Report 126

Treaty tabled on 21 November 2011

Anti-Counterfeiting Trade Agreement (Tokyo on 1 October 2011)
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Membership of the Committee

Chair
Mr Kelvin Thomson MP

Deputy Chair
Senator Simon Birmingham

Members
Ms Sharon Bird MP  Senator David Fawcett
(unti1 14/3/12)

Mr Jamie Briggs MP  Senator Scott Ludlam

Mr Laurie Ferguson MP  Senator the Hon Lisa Singh
(from 14/3/12)

Mr John Forrest MP  Senator Matthew Thistlethwaite

Ms Sharon Grierson MP  Senator Anne Urquhart

Mr Harry Jenkins MP  Senator Dean Smith
(from 7/2/12)

(ms Kirsten Livermore MP
(from 7/2/12)

Ms Melissa Parke MP

Ms Michelle Rowland MP  Senator Dean Smith
(unti1 7/2/12)

The Hon Dr Sharman Stone MP
## Committee Secretariat

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<td>Secretary</td>
<td>James Catchpole</td>
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<td>David Monk</td>
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<td>(from 26/3/12 – until 11/5/12)</td>
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<tr>
<td>Inquiry Secretary</td>
<td>Kevin Bodel</td>
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<tr>
<td>Senior Researcher</td>
<td>Dr Andrew Gaczol</td>
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<tr>
<td>Administrative Officers</td>
<td>Heidi Luschtinetz</td>
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<td>Michaela Whyte</td>
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The Resolution of Appointment of the Joint Standing Committee on Treaties allows it to inquire into and report on:

a) matters arising from treaties and related National Interest Analyses and proposed treaty actions and related Explanatory Statements presented or deemed to be presented to the Parliament;

b) any question relating to a treaty or other international instrument, whether or not negotiated to completion, referred to the committee by:

   (i) either House of the Parliament, or
   (ii) a Minister; and

c) such other matters as may be referred to the committee by the Minister for Foreign Affairs and on such conditions as the Minister may prescribe.
List of recommendations

3 The National Interest Analysis

Recommendation 1

That National Interest Analyses of treaties clearly intended to have an economic impact include an assessment of the economic benefits and costs of the treaty, or, if no assessment of the economic benefit of a treaty has been undertaken, a statement to that effect, along with an explanation as to why it was not necessary or unable to be undertaken.

Recommendation 2

That the Australian Government commissions an independent and transparent assessment of the economic and social benefits and costs of the Anti-Counterfeiting Trade Agreement.

5 Copyright

Recommendation 3

That, in circumstances where a treaty includes the introduction of new criminal penalties, the treaty’s National Interest Analysis justify the proposed new penalties.

Recommendation 4

That the Australian Government publishes the individual protections that will be read into the Anti-Counterfeiting Trade Agreement (ACTA) from the Trade-Related Aspects of Intellectual Property Rights Agreement and how the protections will apply in relation to the enforcement provisions contained in ACTA.
Recommendation 5

That the Australian Government clarify and publish the meaning of “aiding and abetting” as it applies to the Anti-Counterfeiting Trade Agreement.

Recommendation 6

That the Australian Government clarify and publish the meaning of “commercial scale” as it applies to the Anti-Counterfeiting Trade Agreement.

6 Intellectual Property

Recommendation 7

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

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

8 Conclusion

Recommendation 8

That the Anti-Counterfeiting Trade Agreement not be ratified by Australia until the:

- Joint Standing Committee on Treaties has received and considered the independent and transparent assessment of the economic and social benefits and costs of the Agreement referred to in Recommendation 2;
- Australian Law Reform Commission has reported on its Inquiry into Copyright and the Digital Economy; and the
- Australian Government has issued notices of clarification in relation to the terms of the Agreement as recommended in the other recommendations of this report.
Recommendation 9

In considering its recommendation on whether or not to ratify the Anti-Counterfeiting Trade Agreement (ACTA), a future Joint Standing Committee on Treaties have regard to events related to ACTA in other relevant jurisdictions including the European Union and the United States of America.
Introduction

Purpose of the report

1.1 This report contains the review by the Joint Standing Committee on Treaties of the Anti-Counterfeiting Trade Agreement (ACTA) done at Tokyo on 1 October 2011 and tabled in Parliament on 21 November 2011.

1.2 The Committee’s resolution of appointment empowers it to inquire into any treaty to which Australia has become signatory, on the treaty being tabled in Parliament.

1.3 The treaties, and matters arising from them, are evaluated to ensure that ratification is in the national interest, and that unintended or negative effects on Australians will not arise.

1.4 Prior to tabling, major treaty actions are subject to a National Interest Analysis (NIA), prepared by Government. This document considers arguments for and against the treaty, outlines the treaty obligations and any regulatory or financial implications, and reports the results of consultations undertaken with State and Territory Governments, Federal and State and Territory agencies, and with industry or non-government organisations.

1.5 A Regulation Impact Statement (RIS) may accompany the NIA. The RIS provides an account of the regulatory impact of the treaty action where adoption of the treaty will involve a change in the regulatory environment for Australian business. The treaty examined in this report did not require an RIS, according to the Department of Foreign Affairs and Trade.
1.6 The Committee takes account of these documents in its examination of the treaty text, in addition to other evidence taken during the inquiry program.

1.7 Copies of the treaty and its associated documentation may be obtained from the Committee Secretariat or accessed through the Committee’s website at:

<www.aph.gov.au/house/committee/jsct>

**Conduct of the Committee’s review**

1.8 The inquiry into ACTA was advertised on the Committee’s website from the date of tabling. Submissions for the treaty were requested by 27 January 2012 with extensions available on request.

1.9 Invitations were made to all State Premiers, Chief Ministers and to the Presiding Officers of each Parliament to lodge submissions. The Committee also invited submissions from individuals and organisations with an interest in the particular treaty under review.

1.10 Submissions received and their authors are listed at Appendix A.

1.11 The Committee examined the witnesses at public hearings held in Canberra on 19 March, 23 March, and 7 May 2012.

1.12 Transcripts of evidence from these public hearings may be obtained from the Committee Secretariat or accessed through the Committee’s website at: http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jsct/21november2011/hearings.htm

1.13 A list of witnesses who appeared at the public hearings is at Appendix B.
The Anti-Counterfeiting Trade Agreement in context

Introduction

2.1 The Anti-Counterfeiting Trade Agreement (ACTA) is an agreement designed to strengthen intellectual property (IP) standards around the world.

2.2 ACTA is based on the framework for dealing with matters negotiated in the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement negotiated as part of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). However, ACTA has been established outside the existing TRIPS mechanisms because, according to the National Interest Analysis (NIA):

...existing IP enforcement standards in the World Trade Organization (WTO) have been insufficient to diminish the growth in international trade in counterfeit and pirated materials.¹

2.3 ACTA focuses on trademark and copyright enforcement. It establishes a legal framework for IP enforcement containing:

- provisions on civil enforcement;
- border measures;
- criminal enforcement in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale;

enforcement in the digital environment for infringement of copyrights; and

provides for enhanced enforcement best practices and increased international cooperation.²

2.4 The agreement emphasises that the proliferation of counterfeit and pirated goods, as well as of services that distribute infringing material, undermines legitimate trade and sustainable development of the world economy, causes significant financial losses for right holders and for legitimate businesses, and, in some cases, provides a source of revenue for organized crime and otherwise poses risks to the public.³

2.5 The idea of negotiating the ACTA was conceived in 2006 by the United States (US) and Japan as a new tool for combating counterfeiting and piracy.

2.6 Preliminary talks, involving Canada, the European Union (EU), Japan, Switzerland, and the US, took place in 2006, leading to an October 2007 announcement of their intention to begin negotiating the agreement.

2.7 The ACTA negotiation concluded in October 2010, nearly three years after it began, and negotiating parties released a final text of the agreement in May 2011. The negotiating parties were: the US, Australia, Canada, the EU and its 27 member states, Japan, South Korea, Mexico, Morocco, New Zealand, Singapore, and Switzerland.

2.8 In the opinion of the Australian Department of Foreign Affairs and Trade (DFAT), ACTA sits within the TRIPS Agreement framework, with a core membership which is expected to grow:

I would say that this is an initiative that sits firmly within the TRIPS framework. It builds upon the TRIPS agreement and it has been crafted to allow for wider membership of WTO members over time. Multilateral negotiations—in the case of the WTO there are 153 countries—do take some time and they are complex endeavours, as we have seen over the years. It is not unusual for a group of members to come together, articulate an international standard in a particular policy area and bring that to the wider membership with a view to encouraging wider membership over time. And that is the case with this initiative and it was in fact the


³ Dr Matthew Rimmer, Submission 1.1, p. 41.
case with the negotiation of the multilateral agreement on TRIPS. They do start with a smaller nucleus of countries, typically. They do not tend to organically appear across the entire membership of the multilateral system.  

**Reasons for Australia to take the proposed treaty action**

2.9 According to the NIA, ACTA offers an effective mechanism to internationalise existing Australian IP standards of enforcement, providing Australian right holders and owners with the benefits of wider adoption overseas of the standards that are applied to IP enforcement in Australia.  

2.10 Australian IP owners include producers of music, films and written work protected by copyright, as well as producers of brand name goods sold under trademark. Trade in counterfeit and pirated material is harmful to Australia as it undermines the market for legitimate, Australian-owned IP by diverting consumers towards counterfeit or pirated versions of legitimate products. It can adversely affect the viability of Australian IP-intensive exports, weaken the incentive to invest in innovation, and expose consumers to potentially sub-standard or dangerous products.  

2.11 According to the NIA, supporting global cooperative efforts to reduce the production and international trade in counterfeit and pirated products and encouraging Australia’s trading partners to comply with ACTA would help to limit the importation of such goods into Australia. Compliance with ACTA would reduce the burden on enforcement agencies and protect Australian-owned IP in overseas markets. It would also alleviate pressure on Australian businesses forced to protect their IP rights in Australian and foreign courts.  

2.12 As ACTA obligations are directly aligned with Australia’s IP enforcement standards, any expansion in ACTA membership would bring more countries into conformity with Australian standards. As an ACTA Party, Australia could advocate the benefits of participation in ACTA to improve enforcement in our region.  

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4 Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, *Committee Hansard*, 19 March 2012, p. 19.  
5 NIA, para 8.  
6 NIA, para 9.  
7 NIA, para 10.  
8 NIA, para 11.
2.13 The NIA encourages the early ratification of ACTA, so as to enable Australia to play an influential role in the ACTA Committee, which will consider, *inter alia*, rules and procedures for reviewing the implementation and operations of ACTA.⁹

**Obligations**

2.14 ACTA contains 45 Articles divided into five chapters, namely:

- Chapter I (Initial Provisions and General Definitions, Articles 1-5);
- Chapter II (Legal Framework for Enforcement of Intellectual Property Rights, Articles 6-27);
- Chapter III (Enforcement Practices, Articles 28-32);
- Chapter IV (International Cooperation, Articles 33-35); and
- Chapter V (Institutional Arrangements, Articles 36-45).

