entrench geographic and other artificial borders in the availability of copyright material. In Europe, in *Football Association Premier League Ltd v QC Leisure*,⁵⁶ provisions of this kind were used in an attempt to limit the resale in the UK of decoders released for and sold into the Greek market (in essence, the Greek decoders allowed for access to premier league football matches, but are much cheaper than equivalent decoders sold in the UK). The European Court of Justice in that case held that **national legislation which prohibits the import, sale or use of foreign decoder cards is contrary to the freedom to provide services and cannot be justified** either in light of the objective of protecting intellectual property rights or by the objective of encouraging the public to attend football stadiums.

Another issue is that the additional language – distributing the encoded signal without authorisation – would appear to **create a quasi-copyright right**. For a great deal of material, copyright would seem to cover this field: if the encrypted material were a movie, for example, the further distribution would likely be a copyright infringement. Instead, this additional language would create a kind of quasi-copyright in material that parties have not seen fit to protect with copyright (eg live sports broadcasts) (note that this is not true for Australia, which recognises a separate form of copyright in broadcasts). This quasi-copyright has no fixed duration (unlike copyright, which at least has a fixed term, if too long).

Australia: This does not change Australian law, which already provides for liability in these circumstances (see ss 135AOC, 135AOD (civil); 135ASI, 135ASJ (criminal)). Note that Australian courts would have no similar provisions or constitutional restraints to those used by the European Court of Justice in *Premier League v QC Leisure* which could be used to challenge laws of this kind.

⁵⁴ Implemented in the *Copyright Act 1968* Part VAA

⁵⁵ House of Representatives, Standing Committee on Infrastructure and Communications, At what cost? IT pricing and the Australia tax (2013) available http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ic/itpricing/index.htm.

⁵⁶ *Football Association Premier League Ltd v QC Leisure* (C-403/08) [2012] 1 C.M.L.R. 29; [2012] FSR 1

6.1 Enforcement in the Digital Environment

6.1.1 General

Article QQ.H.10: {Special Measures Relating to Enforcement in the Digital Environment} p82

[US/AU/CA/SG/NZ/PE propose, VN/ oppose: 1. Each Party shall ensure that enforcement procedures, to the extent set forth in the civil and criminal enforcement sections of this Chapter, are available under its law so as to permit effective action against an act of trademark, copyright or related rights infringement which takes place in the digital environment, including expeditious remedies to prevent infringement and remedies which constitute a deterrent to further infringement.]²⁶¹

²⁶¹ Negotiator's Note: MX/MY/CL/BN are still considering this provision

This provision is TRIPS plus and AUSFTA plus. It seems to have been transported from Article 27 of ACTA, **but with important changes which in some ways limit the provision** (in particular, limiting it to copyright and trade mark where ACTA refers to all IP infringement) **but which also take out important references to human rights, civil liberties.**

The equivalent provision in ACTA contains a second paragraph as follows:

2. Further to paragraph 1, each Party's 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. These procedures shall be implemented in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce, and, consistent with that Party's law, preserves fundamental principles such as freedom of expression, fair process, and privacy.¹³

13 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 right holder

This provision is not included in the TPP. On the one hand, this is a good thing because it removes language that was targeted specifically at peer-to-peer filesharing and other mass online infringement. It hence removes language (including footnote 13 in particular) that might have been read as requiring adoption of graduated response or something like it.

On the other hand, removing the second paragraph has the effect of removing all the helpful references in ACTA to legitimate activity, and fundamental rights like freedom of expression, fair process and privacy. On the text of ACTA, these protections only really apply to the issues dealt with in the second paragraph. **However, the question is the extent to which activities which, in ACTA, are dealt with in paragraph 2, in the TPP will fall under paragraph 1 – without the protections built into the ACTA text.** The TPP text does require elsewhere that enforcement procedures must be fair and equitable, which presumably covers 'fair process' (see article QQ.H.1 page 66), but privacy is only mentioned in specific provisions dealing with disclosure of information and freedom of expression is not mentioned anywhere in the TPP text at all. Remember too that the expression of copyright owners' rights in the TPP text is broad, and that the criminal provisions extend to 'aiding and abetting' infringement. In this context, it seems likely that online enforcement of the kind in ACTA paragraph 2 will fall under the more general paragraph 1. **Without explicit protection of civil liberties.** While I would certainly not

advocate the introduction of paragraph 2 – which rightly has been regarded as a stalking horse for various graduated response or *SOPA/PIPA* possibilities, I *would* advocate that the few protections included in ACTA – and more – should be written into the TPP text.

