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2016 Weatherall JSCOT Submission on TPP

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Joint Standing Committee on Treaties
Inquiry into the Trans-Pacific Partnership Agreement

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Executive Summary

If someone told you they knew what innovation policy would look like in 50 years time, you might conclude that they were arrogant, or stupid, or naïve, or perhaps all three. Effectively, however, that is what the negotiators of Chapter 18 of the TPP ask us to believe: that they know in great detail what domestic intellectual property (IP) law should look like now, and decades from now.

This submission outlines a range of reasons why Chapter 18 of the TPP is problematic. It:

1. Has few if any benefits for Australian businesses: it does not reduce the differences in practice that cause significant costs in acquiring regional rights, and it does little or nothing to make enforcement cheaper or more effective/efficient;
2. Will impose real costs on Australia:
   a. It is excessively detailed, and will make future reform more difficult;
   b. It creates not a common legal standard, but a series of overlapping legal standards and distinct rules that unnecessarily increase legal complexity;
   c. It is unbalanced, providing detailed and extensive rights for IP owners with only vague exhortations to protect or promote other interests in the IP system;
   d. It locks in old, outdated and ineffective IP policies; and
   e. It seeks to lock in new rules that are untested.

Chapter 18 also interacts with Chapter 9 in ways that are likely to significantly harm innovation policy-making in Australia.

Chapter 18 has some redeeming features: it is less unbalanced than past trade agreements; it has more principles that recognise user and societal interests. But these small benefits do not outweigh the costs or problems with the Chapter.

Recommendations: JSCOT should acknowledge that Chapter 18 of the TPP has some positive elements.

JSCOT should condemn Chapter 18 for locking in existing IP law; hindering or preventing future reform; and creating a breathtaking degree of complexity and legal uncertainty.

JSCOT should also recognise that the National Interest Analysis misrepresents the effect of Chapter 18 by failing to acknowledge the costs imposed by the chapter, and failing to acknowledge that the chapter will not offer tangible benefits to Australian creators or inventors.

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1. Introduction and context

The National Interest Analysis (NIA) for the Trans-Pacific Partnership Agreement (TPP) describes Chapter 18 (the intellectual property (IP) chapter) as contributing positively to innovation and creativity in Australia, and reducing costs and difficulties experienced by Australian businesses seeking protection and enforcement of their rights in the TPP region.¹

This is not an accurate picture of the effects of Chapter 18.

It is difficult to identify how the alleged benefits from Chapter 18 for Australia will arise in practice. Chapter 18 does almost nothing to make acquiring regional IP rights easier:² for example, the TPP does not require members to join existing treaties which streamline applications in multiple countries.³ In terms of enforcement, the TPP requires members to have an extensive range of procedures and remedies, but the mere existence of remedies and procedures will do little to make enforcement more efficient or cost-effective (nor could a trade agreement of this kind, the text of which must stand for decades, do much to achieve that goal). ⁴ Chapter 18 does not facilitate or promote IP-intensive trade; it does not set pre-conditions for trade; and it does not remove or prevent barriers to trade with one possible exception.⁵ It does not give effect to principles of free trade.

The TPP IP chapter dictates domestic IP rules within TPP countries. This might benefit Australian creators if it meant TPP countries were recognising IP rights for the first time. But signatories to the TPP already provide modern IP rights, because, like all WTO members, they are bound by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Under TRIPS, all countries must recognise all the major forms of protection: patents, trade marks, copyright, confidential information, some geographical indications. Many TPP signatories have far more extensive IP protection than required by TRIPS.

To show that Chapter 18 benefits innovative companies and creative individuals, you really need to identify particular rule changes, in particular countries, which could be expected to provide tangible benefits in terms of greater sales or licensing revenue or more enforceable rights. The NIA identifies none.⁶ Even if such benefits can be identified, there would be a question whether they outweigh the costs outlined below in this submission.