2.15 The majority of ACTA’s obligations are contained in Chapter II.¹⁰

2.16 Article 6 states that Parties must ensure that enforcement procedures are available in domestic law so as to permit effective action against infringements of IP rights covered by ACTA. These procedures are to be applied so as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.¹¹

**Implementation**

2.17 According to the NIA, Australia meets all obligations set out in ACTA through legislation already in force and existing common law. Commonwealth legislation through which ACTA will be implemented includes: the *Copyright Act 1968* and *Copyright Regulations 1969*; the *Trade Marks Act 1995* and *Trade Marks Regulations 1995*; the *Customs Administration Act 1985*; the *Federal Court of Australia Act 1976* and *Federal Court Rules*; the *Criminal Code Act 1995*; the *Crimes Act 1900*; the *Proceeds of Crime Act 2002* and the *Commerce (Trade Descriptions) Act 1905*. ACTA implementation would also be subject to obligations under the *Privacy Act 1988*.¹²

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⁹ NIA, para 12.

¹⁰ NIA, para 14.

¹¹ NIA, para 15.

¹² NIA, paras 29 – 30.
Trade-Related Aspects of Intellectual Property Rights

2.18 The TRIPS Agreement is a framework of rules, principles, and disciplines associated with IP ownership.13

2.19 IP rights can be defined as the rights given to people over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creations for a certain period of time. IP rights are usually divided into two categories:

- **Copyright and rights related to copyright**: i.e. rights granted to authors of literary and artistic works, and the rights of performers, producers of phonograms and broadcasting organizations. The main purpose of protection of copyright and related rights is to encourage and reward creative work.14

- **Industrial property rights**: This includes (1) the protection of distinctive signs such as trademarks and geographical indications, and (2) industrial property protected primarily to stimulate innovation, design and the creation of technology. In this latter category falls inventions (protected by patents), industrial designs and trade secrets.15

2.20 For the purposes of the TRIPS Agreement, IP refers to:

... all categories of intellectual property that are the subject of Sections 1 through 7 of Part II of the agreement (Article 1:2). This includes copyright and related rights, trademarks, geographical indications, industrial designs, patents, integrated circuit layout-designs and protection of undisclosed information.16

Context for the negotiation of TRIPS

2.21 The GATT Uruguay Round of multilateral trade negotiations was initiated by the US in 1985 and was formally launched in September 1986 at Punta del Este, Uruguay. The Round was launched at a time when significant structural shifts had occurred in most of the industrialised countries. Service industries had grown and communication technologies were

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revolutionised. It also came at a time when there was declining earnings and growing protectionism in international agricultural markets.17

2.22 The outcome of the Uruguay Round of negotiations has been colloquially referred to as the ‘Grand Bargain’ - an agreement between developed and developing countries that accepted the inclusion of services in the GATT in exchange for concessions to reduce protections for agriculture in developed countries.

2.23 The TRIPS Agreement was one of the mechanisms used to bring services into the GATT.

2.24 The failure to deliver the agricultural concessions of the Grand Bargain, is widely considered by GATT observers to be the reason behind the difficulties now associated with TRIPS.18


The National Interest Analysis

Introduction

3.1 The Committee’s examination of treaties is generally guided by an assessment of a particular treaty’s benefits contained in the NIA, which is tabled in Parliament along with the treaty.

3.2 The ACTA NIA has been the subject of extensive criticism by participants in the inquiry. The most significant criticism relates to the lack of evidence to support the claims made in the NIA, and the fact that the NIA, and on a number of occasions, Government witnesses, claimed that no legislative change would be required to implement ACTA. This chapter will examine these criticisms.

Evidence of the problem

3.3 The purpose of ACTA is to help counter the problem of counterfeiting and IP infringement. Critics claim, however, that the NIA does little to demonstrate the scale of the problem as it affects Australia and therefore the need for Australia to sign a new treaty.

3.4 The NIA does refer to statistics from the Organisation for Economic Co-operation and Development (OECD) that international trade in counterfeit and ‘pirated’ materials is growing and that the global value of this in 2007 was A$250 billion.¹

¹ NIA, para 6.
3.5 The study cited found that the share of counterfeit goods in world trade is estimated to have increased from 1.85% in 2000 to 1.95% in 2007. Critics of this study point out that this increase was largely accounted for by the average growth in trade in the types of goods and exports from countries most likely to generate counterfeit goods.

3.6 The NIA also notes that the value of border seizures in Australia of alleged counterfeit products was A$26 million in the 2009-10 financial year. However, as pointed out by a submitter to the Committee’s inquiry, this amount represents only 0.01% of the A$258,655 million value of all imports into Australia for the same period.

3.7 Other submitters told the Committee that:

...the National Interest Analysis contains no independent analysis of the costs and benefits of ACTA nor does it contain evidence of the IP enforcement issues currently experienced by Australian IP owners in the countries negotiating ACTA to justify the [Agreement]...

3.8 And:

... transparency is missing from the NIA and it also does not include defendable evidence-based information to back up unsubstantiated claims of harm to Australia’s industry. Key definitions, some related to criminal sanction and others that may affect Australian industry are also missing.

3.9 The problem of reliable evidence is not limited to Australia. The United States Government Accountability Office (GAO) Report to Congressional Committees on Intellectual Property (Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods) of April 2010 identified that statistical evidence for the size of the counterfeiting problem arose from unsubstantiated estimates.

2 The OECD statistics are examined in greater detail by Dr Hazel Moir, Submission 4, p. 2.
3 Dr Hazel Moir, Submission 4, p. 2.
4 NIA, para 10.
5 Dr Hazel Moir, Submission 4, p. 2.
6 Ms Ellen Broad, Executive Officer, Australian Libraries Copyright Committee and Australian Digital Alliance, Committee Hansard, 19 March 2012, p. 1.
7 Ms Anna George, Submission 10, pp. 2-3.
8 Discussed by Dr Hazel Moir, Submission 4.1, p. 2.
3.10 The paucity of evidence for the size of the problem listed in the NIA weakens the case for signing ACTA, leading critics to claim that the justification for the treaty is an article of faith rather than evidence.9

3.11 On several occasions, Committee members asked Government witnesses why no assessment of the economic benefits of ACTA had been made. The Government’s response can be summarised with the following quote:

There were some questions put to the committee about the need for a cost-benefit study. We can again confirm that the Office of Best Practice Regulation was consulted on the issue of a regulation impact statement and had determined that such an examination was not appropriate given there was no regulatory change involved.10

Exporting domestic standards

3.12 Another benefit of ACTA identified in the NIA without supporting evidence is the claim that the internationalisation of Australia’s domestic IP regime will benefit Australian IP holders.11 Whether Australia’s present domestic standards are appropriate was contested by some witnesses.

3.13 Australia’s current domestic IP regime is based on Australia’s obligations under the 2004 Australian United States Free Trade Agreement (AUSFTA). According to the Australia Digital Alliance and the Australian Libraries Copyright Committee the IP standards implemented under AUSFTA have generated net costs on Australia:

In 2004, the Senate Select Committee on the Free Trade Agreement between Australia and the United States of America cited concerns that the AUSFTA ‘prevents Australia from retreating from this position in future and implementing policies and laws which do not accord with the provisions of AUSFTA’. The entrenchment of these IP standards in subsequent

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9 Dr Matthew Rimmer, Submission No 1.1, p 6; The Pirate Party, Submission 2, p. 11; and Ms Kimberlee Weatherall, Submission 3, p. 8.

10 Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, Committee Hansard, 7 May 2012, p. 34.

11 NIA, para. 11.
negotiations of the ACTA ... further restricts Australia’s ability to implement flexible IP reform.\textsuperscript{12}

3.14 The Australian Department of Foreign Affairs and Trade’s (DFAT) negotiating position simply assumes that existing Australian standards are appropriate for an international agreement.\textsuperscript{13}

3.15 In its 2010 report, the Productivity Commission cautioned against adopting IP provisions that are of main interest to other parties. According to the Australia Digital Alliance and the Australian Libraries Copyright Committee, the main beneficiaries of ACTA’s IP enforcement standards will be in net IP exporting countries.\textsuperscript{14}

3.16 Australia’s ability to make legislative changes based on recommendations by bodies like the Australian Law Reform Commission, with due consideration of the benefits and costs inherent in Australia’s existing IP regime, may be diminished by a negotiating stance that assumes existing IP standards in Australia are suitable.\textsuperscript{15}

\textbf{Evidentiary issues – Committee view}

3.17 The NIA was inadequate in providing an economic assessment of the agreement and this hindered the Committee’s assessment of ACTA’s costs and benefits for Australia.

3.18 The Committee recommends that, in future, NIAs of treaties clearly intended to have an economic impact include an assessment of the economic benefits of the treaty, or, if no assessment of the economic benefit of a treaty has been undertaken, a statement to that effect, along with an explanation as to why it was not necessary.

\textsuperscript{12} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 4.
\textsuperscript{13} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 4.
\textsuperscript{14} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 4.
\textsuperscript{15} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 4.
Recommendation 1

That National Interest Analyses of treaties clearly intended to have an economic impact include an assessment of the economic benefits and costs of the treaty, or, if no assessment of the economic benefit of a treaty has been undertaken, a statement to that effect, along with an explanation as to why it was not necessary or unable to be undertaken.

3.19 The problem presented by the lack of evidence is succinctly put by Dr Moir:

It is not possible to comment sensibly on ACTA without first reviewing the extent of the alleged problem with respect to counterfeit trademarks and unauthorised use of copyright. 

3.20 While the Committee believes that the problem ACTA seeks to address is real, it is not possible to reach an evidence based decision as to whether the agreement is in Australia’s interests or not using the information provided by DFAT and other Government witnesses.

3.21 The ACTA NIA illustrates a flaw in the process of developing NIAs. Clearly, ACTA is an agreement intended to provide an economic benefit to Australians, yet, because it does not require a Regulation Impact Statement, no effort has been made to develop the economic case for the Agreement.

Recommendation 2

That the Australian Government commissions an independent and transparent assessment of the economic and social benefits and costs of the Anti-Counterfeiting Trade Agreement.

Legislative change

3.22 The most consistent charge levelled at the NIA is that its claim of ‘no new legislative measures are required to implement obligations under ACTA in Australia’ is misleading and, according to some submitters, incorrect.

16 Dr Hazel Moir, Submission 4, p. 1.
3.23 Alphapharm expressed a number of concerns about the NIA specifically the ‘no new legislative measures...’ claim:

Alphapharm disagrees. An analysis undertaken at its request by Dr Luigi Palombi from the Regulatory Institutions Network at the Australian National University advises that significant changes will need to be made to Australia’s patent laws if ACTA is ratified and is complied with.\(^\text{17}\)

Alphapharm also sought the independent advice of eminent senior counsel, the Hon. Mr Robert Ellicott Q.C., a former Commonwealth Solicitor-General, Attorney-General and Judge of the Federal Court of Australia.\(^\text{18}\)

3.24 Alphapharm’s criticisms are particularly pertinent as Alphapharm supports the treaty’s intent but has difficulty accepting it in its current form.\(^\text{19}\)

3.25 Dr Luigi Palombi, too, questioned the veracity of this claim arguing that it presented a contradiction:

The NIA contains an inherent contradiction which, if true, undermines both the credibility of ACTA and the process employed throughout its negotiation. At para 7 the NIA states: “No new legislative measures are required to implement obligations under ACTA in Australia.” Yet at para 6 it states: “ACTA is an important initiative, as existing IP enforcement standards in the World Trade Organization (WTO) have been insufficient to diminish the growth in international trade in counterfeit and pirated materials.” One might ask: “how can it be that ‘existing IP enforcement standards’ have been ineffective in dealing with the ‘international trade in counterfeit and pirated materials’ and yet there be no need for ‘new legislative measures’?”\(^\text{20}\)

3.26 Ms Anna George also questioned the ‘no new legislative measures...’ claim:

To summarise, the crux of the NIA assessment is attached to the claim that ‘no new legislative measures are required to implement

\(^{17}\) Alphapharm, *Submission 5*, pp. 3-4.