6.1.2 Government use of software

Article QQ.H.11: {Government Use of Software / Government Use of Software and Other Materials Protected by Copyright or Related Rights} p83

Each Party²⁶² shall adopt or maintain appropriate laws, regulations, policies, orders, government-issued guidelines, or administrative or executive decrees providing that its [US/AU/CA/MY/VN/MX propose: central ²⁶³] government agencies use only noninfringing²⁶⁴ computer software [US/AU/CA/MX propose:; SG/CL/PE/NZ/MY/BN/VN oppose: and other materials protected by copyright or related rights] in a manner authorized by law and by the relevant license. These measures shall apply to the acquisition and [PE/CA oppose: management] [PE/CA propose: use] of such software [PE/CL/BN/SG/NZ/MY/VN oppose: and other materials] for government use.

²⁶² Negotiators' Note: CA confirming with government procurement people.

²⁶³ Negotiators' Note: CA support for central depends on how it is defined throughout the agreement.

²⁶⁴ Negotiators' Note: SG/CL/MY/BN/VN subject to consideration of parallel importation issues

The provision is TRIPS-plus and ACTA-plus (neither agreement deals with this issue in any detail). The provision is also AUSFTA-plus: the equivalent AUSFTA provision (article 17.4.9) deals only with computer software and does not cover 'other materials protected by copyright or related rights'.

So, in essence what this provision is saying is – government will not infringe copyright – right? How insulting.

I also wonder – although I am not an American copyright lawyer – whether the US itself complies with this provision. Does US law include such a provision, or policy, or administrative or executive decree - including at every level of US government?

Australia of course complies with this: not only do we have a general statutory licence for copyright material, but Australia's *Statement of Intellectual Property Principles for Australian Government Agencies* clearly states that 'In line with their general responsibility for ensuring proper and effective use and management of assets, agencies should put in place appropriate mechanisms to protect, monitor and prevent inappropriate use or infringement of IP' (at page 3). Principle 7 states that 'Agencies should have procedures in place to reduce the risk of infringement of the IP rights of others'

Would a general provision of this kind threaten any attempt to repeal the government use statutory licence in copyright and encourage government to rely on a combination of direct licences and fair use (or equivalent fair dealing)? In theory, it shouldn't, because all the provision requires is that government have policies against copyright infringement generally – which is entirely consistent with increased reliance on a free exception. *However*, I have a feeling that the provision would be used by stakeholders as an argument against reliance on a

free exception, and certainly it might be cited as a barrier to government bodies taking a robust view of a flexible exception or adopting a 'risk management' approach to copyright where some low risk, low harm infringement of copyright is tolerated if in the public interest.

7 Internet Retransmission

Article QQ.H.12²⁶⁵: [US propose: Notwithstanding Article QQ.G.16 [limitations and exceptions] and Article QQ.G.14.3(b) [over the air broadcasting reference], no Party may permit the retransmission of television signals (whether terrestrial, cable, or satellite) on the Internet without the authorization of the right holder or right holders of the content of the signal and, if any, of the signal.²⁶⁶]

²⁶⁵ Negotiators' Note: delegations are still considering this proposal, and are also reflecting on the placement of this proposal in the Chapter.

²⁶⁶ [US: For purposes of this Article 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 does not constitute retransmission on the Internet.]

TRIPS plus and ACTA plus, but an equivalent exists in AUSFTA.

No, no, no.

The equivalent provision in AUSFTA has already created significant commercial uncertainty, and been cited as a barrier to potentially sensible, technology-neutral reform by the Australian Law Reform Commission in its inquiry into *Copyright and the Digital Economy*.⁵⁷ The ALRC has referred to the possible need to re-negotiate the clause in AUSFTA, so *nothing of this kind* should be locked into the TPP. In an environment where technology is converging and where media policy is in flux, governments should retain ordinary flexibility in this area – particularly in light too of the fact that no multilateral treaty on updating protection for broadcasters in the digital environment has yet been agreed in WIPO. Discussions around the appropriate level and kind of protection and exceptions in this area should be pursued at a multilateral level.