¹ National Interest Analysis at [37].
² Actually working towards harmonized and streamlined IP office practice – for example through common examination, or even single application systems for the grant of rights in multiple countries, is a long and difficult process requiring engagement over a period of many years. Examples of this exist, within Europe (which has systems for the grant of community-wide rights in patent, designs, and trade mark), and Australia’s own Closer Economic Relations arrangements with New Zealand is taking steps in this direction. If the committee is interested in what is involved in that process, IP Australia could no doubt provide further information.
³ Parties are not required to join the Hague Convention which seeks to streamline application processes for design rights in multiple countries (see art 18.56). Parties are not required to join the Madrid Protocol which streamlines applications for trade mark rights in multiple countries (parties can choose whether to join the Madrid Protocol or instead sign the Singapore Treaty which harmonises some aspects of trade mark office practice): see art 18.7, footnote 1.
⁴ Cf the ongoing annual meetings between the US and China which address IP enforcement. At these annual meetings, specific issues arising for particular IP owners are identified and plans made to address those issues. An FTA intended to stand for long periods of time cannot perform that kind of function.
⁵ The provisions on Geographical Indications (Section E) are designed to prevent the grant of certain rights that might constitute a barrier to Australian businesses. For a detailed discussion, see
⁶ Indeed, since most of the negotiating parties to the TPP appear to have concentrated mostly on ensuring they did not have to make changes (or must make only minimal changes) to IP law, it seems unlikely many such changes can be identified.
The NIA says that no changes to Australian IP law will be required. This is not accurate, because Australian copyright law does not yet have safe harbour protection for online service providers consistent with the TPP (although legislation to provide this exists in draft form, since Australia has long been obliged to fix this problem owing to existing obligations in AUSFTA). There are other detailed provisions that may or may not require change. In any event, not being forced to change IP law is not a measure of ‘success.’

The key effect of Chapter 18 is to lock in existing IP law. This is not a good thing unless Australia’s current IP laws (1) are perfect; and (2) will continue to be perfect regardless of changes in technology, changes in business models, changes to Australia’s areas of comparative advantage, and changes to other countries’ IP settings. Obviously this cannot be true.

The NIA says that a benefit of Chapter 18 is that it sets pro-innovation, clear and common standard across the region and that users and other businesses will benefit from greater access to IP-protected content and inventions. As the rest of this submission and my other work shows, this is a misrepresentation of Chapter 18.

2. **Chapter 18 of the TPP (and its many annexes and other qualifications) is breathtakingly detailed, complex, unbalanced, and locks in bad and outdated IP policy**

There are a whole range of problems with, and costs to, Chapter 18. The key problems highlighted here are:

1. Chapter 18 is too prescriptive: it will stand in the way of future reform;
2. Chapter 18 is so complex as to be practically incomprehensible; it sets not one common set of rules but a set of overlapping rules the legal implications of which are not clear;
3. The IP rules in Chapter 18 are unbalanced: they provide significant rights to IP owners but only vague exhortations to promote the many other competing interests relevant to the IP system;
4. The IP rules locked in by Chapter 18 are in many cases not desirable:
   a. Some are dated rules that are not good IP policy;
   b. Some are new rules that are untried and ought not to be locked in at the level of international agreement in case they prove to be seriously problematic.

A. **Chapter 18 is not pro-innovation, because it is anti-change**

IP law is meant to be about promoting innovation. Chapter 18 is about fixing current IP rules in concrete. But it is usually incumbents who argue for lock-in of existing rules. If Australia wants to be a place where disruptive innovation, or even just new things, are possible, then Chapter 18 is a hindrance to that national goal.

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7 The *Copyright Amendment (Disability and other Access Measures) Bill 2016* (Cth) would fix this issue. In this respect, I agree with the submissions of both the Law Council of Australia IP Subcommittee, and the Australian Alliance, both of which I have seen in draft form.

8 In this respect, I agree with the submission of the Law Council of Australia IP Subcommittee, although in all of the areas identified by that submission apart from the safe harbours, there is room for argument whether Australian law must change.

9 At [37].
Chapter 18 is extraordinarily detailed. At 75 pages; 83 clauses; 161 footnotes; 6 annexes, it dictates the form and substance of vast swathes of Australian IP law:

- In copyright, it sets out who should be protected by copyright;\(^{10}\) a copyright owner’s rights in a great deal of detail\(^{11}\) (some of it highly technology specific\(^{12}\)); it sets a very long minimum term of protection;\(^{13}\) and detailed rules relating to enforcement including a prescriptive model for anti-circumvention law;\(^{14}\)
- In trade mark law, it sets out what kinds of things can be trade marks;\(^{15}\) what rights trade mark owners must have;\(^{16}\) and detailed requirements for trade mark application and revocation systems;\(^{17}\) with similarly detailed requirements regarding geographical indications;\(^{18}\)
- In patent law, there are detailed rules regarding patentable subject matter, including some very detailed rules regarding certain kinds of claims that must be allowed;\(^{19}\) rules about when something is sufficiently inventive;\(^{20}\) and includes rules regarding extensions of patent term that have already proved expensive for Australia;\(^{21}\)
- It requires an extensive array of enforcement procedures and remedies\(^{22}\) including factors that courts should consider in setting damages, and very, very broad requirements for criminal liability, many of which, while currently present in Australian law, are completely untested.