\(^{18}\) Alphapharm, *Submission 5*, pp. 3-4. These opinions were included in the Alphapharm Submission.

\(^{19}\) Dr Martin George Cross, Managing Director, Alphapharm Pty Ltd, *Committee Hansard*, 23 March, p. 1.

\(^{20}\) Dr Luigi Palombi, *Submission 7*, p. 2.
obligations under ACTA in Australia’. As a National Interest Analysis it simply ignores and minimises the nature of this ACTA Treaty.21

I question this claim ... and that the content of the NIA fulfils the obligation of providing a substantive assessment of Australia’s national interest...22

3.27 Moreover:

The key NIA assessment: ‘No new legislative measures are required to implement obligations under ACTA in Australia’ - this is too narrow a basis, by itself, for assessing national interest.

- The NIA adopts a very blinkered approach to how IP - a rights-based economic monopoly - actually operates. Unlike other property rights, IP has a long tail of legal and financial consequences affecting economic and social policy and intrudes, in complex ways, into private lives.
- By actively supporting the development of ACTA, a particular policy position has been pursued. This IP policy has an effect on Australia’s other foreign, trade and security priorities. Nowhere are these issues addressed in the NIA. 23

3.28 The Committee is concerned that the absolute nature of DFAT’s statement may be misconstrued as being a broader statement than it actually is. In particular, the Committee is concerned that the statement may be construed as extending to the scope of enforcement activities.

3.29 The two key issues from the Committee’s point of view are the scope of operational circumstances, and the role of the ACTA Committee in the interpretation of the Agreement.

**Operational circumstances**

3.30 The fact that ACTA might not require new legislation does not mean it will not lead to changes in operational policies that will impact on such parties.24

3.31 An example examined in some detail during the evidence gathering process relates to the process for seizing alleged counterfeit shipments by the Australian Customs and Border Protection Service.25

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21 Ms Anna George, Submission 10, p. 9.
22 Ms Anna George, Submission 10, p. 1.
23 Ms Anna George, Submission 10.1, p. 2.
24 Dr Hazel Moir, Submission 4, p. 8.
According to the Australian Customs and Border Protection Service the process for seizing alleged counterfeit shipments 'begins with an IP holder advising ... that they suspect a particular shipment contains counterfeit goods.' The Australian Customs and Border Protection Service then holds the shipment pending an analysis of its contents.26

According to the Australian Customs and Border Protection Service, the number of notifications of this sort is rising steadily, but the Department does not expect ACTA to have an impact on the number of notifications.27

Once again, there is no detailed modelling on which to base this assumption. It is possible for a dispassionate observer to reach the opposite conclusion in relation to a number of the enforcement aspects of ACTA. In other words, DFAT's commitment in relation to legislation would not prevent a noticeable change in the operational approach to its enforcement. While this would not be a legislative change, it would be a change in the regulatory environment resulting from the implementation of ACTA.

The ACTA Committee

Article 36 of ACTA requires the establishment of an ACTA Committee comprising a representative of each party to the Agreement, the functions of which include reviewing the Agreement, assisting with its implementation, and considering amendments to the Agreement.

A number of participants in the inquiry noted that the Article permits the ACTA Committee, in performing its functions, to make recommendations regarding the implementation and operation of this Agreement.28

Participants expressed concern that less well defined provisions of ACTA could be fleshed out through guidelines on an ongoing basis, with possible amendments in the longer term. To reinforce this concern, other functions of the ACTA Committee, such as promoting cooperation, where appropriate, among competent authorities, and the regular meetings and exchange of information about enforcement practices envisioned for the

25 Mrs Sharon Nyakuengama, Senior Trade Advisor, Cargo and Trade Division, Australian Customs and Border Protection Service, Committee Hansard, 19 March 2012, p. 25.
26 Mrs Sharon Nyakuengama, Senior Trade Advisor, Cargo and Trade Division, Australian Customs and Border Protection Service, Committee Hansard, 19 March 2012, p. 25.
27 Mrs Sharon Nyakuengama, Senior Trade Advisor, Cargo and Trade Division, Australian Customs and Border Protection Service, Committee Hansard, 19 March 2012, p. 25.
28 ACTA, Article 36.
ACTA Committee, creates the basic framework within which more
detailed enforcement mechanisms can be developed over time.29

3.38 It is possible for a circumstance to arise in which the development and
entrenchment of guidelines that qualify provisions of ACTA could lead to
a requirement for legislative change in Australia without amendments to
the underlying treaty. Such changes would consequently occur without
the benefit of public scrutiny required by a treaty making process.

**Legislative change – Committee view**

3.39 The fact that Australia is already fully compliant with ACTA has been
portrayed in the NIA as a distinct advantage to Australia. As was the case
with the economic advantages of ACTA, this fact is not substantiated with
evidence. Participants in the inquiry have contested this statement.

3.40 In addition, participants in the inquiry have pointed out that Australia’s
compliance with ACTA does not by any means guarantee that regulatory
activity in Australia will remain unchanged by ACTA. The Committee is
of the view that witnesses have identified at least two mechanisms by
which Australia’s approach to enforcement of copyright and IP could be
changed. While such changes would not be legislative, they would still
have an impact on the people concerned.

3.41 A principal focus of this Committee in assessing treaties has been the
effect a treaty has on members of the community, regardless of whether
those effects are caused by legislative change or not. The Committee
would like NIAs to reflect on all possible effects on members of the
community, including those that occur for reasons other than legislative
change.

3.42 Consequently, the Committee urges that in future, NIAs identify potential
changes to the domestic administration of issues dealt with in a treaty,
regardless of whether the treaty requires legislative change.

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29 Ms Kimberlee Weatherall, *Submission 3*, p. 17.
Clarity of terms

Introduction

4.1 A number of submissions said that ACTA’s text was ambiguous. The concern is that this ambiguity could potentially lead to unintended consequences or costly and lengthy legal proceedings as interested parties sought clarification of how the treaty would impact on their products and operations.

4.2 Allegations of ambiguity of terms focuses on a particular set of terms from ACTA, and in this chapter, each will be considered in turn. The terms in question are: intellectual property; piracy; commercial scale; and counterfeit.

4.3 Concerns have also been raised over the omission from ACTA of individual protections codified in the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS), and the use of expansionary language in ACTA.

Concerns over the term ‘intellectual property’

4.4 The use of the term ‘intellectual property’ in ACTA, according to some participants in the inquiry, fails to discriminate between varied aspects of IP law such as trademarks and patents, potentially resulting in complex legal proceedings.

4.5 Dr Moir was particularly concerned about the use of the term ‘intellectual property’. According to Dr Moir:

A major problem with ACTA is the constant use of the term ‘intellectual property’ rather than more specific language. As the purpose of ACTA is to address issues in trademark counterfeits
and unauthorised use of copyright it should have been drafted in precisely these terms. It would then be tighter, clearer, easier to assess and less potentially dangerous to Australian economic interests.¹

4.6 Dr Martin Cross, representing the pharmaceutical group Alphapharm, also observed that the term ‘intellectual property’ made the treaty ambiguous, and that the focus should have remained on copyright and trademark:

This goes, unfortunately, to the extension from copyright and trademark into intellectual property. That is the issue. Had it just remained at trademark and copyright, there would be no issue. We absolutely support that because we are a company that has trademarks and copyright...

The issue is that as soon as you extend it beyond trademark and copyright into intellectual property, you get into the area of patents. Patents are extremely grey, and the only way this is resolved these days is through complex legal proceedings. So you open up, in effect, a Pandora’s box of issues by allowing the extension of ACTA into intellectual property. Unfortunately, the drafting of that allows that to occur.²

4.7 With respect to patents, Dr Rimmer agrees with Alphapharm:

The Department of Foreign Affairs and Trade made repeated assurances that the [ACTA] would not deal with patents. Yet, the final text of the [ACTA] does not expressly fully exclude patent law – which could lead to future disagreement.³

4.8 Dr Luigi Palombi expressed the same concern:

the Agreement... seeks to cover the entire field of intellectual property without making due allowance for the fact that not all intellectual property is the same. Specifically, ACTA, despite what its name suggests, is not confined to dealing with the acts of copyright piracy and trade mark counterfeiting. This is problematic particularly when patents are taken into account because unlike copyrighted and trademarked goods, such as movies, television shows and music available in various formats

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¹ Dr Hazel Moir, Submission 4, p. 4.
² Dr Martin George Cross, Managing Director, Alphapharm Pty Ltd, Committee Hansard, 23 March, p. 2.
³ Dr Matthew Rimmer, Submission 1, pp. 28-29.
and mediums or luxury branded goods, the validity of a patent granted by IP Australia is not guaranteed under Australian law.4

**Concerns over the term ‘piracy’**

4.9 Piracy is defined in ACTA as:

> ‘any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which 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 in which the procedures set forth in Chapter II (Legal Framework for Enforcement of Intellectual Property Rights) are invoked.’5

4.10 Dr Moir argued the term ‘piracy’ provided a misleading impression and was pejorative and inappropriate for this treaty:

> I think it is a very nasty political ambit claim when what we are actually talking about is unauthorised use. I think it is unfortunate that otherwise reputable organisations like the OECD and DFAT are using a term like that instead of less pejorative language that makes a better balance about the actuality.6

4.11 Similarly, Dr Palombi argued that because the agreement’s language is ambiguous, confusion will exist between goods that infringe ‘intellectual property rights’ and goods that are ‘pirated’ or ‘counterfeited’:

> The terms ‘pirate’ and ‘counterfeit’ are open to be understood to mean more than copyright and trade mark infringement. The Agreement’s preamble expressly refers to “the proliferation of counterfeit and pirated goods” in the context of “infringing material”. This statement therefore blurs the line between what is understood to be a good that is an infringement of a form of an “intellectual property right”, which could feasibly extend to patents, and a good that is either a pirated or counterfeited good.

> This ambiguity in language is unsatisfactory because while it is possible that a good may infringe an intellectual property right, it may not be either a pirated or counterfeited good.