8 Internet Service Provider Liability

Article QQ.I.1:²⁶⁷ {Internet Service Provider Liability}

[CL/BN/NZ/MY/VN/CA/SG/MX propose; AU/US oppose: 1.²⁶⁸ Each Party shall limit the liability of, or the availability of remedies against, internet service providers²⁶⁹ [when acting as intermediaries²⁷⁰], for infringement of copyright or related rights that take place on or through communication networks, in relation to the provision or use of their services.]

[CA propose: 2. Limitations referred to in the previous paragraph shall cover at least the following functions:

⁵⁷ See Australian Law Reform Commission, *Discussion Paper: Copyright and the Digital Economy*, chapter 15. Available at <http://www.alrc.gov.au/inquiries/copyright-and-digital-economy>.

- a. mere conduit, which consist of the provision of the means to transmit information provided by a user, or the means of access to a communication network;
- b. hosting of information at the request of a user of the hosting services;
- c. caching carried out through an automated process, when the internet service provider:
 - i. does not modify information other than for technical reasons;
 - ii. ensures that any directions related to the caching of information that are specified in a manner widely recognized and used by industry are complied with; and
 - iii. does not interfere with the use of technology that is lawful and widely recognized and used by the industry in order to obtain data on the use of information;
- d. providing an information location tool, by making reproductions of copyright material in an automated manner, and communicating the reproductions.]

[CA propose: 3. Qualification by an internet service provider for the limitations as to each function in the previous paragraph shall be considered separately from qualification for the limitations as to each other function. Eligibility for the limitations in the previous paragraph may not be conditioned on the internet service provider monitoring its service, or affirmatively seeking facts indicating infringing activity.]

[CL/BN/NZ/VN/MX propose; AU/US/SG/MY oppose: 2. ²⁷¹ ²⁷² The framework in Paragraph 1 [CA oppose: will only apply if an internet service provider meets conditions, including] [CA/CL/VN propose; NZ/MX oppose: shall be accompanied in a Party's law by]:

(a) [CA/NZ/CL/VN/MX propose: procedures for notifications of claimed infringement and for] removing or disabling access to infringing material [CA/CL/MX oppose: upon notification from the right holder through a procedure established by each Party]; and]

[CA/NZ/CL/VN²⁷³ propose: (b) legal incentives for internet service providers to comply with these procedures, or remedies against internet service providers who fail to comply.]]

[CA propose: 4. Each Party shall provide legal incentives for internet service providers to comply, or remedies against internet service providers who fail to comply, with any procedures established in each party's law for:

(a) effective notifications of claimed infringement; or

(b) removing or disabling access to infringing material residing on its networks.]

[CA/CL/VN²⁷⁴] propose: [CA oppose: 3.] [CA propose: 5.] The framework in Paragraph 1 will not apply to the extent that an internet service provider provides a service primarily for the purpose of enabling acts of copyright or related right infringement.]

[CA propose: 6. This Article is without prejudice to the availability in a Party's law of other defences, limitations and exceptions to the infringement of copyright or related rights. This Article shall not affect the possibility of a court or administrative authority, in accordance with Parties' legal systems, or requiring the internet service provider to terminate or prevent an infringement.]

[US/AU/SG/NZ/PE propose; BN/VN/CA/MX oppose: 1. [SG/MY oppose²⁷⁵: For the purpose of providing enforcement procedures that permit effective action against any act of copyright²⁷⁶ infringement covered by this Chapter, including expeditious remedies to prevent infringements and criminal and civil remedies] each Party shall provide, consistent with the framework set out in this Article:

(a) [MY/VN oppose: legal incentives for service providers to cooperate with copyright owners in deterring the unauthorized storage and transmission of copyrighted materials; and]

(b) limitations in its law [MY/NZ/SG propose: on the liability of, or on the remedies] [NZ/MY/VN oppose: regarding the scope of remedies²⁷⁷] available against 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, as set forth in this subparagraph (b).²⁷⁸ [PE propose: ²⁷⁹]

(i) [MY/VN oppose: These limitations shall preclude monetary relief and provide reasonable restrictions on court-ordered relief to compel or restrain certain actions for the following functions, [NZ oppose: and shall be confined to those functions]]²⁸⁰:

(A) transmitting, routing, or providing connections for material without modification of its content[CL propose:²⁸¹], or the [MY oppose: intermediate and] transient storage of such material in the course thereof;

(B) caching carried out through an automatic process;

(C) storage, at the direction of a user, of material residing on a system or network controlled or operated by or for the service provider²⁸²; and

(D) referring or linking users to an online location by using information location tools, including hyperlinks and directories.

(ii) These limitations shall apply only where the service provider does not initiate the transmission of the material, and does not select the material or its recipients (except to the extent that a function described in clause (i)(D) in itself entails some form of selection).

(iii) Qualification by a service provider for the limitations as to each function in clauses (i)(A) through (D) shall be considered separately from qualification for the limitations as to each other function[CL oppose: , in accordance with the conditions for qualification set forth in clauses (iv) through (vii)]

(iv) With respect to functions referred to in clause (i)(B), the limitations shall be conditioned on the service provider:

[CL/MY oppose: (A) permitting access to cached material in significant part only to users of its system or network who have met conditions [NZ propose: imposed by the originator of the material] on user access to that material;]

(B) ²⁸³complying with rules concerning the refreshing, reloading, or other updating of the cached material when specified by the [CL oppose: person making the material available online] [CL propose: supplier of the material] in accordance with a relevant industry standard data

communications protocol for the system or network through which that person makes the material available that is generally accepted in the Party's territory;

(C) ²⁸⁴not interfering with technology used ²⁸⁵at the originating site consistent with industry standards generally accepted in the Party's territory to obtain information about the use of the material, and not modifying its content in transmission to subsequent users; and

(D) [MY oppose: expeditiously] removing or disabling access, on receipt of an effective notification of claimed infringement, to cached material that has been removed or access to which has been disabled at the originating site.

(v) With respect to functions referred to in clauses (i)(C) and (D), the limitations shall be conditioned on the service provider:

(A) not receiving a financial benefit directly attributable to the infringing activity, in circumstances where it has the right and ability to control such activity;

(B) [MY oppose: expeditiously] removing or disabling access to the material residing on its system or network on obtaining actual knowledge of the infringement or becoming aware of facts or circumstances from which the infringement was apparent, such as through effective notifications of claimed infringement in accordance with clause (ix); [NZ oppose: and

(C) publicly designating a representative to receive such notifications.]

[MY/NZ oppose: (vi) Eligibility for the limitations in this subparagraph shall be conditioned on the service provider:

(A) adopting and reasonably implementing a policy that provides for termination in appropriate circumstances of the accounts of repeat infringers; and

(B) accommodating and not interfering with standard technical measures accepted in the Party's territory²⁸⁶ that protect and identify copyrighted material, that are developed through an open, voluntary process by a broad consensus of interested parties²⁸⁷, that are available on reasonable and nondiscriminatory terms, and that do not impose substantial costs on service providers or substantial burdens on their systems or networks.]

(vii) Eligibility for the limitations in this subparagraph may not be conditioned on the service provider monitoring its service, or affirmatively seeking facts indicating infringing activity [NZ/MY oppose: , except to the extent consistent with such technical measures.]

[NZ oppose: (viii) If the service provider qualifies for the limitations with respect to the function referred to in clause (i)(A), court-ordered relief to compel or restrain certain actions shall be limited to terminating specified accounts, or to taking reasonable steps to block access to a specific, non-domestic online location.[MY oppose: If the service provider qualifies for the limitations with respect to any other function in clause (i), court-ordered relief to compel or restrain certain actions shall be limited to removing or disabling access to the infringing material, terminating specified accounts, and other remedies that a court may find necessary, provided that such other remedies are the least burdensome to the service provider [CL propose: and users or subscribers] among comparably effective forms of relief. Each Party shall provide that any such relief shall be issued with due regard for the relative burden to the service provider [CL propose: , to users or subscribers] and harm to the copyright owner, the technical feasibility and effectiveness of the remedy and whether less

burdensome, comparably effective enforcement methods are available. Except for orders ensuring the preservation of evidence, or other orders having no material adverse effect on the operation of the service provider's communications network, each Party shall provide that such relief shall be available only where the service provider has received notice of the court order proceedings referred to in this subparagraph and an opportunity to appear before the judicial authority.]]