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4 Dr Luigi Palombi, *Submission 7*, p. 1.
5 Dr Matthew Rimmer, *Submission 1*, p. 9.
6 Dr Hazel Moir, *Committee Hansard*, 23 March 2012, p. 21.
4.12 In addition, Dr Rimmer points out that the Copyright Act 1968 (Cth) does not use the term ‘piracy’ and questions whether such an inclusion might, in fact be necessary for the implementation of ACTA.\(^7\)

**Concerns over the definition of ‘commercial scale’**

4.13 There was a further observation on the ACTA’s definition of ‘commercial scale’. The Australian Libraries Copyright Committee and Australian Digital Alliance expressed some concern about this definition *vis-a-vis* Australian copyright law. They stated:

> Article 23.1 of ACTA provides an extremely broad definition of commercial scale, including at least those carried out as commercial activities for direct or indirect commercial or economic advantage. Currently, under Australian copyright law it requires infringement having a substantial prejudicial impact on the copyright owner or infringement undertaken for the purpose of obtaining a commercial advantage or a profit. There is no reference in Australian copyright law to indirect commercial advantage or profit. This would significantly expand our liability for copyright infringement under Australian law.\(^8\)

**Department of Foreign Affairs and Trade response**

4.14 In response to these criticisms discussed above, DFAT stated that ACTA sets out broad parameters for legislative regimes that differ markedly around the world. This, DFAT believes, will provide suitable flexibility for different countries to abide by the agreement:

> The important point here is that ACTA sets out the broad parameters for legislative regimes globally. It does not specify the way in which those regimes are to be implemented – that is a matter, properly, for national level statute and jurisprudence. As with many international treaties, the parameters are set out in a very general form, as ACTA itself acknowledges—I will quote from article 2 of the agreement:

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7 Dr Matthew Rimmer, *Submission 1.1*, p. 19.
8 Ms Ellen Broad, Executive Officer, Australian Libraries Copyright Committee and Australian Digital Alliance, *Committee Hansard*, 19 March 2012, p. 4.
Each Party shall be free to determine the appropriate method of implementing the provisions of this Agreement within its own legal system and practice.⁹

ACTA is written at a very general level and establishes legal parameters. There is considerable flexibility within ACTA to allow for policy evolution and change over time. That is a feature of not only intellectual property regimes but of most public policy regimes. ACTA provides for considerable flexibility in that regard.¹⁰

4.15 The Australian Copyright Council supported DFAT’s argument stating that such flexibility would encourage broad international membership of the ACTA:

The Copyright Council observes that article 2 of ACTA gives parties a great deal of flexibility in their implementation of the treaty. This is reflected in the substantive provisions of ACTA which afford parties a high level of discretion in their domestic implementation of ACTA obligations. The Copyright Council believes that this lack of prescription will encourage broad membership, thus furthering the objective of establishing an international framework for intellectual property enforcement. In our submission, it is important that Australia be part of this framework.¹¹

Conclusion

4.16 ACTA’s content has created a significant degree of discussion. The degree of ambiguity is of note, and given the status and background of those who have contributed to this inquiry, there would appear to be legitimate concern over the text of the agreement. Particularly of note is that even the treaty supporters – such as Alphapharm – question the treaty’s wording even if they readily accept its intent.

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⁹ Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, Committee Hansard, 19 March 2012, p. 17.

¹⁰ Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, Committee Hansard, 19 March 2012, p. 20.

¹¹ Australian Copyright Council, Submission 12, pp. 3-4.
4.17 Loose definitions of ‘intellectual property’, ‘commercial scale’, ‘counterfeiting’ and ‘piracy’ have the potential to cause confusion and possibly result in legal proceedings given that ACTA is a legally binding document.

4.18 DFAT’s response, that the treaty’s wording provides the many and varied countries involved in ACTA the flexibility to implement the treaty’s provisions without the possibility of extensive legal action, has yet to be tested as the treaty is yet to be ratified.
Copyright

Background

5.1 This and the following chapter will examine in detail the two main subjects of ACTA: copyright and intellectual property (IP).

5.2 The general terms of copyright were established by the Berne Convention for the Protection of Literary and Artistic Works (The Convention). The Convention implemented an international structure of protection for literary works, works of art, official texts, collections, and works of industrial or applied design.1

5.3 The terms of copyright in the Convention have been expanded through successive agreement, most significantly through the TRIPS Agreement which extended the scope of copyright to include, for example, computer programs and databases, and music recordings.2

5.4 ACTA, which is intended to be read in conjunction with the TRIPS Agreement, focuses on the enforcement of recognised rights. It provides for:

- Civil enforcement, permitting rights holders to pursue alleged breaches of rights themselves. Civil enforcement provides a number of remedies for rights holders, including the ability to request the seizure of alleged

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rights infringing goods, and the ability to seek financial remedies for alleged breaches of rights;\(^3\)

- Border measures, permitting signatory states to seize alleged rights infringing goods at the border;\(^4\) and
- Criminal enforcement through the criminalisation of rights infringement and aiding and abetting rights infringement.\(^5\)

5.5 Participants to the inquiry raised a number of issues in relation to the rights enforcement regime contained in ACTA. These included:

- the proportionality of the criminal penalties;
- the conscious decision not to include TRIPS provisions relating to the protection of individual rights;
- the treatment of secondary liability in ACTA;
- the definition of ‘commercial scale’ in relation to offences in ACTA; and
- the construction of civil remedies in ACTA.

**Proportionality of criminal offences**

5.6 ACTA will oblige parties to it to implement criminal procedures and penalties for the following activities:

- cases of wilful trademark counterfeiting or copyright or related rights piracy on a commercial scale; and
- cases of wilful importation and domestic use, in the course of trade and on a commercial scale, of labels or packaging to which a mark has been applied without authorization and 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.\(^6\)

5.7 Parties to ACTA are also required to adopt such measures as may be necessary, consistent with its legal principles, to establish the liability, which may be criminal, of legal persons for the offences specified in this Article for which the Party provides criminal procedures and penalties.\(^7\)

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3 NIA, paras. 16-17.
4 NIA, paras. 18-21.
5 NIA, paras. 22-24.
6 ACTA, Article 23.
7 ACTA, Article 23.
5.8 ACTA further requires that, for offences specified in paragraphs 1, 2, and 4 of Article 23, each Party shall provide penalties that include imprisonment as well as monetary fines sufficiently high to provide a deterrent to future acts of infringement, consistent with the level of penalties applied for crimes of a corresponding gravity.  

5.9 ACTA’s provisions are significantly more prescriptive than the preceding TRIPS Agreement, which did not require the criminalisation of copyright infringement.  

5.10 A number of participants in the inquiry argued that the significantly more prescriptive approach adopted in ACTA is disproportionate to the scale of copyright infringement.  

5.11 There are a number of grounds for making this argument. The first, dealt with in a previous chapter, is that there is no evidentiary proof of the scope of the problem.  

5.12 The second argument relates to the value of the alleged copyright infringing goods. Dr Hazel Moir argues that the penalty provisions have been drafted on the apparent assumption that the value of the copyright infringing goods is equivalent to the value of the copyrighted goods, and she argues against the assumption.  

5.13 According to Dr Moir, it is virtually impossible to determine the quantity in the authorised market which might have been sold in the absence of a secondary market for the counterfeit goods. The profit margin in secondary markets is considerably lower than the profit margin in authorised markets. The appropriate presumption in determining the degree to which copyright infringement is criminalised is the value of the copyright infringing goods in the secondary market.  

5.14 A related but slightly different concern is the effect on the public of over-criminalisation of an act. Ms Kimberlee Weatherall speculates that criminalising minor acts tends to facilitate overcharging of individuals and lessens peoples’ respect for the law, as well as imposing a chilling effect on business.

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8 ACTA, Article 24.  
9 TRIPS Agreement, Article 41.  
10 Ms Kimberlee Weatherall, Submission 3, p. 16.  
11 For arguments in relation to evidence, see chapter 3.  
12 Dr Hazel Moir, Submission 4, p. 6.  
13 Dr Hazel Moir, Submission 4, p. 6.
5.15 Ms Weatherall expresses a concern that the effects of over criminalisation will affect areas like copyright where the law is complex and infringement may not be clear-cut.\footnote{Ms Kimberlee Weatherall, Submission 3, p. 16.}

5.16 A further criticism of ACTA’s criminal enforcement provisions is that they do not comply with the standards set out in the Washington Declaration on Intellectual Property and the Public Interest (the Washington Declaration).

5.17 The Washington Declaration is a non-government declaration the intention of which is to implement IP standards such as restraint in enforcement, open access, and development priorities, that the drafters hope will help change the course of IP policymaking. The Washington Declaration clearly states that it is intended to counter the perceived shift in the balance of copyright and IP towards protection.\footnote{Intellectual Property Watch, “Washington Declaration” Demands Return Of Public Interest In IP Rights, http://www.ip-watch.org/2011/09/10/%E2%80%9Cwashington-declaration%E2%80%9D-demands-return-of-public-interest-in-ip-rights/}

5.18 The points of difference between ACTA and the Washington Declaration allegedly include:

- That ACTA does not ensure that legal penalties, processes, and remedies are reasonable and proportional to the acts of infringement they target, and do not include restrictions on access to essential goods and services, including access to the Internet or to needed medicines and learning materials;

- ACTA fails to promote proportional approaches to enforcement that avoid excessively punitive approaches to enforcement, such as disproportionate statutory damages; undue expansion of criminal and third party liability; and dramatic increases in authority to enjoin, seize and destroy goods without adequate procedural safeguards;

- ACTA does not ensure that countries retain the rights to implement flexibilities to enforcement measures and to make independent decisions about the prioritization of law enforcement resources to promote public interests;

- ACTA fails to ensure that agreements and protocols between individuals, intermediaries, rights holders, technology providers, and governments relating to enforcement on the Internet are transparent, fair and clear; and
ACTA fails to ensure that public authorities retain and exercise rigorous oversight of critical enforcement functions, including policing, criminal enforcement and ultimate legal judgments.\(^{16}\)

5.19 In the Committee’s view, criticisms of ACTA based on the Washington Declaration are part of a broader debate about the philosophical underpinnings of the copyright system.

5.20 It is also worth noting that Australian criminal penalties for copyright infringement already comply with ACTA.

5.21 The ACTA NIA does not contain any empirical evidence that the criminal penalties contained in ACTA are proportionate. This makes it difficult for the Committee to make a judgement as to the veracity of criticisms of the proportionality of the criminal penalties.

5.22 In a similar vein to the issues associated with the statistics’ evidence for counterfeiting and fraud, the Committee believes that in circumstances when the international framework is proposed to be changed through a significant increase in the scope of criminal penalties, the NIA should contain empirical evidence to support such a change.

**Recommendation 3**

That, in circumstances where a treaty includes the introduction of new criminal penalties, the treaty’s National Interest Analysis justify the proposed new penalties.

**TRIPS protections for individual rights**

5.23 ACTA contains very little in the way of protections for individuals who are suspected of infringing copyright. The protections relate to certain types of private information as described in Article 4, and a protection relating to small amounts of counterfeit items in personal luggage contained in article fourteen (although the definition of small amounts for this purpose is not clear).

5.24 The approach to protections for individuals in ACTA is significantly different from the approach adopted in the TRIPS Agreement. The TRIPS

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\(^{16}\) Dr Matthew Rimmer, *Submission 1.1*, p. 27.
Agreement specifically requires enforcement procedures to be fair and equitable.\textsuperscript{17}

5.25 In addition, the TRIPS Agreement specifically permits judicial review of administrative decisions.\textsuperscript{18}

5.26 Ambiguity arises from the frequent occasions on which the ACTA affirms obligations for parties to enforce copyright and IP protections without reference to safeguards for defendants which all ACTA parties are bound to apply as a result of TRIPS.\textsuperscript{19}

5.27 This has led to a quite common view that ACTA removes the TRIPS safeguards, although that is an incorrect reading.\textsuperscript{20} The protections contained in the TRIPS Agreement are given force in ACTA as a result of Article 1, which states:

\begin{quote}
Nothing in this Agreement shall derogate from any obligation of a Party with respect to any other Party under existing agreements, including the TRIPS Agreement.
\end{quote}

5.28 Nevertheless, it appears to be of some consequence that, while ACTA is significantly more stringent and rights holder friendly than the TRIPS Agreement, TRIPS contains statements of fundamental balance and protections for users that are absent from ACTA.\textsuperscript{21}

5.29 For example, ACTA neglects to include applicable exceptions and limitations to IP rights to facilitate access to knowledge, culture, information and research. It also does not state TRIPS safeguards on a number of IP remedies and provides no concrete protection for interests such as individual privacy or commercial confidentiality or the rights of defendants to legal action.

5.30 The Australian Digital Alliance and the Australian Libraries Copyright Committee argue that the failure to include the TRIPS Agreement protections emphasises primacy of the rights holder and deepens the imbalance between appropriate protections for creators and the public interest in flexible and fair use of content.\textsuperscript{22}

5.31 While it is clear to people who regularly deal with copyright and IP that the TRIPS Agreement protections are to be read into ACTA, the

\begin{itemize}
\item \textsuperscript{17} TRIPS Agreement, Article 41.
\item \textsuperscript{18} TRIPS Agreement, Article 41.
\item \textsuperscript{19} Ms Kimberlee Weatherall, \textit{Submission 3}, p. 1.
\item \textsuperscript{20} Ms Kimberlee Weatherall, \textit{Submission 3}, p. 1.
\item \textsuperscript{21} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 5.
\item \textsuperscript{22} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 5.
\end{itemize}
Committee is of the view that a statement clearly identifying the TRIPS Agreement protections and how they will function in conjunction with the enforcement procedures contained in ACTA will be beneficial for the public acceptance of ACTA.

5.32 The Committee therefore recommends the Australian Government make a public statement of policy intent specifying the individual protections that will be read into ACTA from the TRIPS Agreement and how they will apply in relation to the enforcement provisions contained in ACTA.

**Recommendation 4**

That the Australian Government publishes the individual protections that will be read into the Anti-Counterfeiting Trade Agreement (ACTA) from the Trade-Related Aspects of Intellectual Property Rights Agreement and how the protections will apply in relation to the enforcement provisions contained in ACTA.

**Aiding and abetting**

5.33 ACTA will specifically require the creation of an offence for ‘aiding and abetting’ a copyright infringement.23 The aiding and abetting provisions will be dealt with in the following way:

- courts must have the authority to order a third party to prevent infringing goods from entering into the channels of commerce (Article 8.1);

- courts must have the authority to order provisional measures, where appropriate, against a third party ‘to prevent an infringement of any intellectual property right from occurring, and in particular, to prevent goods that involve the infringement of an intellectual property right from entering into the channels of commerce’ (Article 12.1);

- the requirement that criminal liability for ‘aiding and abetting’ criminal copyright and trade mark offences (Article 23.4) with penalties including imprisonment (Article 24);

- a vague provision on digital enforcement requiring that enforcement procedures shall apply to infringement of copyright or related rights

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23 ACTA, Article 23.
over digital networks, which may include the unlawful use of means of widespread distribution for infringing purposes (Article 27.2).  

5.34 Prior to ACTA, secondary liability has been a rare provision in international agreements related to copyright and IP. Laws relating to secondary liability have been left to domestic legal developments, and vary significantly between countries.

5.35 Aiding and abetting in IP is an area of considerable controversy at present, both within Australia and internationally. ACTA does not contain a definition of aiding and abetting.

5.36 Interpretations of what constitutes aiding and abetting are consequently very wide. For example, making third parties responsible for IP infringements actually committed by others has been read very expansively in IP law. The interpretation of aiding and abetting may include, for example, any site incidentally linking to or mentioning a website with infringing content.

5.37 In an Australian context, ACTA is troubling in that it seems to suggest that injunctions to act should be available against intermediaries who would not themselves be liable for infringement or for authorising infringement. According to Ms Weatherall, this is not generally in accord with Australian law, and would require imposing costs on parties which are themselves entirely innocent of infringement.

5.38 Aiding and abetting should therefore be considered carefully and strongly justified.

5.39 Ms Weatherall recommends that, to provide some clarity to the interpretation of aiding and abetting, the Committee should seek a positive statement from the government of its understanding of the ACTA requirements. The Committee agrees with Ms Weatherall that such a

24 Ms Kimberlee Weatherall, Submission 3, p. 9.
25 Although not specifically targeted at secondary liability, Ms Weatherall argues that this provision, coupled with the requirement in Article 27.1 that enforcement procedures permit effective action against an act of infringement of intellectual property rights which takes place in the digital environment, could be read to enliven an intermediary liability.
26 Ms Kimberlee Weatherall, Submission 3, p. 9.
27 Ms Kimberlee Weatherall, Submission 3, p. 9.
28 Ms Kimberlee Weatherall, Submission 3, p. 9.
29 The Pirate Party, Submission 2, p. 10.
30 Ms Kimberlee Weatherall, Submission 3, p. 10.
31 Ms Kimberlee Weatherall, Submission 3, p. 9.
32 Ms Kimberlee Weatherall, Submission 3, p. 17.
statement would be a useful way of bringing clarity to the aiding and abetting provisions.

**Recommendation 5**

That the Australian Government clarify and publish the meaning of “aiding and abetting” as it applies to the *Anti-Counterfeiting Trade Agreement*.

**Commercial scale**

5.40 The definition of a commercial scale in relation to copyright and IP infringement is significant because that definition determines the point at which an alleged infringer of copyright or IP becomes liable for criminal penalties.

5.41 Unlike ACTA, the TRIPS Agreement leaves commercial scale as a matter for individual countries to define, according to the state of their domestic market.  

5.42 Commercial scale is defined in ACTA as:

...acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.  

5.43 Signatories to ACTA are required to:

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

5.44 This provision was the subject of a number of concerns expressed during the inquiry. It was argued that the definition does not adequately differentiate between commercial and non-commercial activities because ACTA contains no adequate definition or example of direct or indirect economic or commercial advantage. Consequently, no appropriate

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33 Ms Kimberlee Weatherall, *Submission 3*, p. 16.
34 ACTA, Article 23.
35 ACTA, Article 23.
safeguards or methodologies to differentiate between commercial and non-commercial infringement are included.\textsuperscript{36}

5.45 Dr Moir pointed out that the definition effectively defines commercial as being any activity that provides economic advantage, with no mention of what constitutes scale.\textsuperscript{37}

5.46 Ms Weatherall expressed a concern that the ACTA definition applies to single acts.\textsuperscript{38} This is a point also made by the Australian Digital Alliance and Australian Libraries Copyright Committee. Consequently, it is possible to infringe the commercial scale provisions by doing something as simple as forwarding a single email without permission of the copyright owner (ie the writer of the email) in a business context.\textsuperscript{39}

5.47 Once again, the Committee is faced with a situation in which a provision of ACTA is generating confusion and a proliferation of definitional problems. The issue for the Committee is that the mix of interpretations applied to the term commercial scale opens the possibility of an interpretation contrary to the Australian Government’s intended interpretation being adopted by a court, or Australia’s international trading partners.

5.48 The Committee’s recommendation here follows on from those above. It is important in such a contested field of definitions that the Australian Government’s preferred definition be stated clearly.

\textbf{Recommendation 6}

That the Australian Government clarify and publish the meaning of “commercial scale” as it applies to the Anti-Counterfeiting Trade Agreement.

\textsuperscript{36} The Pirate Party, \textit{Submission 2}, p. 5.
\textsuperscript{37} Dr Hazel Moir, \textit{Submission 4}, p. 5.
\textsuperscript{38} Ms Kimberlee Weatherall, \textit{Submission 3}, p. 16.
\textsuperscript{39} Australian Digital Alliance/ Australian Libraries Copyright Committee, \textit{Submission 9}, p. 7.
Civil penalties and compensation

5.49 ‘Adequate’ compensation for non-commercial infringements is not universally agreed upon. As the United Kingdom Intellectual Property Office (UK IPO) demonstrates:

Subtle differences in methodology can lead to differences of outcome. For example, the impact of [intellectual property] infringement can be assumed to be the sum of the impact each individual infringer has. Many studies however calculate impacts on the basis of multiplying the mean number of infringers by the mean impact of infringement; that represents an assumption about the population of infringers which may, in fact, not be valid in all cases, and where it is, it can bias the results up or down depending on modelling choices.40

5.50 The Committee was told that the UK IPO tested various methodologies and found that the results varied wildly, ranging from £6 to £451 per offence. Therefore, ‘it is also implausible to expect a rights holder to submit an appropriate “legitimate measure of value” for copyright infringement, as their methodologies have been shown to produce figures that would not be arrived at by using other equally legitimate methods’.41 Furthermore:

...the IPO acknowledges that infringers, at least on a non-commercial level, could ascribe ‘essentially no value’ to the goods they infringe. In the digital environment, the ability to duplicate works at near to no cost means that the market price is not determined by what the retailer or rights holder asks for it, but what the consumer is willing to pay for it. If infringing consumers had no intention of purchasing the work, then they cannot feasibly be responsible for ‘lost profits,’ and ‘presumptions for determining the amount of damages sufficient to compensate the right holder for the harm caused’ would rely on proving malicious intent – that is, proof of the intention of deliberate denial of profit for self-gain.42

40 The Pirate Party, Submission 2, p. 7.
41 The Pirate Party, Submission 2, p. 5.
42 The Pirate Party, Submission 2, p. 5.
Lack of definitions of fundamental principles

Definition of piracy

5.51 ACTA has a broad, unwieldy definition of piracy. The definition section defines ‘pirated copyright goods’ as meaning:

...any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which 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 in which the procedures set forth in Chapter II (Legal Framework for Enforcement of Intellectual Property Rights) are invoked.43

5.52 Dr Matthew Rimmer told the Committee that ACTA contains extensive obligations in respect of copyright law:

... dealing with civil remedies, criminal offences, border measures, enforcement of intellectual property rights in a digital environment, technological protection measures, and electronic rights management information...The National Interest Analysis asserts, very controversially and without evidence, that such obligations ‘constitute best practice forms of IP enforcement.’ The provisions are hardly that.44

Definition of counterfeiting

5.53 Counterfeiting is broadly and inclusively defined under the proposed international agreement. The definition provides that ‘counterfeit trademark goods’ means:

... any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered

43 ACTA, Article 5.
44 Dr Matthew Rimmer, Submission 1, p. 10.
in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country in which the procedures set forth in Chapter II (Legal Framework for Enforcement of Intellectual Property Rights) are invoked.\textsuperscript{45}

5.54 The agreement emphasises that ‘that the proliferation of counterfeit and pirated goods, as well as of services that distribute infringing material, undermines legitimate trade and sustainable development of the world economy, causes significant financial losses for right holders and for legitimate businesses, and, in some cases, provides a source of revenue for organized crime and otherwise poses risks to the public’.\textsuperscript{46}