[NZ oppose: (ix) For purposes of the notice and take down process for the functions referred to in clauses (i) [CL propose: (B)] (C) and (D), each Party shall establish appropriate procedures in its law or in regulations for effective notifications of claimed infringement, and effective counternotifications by those whose material is removed or disabled through mistake or misidentification. Each Party shall also provide for monetary remedies against any person who makes a knowing material misrepresentation in a notification or counter-notification that causes injury to any interested party as a result of a service provider relying on the misrepresentation.]

[NZ oppose: (x) If the service provider removes or disables access to material in good faith based on claimed or apparent infringement, each Party shall provide that the service provider shall be exempted from liability for any resulting claims, provided that, in the case of material residing on its system or network, it takes reasonable steps promptly to notify the [CL oppose: person making the material available on its system or network] [CL propose: supplier of the material] that it has done so and, if such person makes an effective counter-notification and is subject to jurisdiction in an infringement suit, to restore the material online unless the person giving the original effective notification seeks judicial relief within a reasonable time.]

(xi) Each Party shall establish an administrative or judicial procedure enabling copyright owners [NZ oppose: who have given effective notification of claimed infringement] to obtain expeditiously from a service provider information in its possession identifying the alleged infringer.

(xii) For purposes of the function referred to in clause (i)(A), service provider means a provider of transmission, routing, or connections for

digital online communications without modification of their content between or among points specified by the user of material of the user's choosing, [NZ oppose: and for purposes of the functions referred to in clauses (i)(B) through (D) service provider means a provider or operator of facilities for online services or network access²⁸⁸.]]

²⁶⁷ Negotiators' Note: JP is still considering its positions on this Section.

²⁶⁸ Negotiator's Note: PE is still considering its position on paragraphs 1, 2 and the new paragraph 3 presented by CA.

²⁶⁹ Each Party may determine, within its domestic law, what constitutes an internet service provider.

²⁷⁰ Negotiator's Note; NZ is still considering this phrase.

²⁷¹ Negotiators' Note: VN to consider this provision further.

²⁷² Negotiator's Note: BN is considering its reactions to the proposals presented by CA on paragraphs 2 and 3.

²⁷³ Negotiator's Note: MX is considering its reactions to paragraph 2b and 3.

²⁷⁴ Negotiator's Note: NZ is considering its reactions to paragraph 3.

²⁷⁵ Negotiator's Note: NZ proposes to look at the placement of this paragraph vis a vis its placement elsewhere in the text.

²⁷⁶ For purposes of this paragraph, "copyright" includes related rights. Negotiators' Note: The placement of the footnote will depend on the outcome of the chapeau of this paragraph.

²⁷⁷ [NZ propose: For the avoidance of doubt, limitations regarding the scope of remedies available can be implemented through limitations on the liability of internet service providers.]

²⁷⁸ This subparagraph is without prejudice to the availability of defenses to copyright infringement that are of general applicability.

²⁷⁹ [PE propose: For greater clarity, the failure of an ISP to qualify for the limitations in subparagraph (b) does not itself result in liability.]

²⁸⁰ [US/PE/SG/AU propose; CL/NZ/VN oppose: A Party may request consultations with the other Parties to consider how to address under this paragraph functions of a similar nature that a Party identifies after the entry into force of this Agreement.]

²⁸¹ [CL/MY/SG/NZ/AU/PE/US propose: Such modification does not include modifications made as part of a technical process.]

²⁸² [CL/MY/SG/NZ/AU/US propose: For greater certainty, such storage of material may include e-mails and their attachments stored in the provider's server and web pages residing on the provider's server.]

²⁸³ Negotiator's Note: MY needs to reflect further on this provision.

²⁸⁴ Negotiator's Note: MY will reflect further on this provision.

²⁸⁵ CL/SG/NZ/AU/US/PE propose: A Party may require that such technology shall be used in a lawful manner.]

²⁸⁶ [CL/SG/NZ/AU/PE/US propose: A Party may require that such standard technical measures shall be used in a lawful manner, and that such measures are subject to approval by relevant authorities.]