Lack of flexibility in specific provisions

5.55 It is more appropriate, therefore, that obligations be adopted at a high level of generality so as to allow individual countries to adapt rules to local circumstances and local institutions. Some parts of ACTA are drafted in a detailed way that leaves little flexibility for contracting parties: see, for example, Article 18 (security) or Article 25 (seizure, forfeiture and destruction).\textsuperscript{47}

No statement of TRIPS protections for alleged infringers

5.56 Further ambiguity arises from the frequent occasions on which ACTA affirms obligations for parties without including safeguards for defendants which all ACTA parties are bound to apply as a result of TRIPS. This has led to a quite common view that ACTA removes the TRIPS safeguards, although that appears to be an incorrect reading.\textsuperscript{48}

5.57 ACTA is significantly more stringent and rights holder friendly than the TRIPS Agreement, to which Australia is a signatory. Despite concerns raised by the Productivity Commission on Australia’s ratification of

\textsuperscript{45} Dr Matthew Rimmer, \textit{Submission 1}, p. 24.
\textsuperscript{46} Dr Matthew Rimmer, \textit{Submission 1}, p. 23.
\textsuperscript{47} Ms Kimberlee Weatherall, \textit{Submission 3}, p. 7.
\textsuperscript{48} Ms Kimberlee Weatherall, \textit{Submission 3}, p. 1.
TRIPS, TRIPS contains statements of fundamental balance and protections for users that are simply absent from ACTA.49

ACTA neglects to consider appropriate exceptions and limitations to IP rights to facilitate access to knowledge, culture, information and research; it also removes TRIPS safeguards on a number of IP remedies and provides no concrete protection for interests such as individual privacy or commercial confidentiality or the rights of defendants to legal action. Its emphasis on the rights holder risks creating an imbalance between appropriate protections for creators and the public interest in flexible and fair use of content.50

49 Australian Digital Alliance/ Australian Libraries Copyright Committee, Submission 9, p. 5.
50 Australian Digital Alliance/ Australian Libraries Copyright Committee, Submission 9, p. 5.
Intellectual Property

Introduction

6.1 This chapter examines the treatment of IP in ACTA.

6.2 ACTA uses the definition of IP contained in section 1-7 of Part II of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.\(^1\) The TRIPS Agreement defines IP in the following terms:

- Copyrighted material;
- Trademarks;
- Geographical indicators;
- Industrial design;
- Patents;
- Layouts of integrated circuits;
- Protection of undisclosed information.\(^2\)

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1 ACTA, Article 5.
6.3 A patent is a legal device that permits the patent holder to exercise a monopoly on commercial exploitation of the patented item for a set period of time. Patentable items are defined in the TRIPS Agreement as

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

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

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

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

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

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

4 Alphapharm, Submission 5, p. 2.
5 Alphapharm, Submission 5, p. 2.
6 Alphapharm, Submission 5, p. 2.
A similar footnote to Article 16, which is part of the Border Measures section, indicates that:

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

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

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

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

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

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

6.10 According to Dr Palombi:

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

\(^7\) ACTA, footnote 6.

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

\(^9\) Dr Hazel Moir, Submission 4, p. 7.

\(^10\) Dr Luigi Palombi, Committee Hansard, 7 May 2012, p. 29.

\(^11\) Dr Matthew Rimmer, Submission 1, p. 29.

\(^12\) Dr Luigi Palombi, Committee Hansard, 7 May 2012, p. 29.
infringement, will subsequently be put into a position where it is required to.  

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

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

6.12 Uniformity and consistency is emphasised as part of the remit of the ACTA Committee through its development and promotion of best practice guidelines.

6.13 At present, Australia’s patent system is safe from the operation of those parts of ACTA from which patents can be excluded. However, inquiry participants have made a convincing case for the argument that ACTA puts patents in a less secure position with regard to civil enforcement and border measures than they were in before ACTA was signed.

**Criminal measures**

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

Each Party shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright or related rights piracy on a commercial scale. For the purposes of this Section, acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.

6.15 Dr Moir pointed out that:

ACTA’s scope extends beyond dealing with the international and domestic trade in pirated copyright goods (for example, DVDs, CDs and other media technologies containing copyrighted material reproduced without the licence or authority of the copyright owner) and counterfeit trademark goods (for example,
apparel and fashion and other accessories produced, distributed and sold without the licence or authority of the trade mark owner).

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

6.16 By way of clarification, all participants have recognised that, in relation to patented goods, the criminal intent being dealt with here is counterfeiting, the illegal production of a patented good, as opposed to the legal exploitation of a patented good by a person not owning the patent as a result of a court ruling in relation to the validity of the patent.

6.17 Combining patents with copyrights and trade marks in a penalty provision in a treaty creates two problems for Australian patent holders.

6.18 First, as indicated above, patents do not confer validity on the inventions they cover. Patent validity is tested through the court system. As discussed above, patent validity is determined only when an Australian court, hearing all of the relevant scientific and technical evidence, both for and against patent validity and taking the legal arguments presented by highly skilled patent lawyers into account, makes a determination on that issue. Further, it is not unusual for a court ruling to validate part of a patent.

6.19 In addition:

The problem is that the standards that determine the ... entitlement to patent that invention varies not only from country to country but even from one court to the next in the same country. There are numerous examples of where a patented invention has been found to have been valid by one court and yet invalid by another court in the same country and valid by courts of one country and invalid by courts in another.

6.20 Because patents have a geographic nature, an entity, such as a generic medicine producer, that wins the right to produce a patented medicine can only do so in the area covered by the invalidated patent. In a geographic area that has recognised the validity of a patent, the generic medicine is effectively a counterfeit, and would be subject to the criminal measures if the relevant country was a signatory to ACTA.

15 Alphapharm, Submission 5, p. 2.
16 Dr Luigi Palombi, Submission 7, p. 2.
17 Alphapharm, Submission 5, p. 2.
18 Dr Luigi Palombi, Committee Hansard, 7 May 2012, p. 28.
6.21 The Committee is concerned that, as ACTA criminalises the counterfeiting of patented inventions, organisations like generic medicine manufacturers may find their products criminalised based on a judicial decision on patent validity. As with many of the issues associated with ACTA, it is an unlikely outcome, but one that will be possible if ACTA comes into force.

6.22 The Committee believes this is an aspect of ACTA where legislation will be necessary to provide certainty to the patent system and to prevent the balance of judicial decisions between patent holders and patent challengers from being upset. The Committee recommends that the Government legislate to preserve the current status of the patent system.

**Recommendation 7**

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

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

Introduction

7.1 This chapter will examine the negotiation and consultation process surrounding the ACTA treaty. This process received a significant amount of attention in submissions to the inquiry. Most submitters felt that the process had not been open and transparent enough.

7.2 Although much of the comment was negative, a number of submitters praised the consultation process conducted by DFAT. The Committee recognises the constraints placed on Government departments. There is a tension between maintaining a confidential treaty text and negotiation position on one hand and being open with the Australian public about those negotiations on the other.¹

The tension between confidentiality and democratic principle

7.3 The negotiating process is potentially problematic, and DFAT is at a disadvantage in terms of having to try to satisfy two different constituencies. As part of an international team negotiating a treaty, it must adhere to certain accepted processes such as maintaining

confidentiality of treaty text and the status of negotiations on particular issues. At the same time, there is an obligation to provide as much information as practicable to the public so that consultations are informed and democratic principles are honoured. This is reflected in the comment of the Australian Libraries Copyright Committee and Australian Digital Alliance:

My understanding... based on the national interest analysis, which quotes five public consultations, and also communications with other civil society groups that all civil society groups were invited to participate in the public consultations. DFAT also encouraged civil society groups and members of the public to contact them at any time. But DFAT were bound by confidentiality agreements, so they were never going to comment on substantive aspects of the treaty's text, despite the significant and ongoing concerns of the civil society members.

I understand, also speaking to other civil society groups, that DFAT were genuinely interested in what these groups had to contribute to discussions...  

Observations and criticisms

Secrecy

7.4 The most forthright observation and criticism on the negotiation and consultation process is that of secrecy. That is, the Government through DFAT engaged in a process that did not sufficiently share the intent and the detail of the treaty with the general public and other interested parties.

7.5 Despite some supportive comments, the Australian Libraries Copyright Committee and Australian Digital Alliance felt that the process was too secretive and that had the treaty been negotiated under the auspices of other international organisations, the text would have been more accessible:

This level of secrecy diminishes the legitimacy of ACTA and the democratic process. JSCOT should reject the NIA's—the national interest analysis—assertion that appropriate consultation was

2 Ms Ellen Broad, Executive Officer, Australian Libraries Copyright Committee and Australian Digital Alliance, Committee Hansard, 19 March 2012, p. 3
undertaken and recommend that Australia not agree to confidentiality as a condition in future negotiations. ³

... when you have copyright academics and experts in intellectual property, civil society groups who advocate balanced copyright laws and members of the public who want to contribute meaningfully to the negotiations, that is not possible without access to the draft negotiating text, as would be the case in the World Intellectual Property Organisation or the World Trade Organisation. ⁴

7.6 Ms Kimberlee Weatherall believes that ACTA did not deserve its confidential status as it was an intellectual property (IP) agreement, and not a trade treaty. Ms Weatherall argued that some groups were privileged over others with regard to information and that this was undemocratic and resulted in sub-optimum outcomes:

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

Such secrecy is damaging to the democratic process and to the legitimacy of the agreement. It is also harmful to Australian interests in the negotiations. It is also harmful to good and balanced policy-making. The Australian negotiators were denied the opportunity to engage meaningfully with stakeholders on the issues involved. ⁵

7.7 Dr Matthew Rimmer was critical of what he perceived to be the secretive nature of the negotiations.

³ Ms Ellen Broad, Executive Officer, Australian Libraries Copyright Committee and Australian Digital Alliance, Committee Hansard, 19 March 2012, p. 2.
⁴ Ms Ellen Broad, Executive Officer, Australian Libraries Copyright Committee and Australian Digital Alliance, Committee Hansard, 19 March 2012, p. 3
⁵ Ms Kimberlee Weatherall, Submission 3, p. 5.
The secretive origins of the [ACTA] highlights the need for greater transparency and information-sharing about treaty negotiations; the necessity of democratic participation in policy formulation and development; and the demand for evidence-based policy making informed by independent, critical research on the economic, social, and political costs of treaties.6

7.8 Dr Hazel Moir, having attended a consultation herself, observed that DFAT did not adequately respond to what she felt were legitimate concerns raised by some of the attendees:

From a civil society perspective the [ACTA] was negotiated in considerable secrecy. Why this should be so is unclear and DFAT officials gave no clear answer to questions on this matter in the one “consultation” I attended.

During that “consultation” representatives of shippers and freight forwarders made a number of very telling points in regard to the significant negative impact that the proposed treaty would have on their operations. It is surprising that the NIA does not mention these concerns nor how they have been addressed.7

7.9 Even supporters of the treaty’s intent8 believed that the negotiation and consultation process had been prohibitively secretive. Describing the NIA, Alphapharm observed:

The second aspect of the NIA that is unsatisfactory is in regard to its description of the “ACTA negotiation process”... The NIA refers to “extensive public consultations”, yet nowhere does the NIA make it plain that the process of negotiation, initiated by the U.S. Government in October 2007, was held under conditions of strict secrecy. Other than DFAT making it known that Australia was participating in ACTA, the actual ACTA text remained known only to the participating country officials involved...