²⁸⁷ [CL/SG/NZ/AU/PE/US propose: A Party may provide that interested parties include copyright owners, service providers or other interested parties, [CL/SG/NZ/AU/US propose: as may be approved by relevant authorities,] as applicable.]

²⁸⁸ [CL/MY/SG/NZ/AU/US/PE propose: As used in subparagraph (xii), a Party may provide that network access includes cases in which network access is provided by another provider.]

Ah, ISP liability. A complex picture emerges from a read of these provisions. Michael Geist has already done a brief analysis⁵⁸ where he characterises the situation thus:

ISP liability in the TPP is shaping up to be a battle between Canada and the U.S., with countries lining up either in favour of a general notification obligation (Canada) or a notice-and-takedown system with the prospect of terminating subscriber Internet access and content blocking (U.S.).

That is a great description of the general shape of the text at the moment, but digging down a bit reveals some complexities that are worth teasing out more.

As I read the provisions: there is a solid **proposal from CL/BN/NZ/MY/VN/CA/SG/MX that there be limitations on liability or remedies** for ISPs acting as intermediaries (QQ.I.1 p84). This blanket provision is opposed by US/AU (who build a limitation on remedies into their more detailed proposal).⁵⁹ As to how to manage relations between copyright owners and ISPs, there are three broad approaches:

1. A **Canadian** proposal that specifies certain activities where there **MUST** be a limitation on liability (not excluding other possibilities for limitations), where the limitations on liability are **accompanied by, but not necessarily conditioned on**, a system for notifications of infringement and removing/disabling access to infringing material. ISPs must be given legal incentives to comply with these procedures.
2. A modification to the Canadian proposal proposed by CL/BN/VN/MX that would *condition* limitations on liability on the ISP meeting conditions including notification procedures and procedures for removing/disabling access to infringing material (CL/MX would only require notice, BN/VN would have notice/takedown). This approach would otherwise adopt the open-textured Canadian language (with various proposed tweaks).⁶⁰
3. An inflexible **US/SG/AU proposal** that broadly matches up with the text of previous US FTAs like AUSFTA. The SG/AU/US proposal precludes other safe harbours being introduced.

In summary then: US/AU/SG/PE seem to support hyper-detailed US FTA style provisions. Canada are proposing very flexible provisions that accommodate a range of systems, but which would protect certain defined activities of ISPs, would require incentives for removal/disabling access to copyright material, allow for notifications (but allow a notice-notice rather than a notice-takedown system). Another group of countries seem to be attracted to aspects of the more open-textured Canadian proposal but want ISP protection to be *conditioned* on compliance with procedures set out.

A table below offers a broad high-level summary of the US v Canadian proposals.

⁵⁸ Michael Geist, *The Trans-Pacific Partnership IP Chapter Leaks: The Battle over Internet Service Provider Liability*, 15 November 2013, available at

⁵⁹ Early readings of the ISP provisions claimed that Australia and the US were ‘opposing limits on ISP liability’, citing the US/AU opposition to QQ.I.1 page 84. This is not entirely accurate, since US/AU are proposing limitations albeit the limitations are limits on **remedies** rather than limitations on liability. Nevertheless, it is worth noting that the difference between limitations on remedies and limitations on liability may not be as stark as first appears, because the Canadian proposal allows for injunctions of the same kind that are contemplated by the US/AU proposal, *despite* the limit on liability (see Canadian proposed para 6 page 85).

⁶⁰ I have not yet quite worked out the NZ position.

It seems unlikely that countries presently opposed to the excruciating detail in the US/SG/AU proposal will change their mind and decide to adopt all of that detail (this is particularly true for Canada which sent through a very extended copyright reform process to reach its present notice-and-notice system). The interesting legal question in some ways is whether a country like Australia – already signed up to a US FTA and legally committed to its present system, however inflexible – can adopt the Canadian provisions or some version of them consistent with its existing international obligations. If it can, one would have to ask why Australia would not support the more flexible provisions: it is hard to see why Australia would have much interest in pushing the US's legal rules on the rest of the world, and to the extent that Australia wants the TPP to be the kind of agreement other countries can sign on to, it would seem to be in Australia's interests to reduce the level of excruciating detail that might be a barrier to such sign on.

From my review, I cannot see why adopting a version of the Canadian provisions would be inconsistent with Australia's present obligations:

- The Canadian proposal broadly covers the same activities
- The language requiring 'procedures for notification' is consistent with Australia's notice and takedown (Australia has an additional requirement of takedown but that is not inconsistent);
- The language requiring 'legal incentives' for 'removing or disabling access to infringing material residing on its networks' is consistent with Australia's takedown requirement as a condition of the safe harbours;
- The Canadian proposal is consistent with a country having a system for terminating repeat infringers (owing to Canada's proposed paragraph 6 page 85);⁶¹
- The various details of the Australian system; the process for notification and counternotification etc would all be matters for domestic law under the Canadian proposal.

This is a relatively preliminary analysis however: I am open to people pointing out if this conclusion is wrong.

Table 1: Broad comparison of US v Canadian ISP Liability proposal

US/AU	Canada
Reference to goal of providing enforcement procedures.	No reference to goal of providing for enforcement.
Additional provision requiring 'legal incentives for service providers to cooperate with copyright owners in deterring the unauthorized storage and transmission of copyrighted materials'.	No general obligation of that kind, but does expect there to be: <ul style="list-style-type: none"> • Procedures for notifying infringements; • Procedures for removing/disabling access to infringing material • Incentives for ISPs to comply with those procedures.
Limitation on monetary remedies that leaves open injunctive relief limited to <ul style="list-style-type: none"> • Terminating specific accounts; or • For internet access providers: taking reasonable steps to block access to a specific, non-domestic online location. • For hosts, search engines, caches: 	Limitation on liability or remedies that leaves open possibility that country will want to provide for injunctive relief requiring the ISP to terminate or prevent an infringement. Not specific about the nature of the limitation.

⁶¹ This might for certainty require some tweaking of paragraph 6 language but not an extensive re-write.

removing/disabling access to infringing material or other non-burdensome remedies.	
<p>Limitation depends on compliance with detailed set of conditions including termination of accounts of repeat infringers and notice and takedown of infringing material.</p> <p><i>In other words, the system requires notice and takedown, detailed conditions.</i></p> <p><i>Failure to comply with conditions leads to full monetary liability for infringement (if any).</i></p>	<p>Limitations accompanied by (but not conditioned on):</p> <ul style="list-style-type: none"> procedures for notification of claimed infringement and for removing or disabling access to infringing material [though note removal <i>not</i> necessarily linked to notification procedure]; legal incentives for internet service providers to comply with the procedures or remedies against ISPs who fail to comply legal incentives for ISPs to comply with any procedures for: <ul style="list-style-type: none"> effective notifications of claimed infringement; or removing or disabling access to infringing material residing on its networks. <p><i>The Canadian proposal provides for notice of claimed infringements, some system for removal/disabling access to infringing material. These however need not be conditions for the limitation, but could be separately incentivized (eg by fines or other sanctions).</i></p>
<p>Limitations apply to 4 specified activities (and <i>only</i> these four: there is no potential to add other safe harbours):</p> <ul style="list-style-type: none"> providing network transmission services; automated caching hosting information location tools. 	<p>Limitations apply to <u>at least</u> 4 specified activities:</p> <ul style="list-style-type: none"> providing 'mere conduit' services; automated caching; hosting; information location tools
Requires notice and expeditious takedown, with detailed procedure set out including in a side letter and system of 'counter-notification'.	Requires system for notifications of claimed infringements, and a system for removing or disabling access to infringing material and legal incentives for ISPs to comply, but compliance not a condition for the limitation on liability.
Requires ISP to adopt and reasonably implement a policy that provides for termination in appropriate circumstances of accounts of repeat infringers.	No requirement for terminating user accounts. However, consistent with such a system because of para 6 p 85 which states that article does not affect possibility of a court or administrative authority requiring ISPs to terminate or prevent an infringement.
Requires ISP to accommodate certain standard technical measures to protect and identify copyright material.	No such provision but some conditions in relation to caching.
For hosting and search engine services, ISP	Limitations on liability or remedy do not apply

must not receive a financial benefit directly attributable to the infringing activity, in circumstances where it has the right and ability to control such activities.	to the extent that ISP provides a service primarily for the purpose of enabling infringement.
System for copyright owner (administrative or judicial) for copyright owner to obtain information identifying the alleged infringer expeditiously.	No such provision.