The official public release of the draft ACTA text on April 21, 2010, is certainly acknowledged at para 41 of the NIA, but unless intimately involved in the negotiation or ‘consultation’ process, a reader of this document would be none the wiser as to the extent of the controversy surrounding the ACTA negotiation process. While the public release of the official ACTA text provided

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6 Dr Matthew Rimmer, Submission 1, p. 39.
7 Dr Hazel Moir, Submission 4, p. 8.
8 Dr Martin George Cross, Managing Director, Alphapharm Pty Ltd, Committee Hansard, 23 March 2012, p. 1.
stakeholders with the details for all practical purposes, the draft ACTA text in treaty language made it impossible for Australian stakeholders to make any practical difference to its contents.9

**ACTA as part of a ‘club’**

7.10 A few submitters argued that the participating members had taken an exclusive ‘club approach’ to the treaty’s negotiation process. Moreover, this approach had been to the benefit of industry rather than the broader community. Dr Rimmer saw the negotiation process for ACTA as a:

... case study in establishing the conditions for effective industry capture of a lawmaking process. Instead of using the relatively transparent and inclusive multilateral processes, ACTA was launched through a closed and secretive “‘club approach’ in which like-minded jurisdictions define enforcement ‘membership’ rules and then invite other countries to join, presumably via other trade agreements.” The most influential developing countries, including Brazil, India, China and Russia, were excluded. Likewise, a series of manoeuvres ensured that public knowledge about the specifics of the agreement and opportunities for input into the process were severely limited. Negotiations were held with mere hours notice to the public as to when and where they would be convened, often in countries half way around the world from where public interest groups are housed. Once there, all negotiation processes were closed to the public. Draft texts were not released before or after most negotiating rounds, and meetings with stakeholders took place only behind closed doors and off the record. A public release of draft text, in April 2010, was followed by no public or on-the-record meetings with negotiators.10

7.11 Ms Kimberlee Weatherall also argued that the ACTA had an ‘exclusive club approach’ and that its ratification by Australia would send a wrong signal to the rest of the world:

ACTA has been irretrievably tainted, in my view, by the lack of transparency in its negotiation and by the exclusive club approach taken. Ratification would send the message that Australia thinks this is perfectly acceptable, which it is not. It is not acceptable to civil society. It is not acceptable to our trading partners. And it should not be acceptable to parliament unless parliament has no

9 Alphapharm, Submission 5, pp. 4-5.
10 Dr Matthew Rimmer, Submission 1, p. 4.
problem with a department negotiating the details of our domestic law and policy without its input.\(^\text{11}\)

**Nature of the ACTA treaty itself and its negotiations**

7.12 Some submitters also questioned whether promoting the inclusion of IP standards that match current Australian law was appropriate:

> [There should be a] question [over] DFAT's present negotiating stance on IP, which is that Australia will positively promote the inclusion of IP standards in agreements that match current Australian law. This stance is seriously problematic in my view. It is contrary to Australia's interests, and I believe it is harming our reputation in international trade negotiations... it is a critical point because DFAT is presently taking this same stance into the Trans-Pacific Partnership negotiations.\(^\text{12}\)

7.13 Ms Anna George, a former public servant who has worked in the intellectual property rights area, also expressed doubts over this approach and questioned DFAT’s lack of response to her concerns:

> This is why ACTA is quite a unique treaty. It is taking intellectual property rights to a totally different area of operation. It is not within the multilateral system; it is not simply domestic or bilateral in nature; it is quite different. I have raised this issue with DFAT but I have never had a proper response to it other than: ‘There is no reason for you to worry about it, Anna. It's fine.’\(^\text{13}\)

**Department of Foreign Affairs and Trade response**

7.14 DFAT’s broad approach to consultations is outlined on its website.

The Government's decision on whether a treaty is in the national interest is based on information obtained during consultations with relevant stakeholders. Consultation does not take place merely so that those with an interest feel included in the process. The practice is to provide information about the treaty in question and, if possible, develop a consensus within the community before

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Taking definitive treaty action. Inevitably, the final decision necessarily involves a balancing of competing interests.14

7.15 Responding to the criticisms outlined above, DFAT provided a comprehensive statement explaining the processes that had been followed over a number of years. DFAT stated:

There have been claims that ACTA negotiations were held in secret and that the public was never consulted. This is simply not correct. The Australian government worked extremely hard to ensure an inclusive, open and transparent process involving the widest range of stakeholders. DFAT held formal stakeholder consultations throughout the negotiations of ACTA, with more than 150 stakeholders participating.

The government invited public submissions from December 2007 onwards and views were sought via advertisements in national newspapers, the DFAT website and public consultations in Melbourne, Sydney and Canberra. Australia lobbied for, and was successful in, making draft texts available during the negotiations. Australia publicised, to the maximum possible extent, all negotiating papers, including a discussion paper in 2008 and three separate iterations of the ACTA negotiating text during the most intensive period of the negotiations in 2010. This was not usual practice during trade agreement negotiations but we considered it was important to ensure stakeholders were kept informed, particularly given the level of public interest in the initiative.

These efforts provided a strong foundation for interested parties to make an informed assessment of and submissions on progress in the negotiations. There have also been some concerns expressed that ACTA was negotiated by an exclusive club of countries or interest groups. ACTA was, in fact, negotiated by 37 countries that were ready to build upon international standards of IP enforcement. The agreement was carefully drafted to allow for wider membership over time, and all members of the World Trade Organisation are eligible to join if they apply these standards.15

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15 Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, Committee Hansard, 19 March 2012, p. 16.
Support for the consultation process

7.16 Notwithstanding the earlier criticisms by other submitters, a number of contributors expressed support for the process. When questioned about whether they were satisfied with the public consultation process, the Music Industry Piracy Investigations indicated that they were.16

7.17 The Australian Copyright Council also considered the consultation process adequate and remarked that the treaty itself has a commitment to transparency incorporated into its constituent articles:

The Copyright Council notes that ACTA was developed over a significant period of time, with discussions beginning as early as 2005 and has involved significant consultation. Furthermore, a commitment to transparency is included in the treaty itself, with article 30 of ACTA promoting transparency in the administration of intellectual property enforcement.17

7.18 Similarly, the Music Council of Australia was very positive about the negotiation and consultation process that was employed and suggested that it may even be used as a template for future trade negotiations:

The Music Council would like to put on record the fact that in our experience public consultation regarding ACTA has been the most open and transparent of any trade agreement of which we are aware... The negotiations for the ACTA were undertaken in a way unique in plurilateral trade agreement negotiations. Draft text was publicly released, including two drafts in the last year of negotiations in 2010, one in April and another in October. ACTA is an agreement negotiated between 37 countries and the fact that draft text was released through the course of negotiations does not appear to have in any way impeded its progress and appears to have delivered a satisfactory outcome for all parties. The Music Council understands that Australia played a leadership role in making progress on negotiations open to public scrutiny and recommends that it do so again in respect of the many other trade agreements currently under negotiation.18

7.19 Finally, the joint submission by the Australian Federation Against Copyright Theft (AFACT), the Australian Home Entertainment Distributors Association (AHEDA), the National Association of Cinema

17 Australian Copyright Council, Submission 12, p. 3.
Operators (NACO), and the Screen Producers Association of Australia (SPAA) questioned the assertion that ACTA negotiations were secretive and discouraged public involvement:

Our understanding of the negotiation process does not accord with this criticism. Internationally, the ACTA negotiations were conducted in the usual manner of an international agreement. DFAT has multiple Free Trade Agreements under current negotiation which are all undertaken, like ACTA, by way of government to government negotiations. Such agreements are not negotiated in public, and there are clear rules on how the European Parliament is to be informed of trade negotiations which were carefully adhered to.

Domestically, the draft ACTA text was released for public comment on 22 April 2010, and updates on the negotiations were posted on the DFAT website and through its RSS feed. Throughout the negotiation process the Australian Government undertook extensive public consultation, and received submissions which informed the Government's negotiating position.19

Conclusion

7.20 Feedback garnered during the ACTA inquiry process indicates a significant degree of mistrust about how the ACTA negotiation and consultation processes were conducted.

7.21 Concerns over perceived secrecy and an 'exclusive club' approach and the nature of the treaty itself have given rise to suspicion in some of those who made submissions to the Committee. Given the amount of public protest, particularly in Europe, it appears that those suspicions are reflected not only in the broader Australian community but internationally as well.

7.22 The Committee is aware of the tension between democratic principle and accountability and a treaty negotiating process that requires a certain degree of confidentiality. It is this tension that has, perhaps, contributed

19 The Australian Federation Against Copyright Theft (AFACT), the Australian Home Entertainment Distributors Association (AHEDA), the National Association of Cinema Operators (NACO), and the Screen Producers Association of Australia (SPAA), Submission 15, p. 4.
to the perception that ACTA negotiations and consultations have been conducted ‘secretly’.

7.23 The Committee is aware that DFAT has a dedicated ‘Treaties Making’ website to help inform the Australian public and accepts that it conducts its consultations with openness and goodwill. It may, however, be appropriate for DFAT to review this website and explain more thoroughly the tension between democratic accountability and the international negotiation process – in particular with regard to confidentiality.

7.24 Given how many treaties come before it for review, the Committee is well aware that the consultation and negotiation processes that DFAT engages in are adequate for the vast bulk of treaties – few garner a high degree of public interest. However, given the level of controversy that has surrounded this treaty, it may be appropriate for DFAT to introduce an increased level of consultation for those treaties that attract a higher level of public interest.

7.25 The Committee suggests that DFAT conduct initial formal or informal consultations for each treaty to determine whether the treaty is likely to attract a wide level of public interest. For the small number of treaties that are likely to attract such interest, DFAT should adopt higher profile early consultations and processes to exclude the possibility and/or perception that the Parliament and the Australian community are involved too late in the making of treaties.

Secrecy in negotiation

7.26 The most troubling aspect throughout the development of ACTA has been the opaque nature of the process. Whilst DFAT has stated that a certain level of confidentiality is required for trade negotiations, and while there is ground to enable a certain degree of secrecy where complex issues warrant negotiations in confidence, there is no valid rationale for the level of secrecy that DFAT has maintained for what is essentially a copyright treaty.20

7.27 ACTA was negotiated outside existing fora established to address IP issues, the World Intellectual Property Organization (WIPO) and the

20 The Pirate Party, Submission 2, p. 2.
World Trade Organization (WTO), and with an unusual degree of secrecy for an international agreement setting standards in IP law.\textsuperscript{21}

7.28 ACTA is not in fact a trade agreement, it is an IP agreement, and confidentiality is not common or appropriate in IP negotiations which impact directly and in minute detail on domestic law and domestic innovation policy.\textsuperscript{22}

7.29 The NIA attaches a comment on consultations undertaken by DFAT over the course of negotiation of the ACTA, and notes a ‘perceived’ lack of transparency criticised by some stakeholders. Public consultations offered by DFAT between November 2007 and April 2010 were conducted without any public access to the draft text and negotiating documents. This lack of transparency negated meaningful public consultation, and while stakeholders were invited to make inquiries to DFAT at any time, queries as to substantive aspects of the negotiating texts were not satisfactorily answered.\textsuperscript{23}

\textsuperscript{21} Ms Kimberlee Weatherall, Submission 3, p. 5.
\textsuperscript{22} Ms Kimberlee Weatherall, Submission 3, p. 5.
\textsuperscript{23} Australian Digital Alliance/ Australian Libraries Copyright Committee, Submission 9, p. 6.
Conclusion

Current status of ACTA

8.1 Growing public awareness of ACTA amongst the nations involved in the negotiations has resulted in an increased level of disquiet about its potential impact.¹ These public concerns have prompted a number of countries which were originally signatories to the Agreement, to indicate they will either postpone ratification or not ratify ACTA at all.²

8.2 The focus of opposition to ACTA at present is the European Parliament. The European Parliament deals with international treaties by referring them to a relevant committee to prepare a recommendation. Recommendations are then presented to a plenary of the Parliament for a final decision.³ ACTA stands referred to that Parliament’s Committee on International Trade for a recommendation. The process of consideration by that Committee is nearly complete, and the Committee’s Rapporteur, Mr David Martin, prepared a draft Recommendation that was intended for consideration at the Committee’s 25 April 2012 meeting. The draft Recommendation is that the European Parliament should reject ACTA.

8.3 At the meeting on 25 April, the Committee deferred the final vote on the draft recommendation until the Committee’s next meeting to provide other European Parliament committees an opportunity to comment on the Agreement.4

8.4 On 31 May 2012, the committees concerned, the Committee on Legal Affairs, the Committee on Civil Liberties, and the Committee on Industry, Research and Energy, voted against ACTA ratification.5

8.5 While the Committee on International Trade’s draft Recommendation has no formal standing at this stage, it is likely to indicate the views of Committee Members. Should the Committee on International Trade recommend that ACTA be rejected, and the plenary of the European Parliament adopt that recommendation, the European Union (EU) would be prevented from ratifying the Agreement.

8.6 The Explanatory Statement included with the draft Recommendation by the Committee on International Trade summarises many of the concerns that have been expressed in relation to ACTA since it became public. The concerns focus principally on the lack of clarity in ACTA, particularly in relation to individual freedoms, and the potential consequences of the lack of clarity in ACTA’s text.

8.7 In the United States (US) ratification of ACTA appears to have stalled amidst a debate about the constitutional validity of the way in which the Office of the United States Trade Representative negotiated ACTA.6 At issue is whether the Executive Branch (the President) alone has authority alone to ratify ACTA on behalf of the US or whether the US Senate or alternatively both chambers of Congress need to give consent.7

8.8 The response by officials from the Australian Department of Foreign Affairs and Trade (DFAT) when questioned on the apparent difficulties faced by ACTA in other countries has been to characterise the difficulties

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6 Ms Margot Kaminski, Time To Realize That The Obama Administration Doesn’t Even Have The Authority To Commit The US To ACTA Or TPP,’ http://www.techdirt.com/articles/20120508/17174518835/time-to-realize-that-obama-administration-doesnt-even-have-authority-to-commit-us-to-acta-tpp.shtml, accessed on 6 June 2012.
as part of a ‘very vigorous debate’, but that ‘no country has indicated that it will not ratify ACTA.’

In a rapidly changing situation, media and other reports also indicate that:

- Poland has suspended consideration of ratification of ACTA until at least the end of 2012;
- Bulgaria has suspended consideration of ratification until European Union member states elaborate a joint position on ACTA. It is not clear whether this means the position elaborated by the European Union or each EU country individually;
- Germany has not signed ACTA, and will not do so until the European Parliament has expressed an opinion;
- The Czech Republic has suspended the ratification process until further notice;
- A motion passed the Dutch Lower House recommending rejection of ACTA;
- The Slovak Republic has suspended the ratification process until further notice; and
- Switzerland has postponed signed ACTA until issues relating to personal freedoms have been clarified.

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8 Mr George Mina, Assistant Secretary, Trade Police Issues and Industrials Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade, Committee Hansard, 7 May 2012, p. 46.
13 Pirate Party Australia, Submission 2.1, p. 3.
14 AFP, ‘Czech Republic, Slovakia freeze anti-piracy pact,’ http://www.google.com/hostednews/afp/article/ALeqM5gguB5rXtQKnrv0famyh9MiNK2plDQ?docid=CNc.956cc047c755305c8ad4580183554bcc71, accessed 29 May 2012.
8.10 Despite DFAT’s optimistic outlook, there appears a very real possibility that ACTA will not be ratified by sufficient countries in order to come into existence.

**Final comments**

8.11 As has been stated in the previous chapters, the Committee is concerned about the lack of clarity in the text, the exclusion of provisions protecting the rights of individuals, and ACTA’s potential to shift the balance in the interpretation of copyright law, intellectual property law and patent law. The international reaction to ACTA, which, without exception, comes from countries which the Committee considers would have the same interests as Australia, must be taken into consideration.

8.12 The Committee is aware of the significant support for this treaty from the performing arts community. The Committee strongly supports protecting their rights.

8.13 The Committee also notes that the Australian Law Reform Commission (ALRC) is currently conducting an inquiry into Copyright and the Digital Economy.\(^{16}\) The draft terms of reference have clear relevance to ACTA and the issues discussed in this report. The ALRC’s draft terms of reference include:

Having regard to:

- ...Australia’s international obligations, including any existing or proposed international obligations...

In undertaking this reference, the Commission should:

- take into account the impact of any proposed legislative solutions on other areas of law and their consistency with Australia’s international obligations...\(^{17}\)

8.14 The Committee notes that the ALRC is to report no later than 30 November 2013 and believes that it is prudent to await the outcomes of this inquiry as they will better inform the Committee’s future deliberations on ACTA’s ratification.

8.15 The Committee considers that it would be wise to adopt a conservative approach to ratification of this treaty. If this is the future of copyright and

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IP regulation, then potential parties to the treaty, like the EU, will, after consideration, ratify this treaty. However, copyright and IP holders in Australia will not be best served if the treaty is ratified by Australia and a handful of others, but is not compatible with the copyright and IP regimes applicable in major creative centres as the United States and Europe.

8.16 It is prudent, therefore, that ACTA not be ratified by Australia until this Committee has received and considered the assessment of the economic and social benefits and costs of the Agreement, the Australian Government has issued the notice of clarification in relation to the terms of the treaty as recommended in this report and the ALRC has reported on its inquiry into Copyright and the Digital Economy. In considering its recommendation to ratify ACTA, a future Joint Standing Committee on Treaties should have regard to events related to ACTA in other relevant jurisdictions, including the EU and the US.

Recommendation 8

That the *Anti-Counterfeiting Trade Agreement* not be ratified by Australia until the:

- Joint Standing Committee on Treaties has received and considered the independent and transparent assessment of the economic and social benefits and costs of the Agreement referred to in Recommendation 2;
- Australian Law Reform Commission has reported on its Inquiry into Copyright and the Digital Economy; and the
- Australian Government has issued notices of clarification in relation to the terms of the Agreement as recommended in the other recommendations of this report.
Recommendation 9

In considering its recommendation on whether or not to ratify the *Anti-Counterfeiting Trade Agreement* (ACTA), a future Joint Standing Committee on Treaties have regard to events related to ACTA in other relevant jurisdictions including the European Union and the United States of America.

Kelvin Thomson MP
Chair
Appendix A – Submissions

1 Dr Matthew Rimmer
1.1 Dr Matthew Rimmer
2 Pirate Party Australia
2.1 Pirate Party Australia
3 Associate Professor Kimberlee Weatherall
4 Dr Hazel Moir
4.1 Dr Hazel Moir
5 Alphapharm Pty Limited (A Mylan Company)
6 Music Council of Australia
7 Dr Luigi Palombi
8 Mr Brad Matthews
9 Australian Digital Alliance and Australian Libraries Copyright Committee
9.1 Australian Digital Alliance and Australian Libraries Copyright Committee
10 Ms Anna George
10.1 Ms Anna George
10.2 Ms Anna George
Australian Copyright Council
Copyright Agency Limited
The Australasian Performing Right Association (APRA) | The Australasian Mechanical Copyright Owners Society (AMCOS)
Australian Federation Against Copyright Theft, Australian Home Entertainers Distribution Association, National Association of Cinema Operators, and the Screen Producers Association of Australia.
Australian Patriot Movement
Mr Matthew Hancock
Hospira
Generic Medicines Industry Association Pty Ltd
Attorney-General's Department
Music Industry Piracy Investigations
Department of Foreign Affairs and Trade
Department of Foreign Affairs and Trade
Department of Foreign Affairs and Trade
Australian Customs and Border Protection Service
Palace Films
Ms Lillian Geddes
Appendix B – Witnesses

Monday, 19 March 2012 - Canberra

Attorney-General’s Department

Mr David Brightling, Principal Legal Officer, Office of International Law
Mr Peter Treyde, Principal Legal Officer

Australian Copyright Council

Ms Fiona Phillips, Acting Chief Executive

Australian Customs and Border Protection Service

Mrs Sharon Nyakuengama, Senior Trade Advisor, Cargo & Trade
Mr Jim Stewart, Director Community Protection, Trade Policy Branch, Cargo and Trade Division

Australian Digital Alliance and Australian Libraries Copyright Committee

Ms Ellen Broad, Copyright Adviser, Law and Policy

Department of Foreign Affairs and Trade

Mr Greg French, Assistant Secretary, International Legal Branch
Mr David Mason, Executive Director, Treaties Secretariat, International Legal Branch
Mr George Mina, Assistant Secretary, Trade Policy Issues and Industrials Branch, Office of Trade Negotiations

Department of Health and Ageing

Mr Peter Woodley, Acting First Assistant Secretary, Regulatory Policy and Governance Division
IP Australia

Ms Tanya Duthie, Acting Director, International Policy and Cooperation, Business Development and Strategy Group

Mr Ian Goss, General Manager, Business development and Strategy Group

Music Industry Piracy Investigations

Ms Vanessa Hutley, General Manager

Friday, 23 March 2012 - Canberra

Individuals

Ms Anna George

Dr Matthew Rimmer, Australian Research Council Future Fellow, Associate Professor, The Australian National University College of Law

Alphapharm Pty Limited (A Mylan Company)

Dr Martin Cross, Managing Director

The Australian National University

Dr Hazel Moir, Adjunct Fellow, Centre for Policy Innovation

The University of Sydney

Associate Professor Kimberlee Weatherall, Associate Professor, Sydney Law School

Monday, 7 May 2012 - Canberra

Attorney-General’s Department

Mr Peter Treyde, Principal Legal Officer

Australian Customs and Border Protection Service

Mr Geoffrey Johannes, National Manager, Trade, Policy and Implementation Branch, Cargo and Trade Division

Department of Foreign Affairs and Trade

Mr David Mason, Executive Director, Treaties Secretariat, International Legal Branch
Mr George Mina, Assistant Secretary, Trade Policy Issues and Industrials Branch, Office of Trade Negotiations

**IP Australia**

Ms Tanya Duthie, Acting Director, International Policy and Cooperation, Business Development and Strategy Group

**The Australian National University**

Dr Luigi Palombi, Visiting Fellow, The Regulatory Institutions Network (RegNet), College of Asia Pacific