Chapter 18 does not just lock in substantive IP rules: it also seeks to lock in the current, particular system of national IP right examination and registration. In addition to detailed provisions on the registration system for patents, trade marks and geographical indications,\(^{23}\) there are provisions requiring that patents and trade marks be presumed valid in court.\(^{24}\) If we are presuming that registered rights are valid, we are assuming local substantive examination by an IP office, leading to presumptively valid marks and patents. But systems of local examination are under strain from the sheer number of patents and trade marks now being sought. Sometime in the next few decades we may want to move away from local substantive examination, and experiment with more streamlined processes or reliance on overseas examination.\(^{25}\) Locking in a particular kind of assumption about the way that grant processes work, will at least complicate, and may preclude attempts to introduce more efficient and coordinated processes.

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\(^{10}\) Art 18.62 (performers and producers of phonograms)

\(^{11}\) Art 18.58 (right of reproduction); 18.59 (right of communication); 18.60 (right of distribution); 18.62 (rights in performances and phonograms);

\(^{12}\) Art 18.62.3 in particular (distinguishing between analogue and digital transmissions)

\(^{13}\) Art 18.63

\(^{14}\) Art 18.68

\(^{15}\) Art 18.18; 18.19

\(^{16}\) Art 18.20; 18.22.

\(^{17}\) Art 18.23–18.25, plus the TPP requires members to sign either the Singapore Treaty on Trade Marks or the Madrid Protocol – both of which have rules regarding administrative systems.

\(^{18}\) Section E, with detailed rules re administration in articles 18.31–18.35.

\(^{19}\) Art 18.37; art 18.37.1 is detailed on claims.

\(^{20}\) Art 18.37.1; 18.38.

\(^{21}\) Art 18.46; 18.48; for information regarding the expense of patent term extension rules, see Tony Harris, Nic Gruen and Dianne Nicol, *Pharmaceutical Patents Review Report* (Commonwealth of Australia, 2013).

\(^{22}\) Section I.

\(^{23}\) Art 18.23–18.25 (trade mark); art 18.38–18.39, 18.42–46 (patent); 18.31 (geographical indications).

\(^{24}\) Art 18.72

\(^{25}\) Indeed this is suggested also by art 18.14 on work sharing. But there has been little attempt in this text to think through how exhortations for more worksharing (in art 18.14) interact with the obligations for patent administration in articles 18.38–18.46.
Obviously there is some flexibility in Chapter 18. The chapter clearly leaves local implementation to domestic legislatures. Chapter 18 leaves untouched many aspects of local implementation of thresholds for protection (such as originality in copyright; or inventiveness, novelty, and usefulness in patent, or distinctiveness in trademark). Ownership rules and initial allocation of rights are untouched. Some aspects of what counts as an infringement are left to local law. The enforcement provisions require the existence of procedures or remedies but leave to local legislatures and courts the actual circumstances in which they will be imposed. States retain the right to introduce exceptions subject to fulfilling certain standards. These flexibilities should not be underestimated. But nevertheless, many structural aspects of the IP system are locked in by this chapter.

It makes no sense to lock in detailed rules on IP in the TPP. If the TPP is designed to be a framework for regional economic integration, it is designed to stand for decades. The details of IP law evolve at a rapid rate: since 1968 our Copyright Act has been amended in a substantive way at an overall rate of nearly twice a year (with the rate of change accelerating). The Patents Act 1990 (Cth) act has been amended 25 times since enactment – twenty times since TRIPS came into effect in 1995: a rate of once a year. Current dissatisfaction with Australia’s IP settings is indicated by the fact that the current government asked the Productivity Commission to review Australia’s IP arrangements. And immediate past experience with the Australia-US Free Trade Agreement proves that detailed text in trade agreements causes problems for everyone: for governments wanting to reform rules; for users and for the very IP owners such texts purport to benefit. The principles of IP law do not evolve in the same way – but the TPP is drafted in detail, not at the level of principle.

Chapter 18 erects barriers to IP reform, and this should be acknowledged as a cost of the TPP.

B. **The complexity of Chapter 18, its annexes and associated side letters, and the TPP generally means there is no common set of rules**

Contrary to the assertion in the NIA at [37], the TPP does not create a common standard of IP rules. It is impossible to read Chapter 18 and understand what a country’s IP obligations are. Even for the most expert reader, it is a nightmarish quagmire of legalese, which despite its length and complexity is an incomplete statement of IP rules because it adds to, rather than replacing or harmonizing, existing international obligations.

The TPP creates a range of IP standards that interact in complex ways with side letters, annexes, and other treaties, to establish different rules for different TPP members. The TPP parties have chosen to be cagey and inconsistent regarding how the TPP text is intended to interact with other existing treaties. It is not clear to me that anyone has fully thought through how any of the multiple overlapping sets of rules that Australia has now negotiated in the Japan-Australia

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26 Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd (2013) 253 CLR 284, Crennan and Kiefel at [280] 382 (the judgment says 24, but in 2015 Australia legislated to implement the TRIPS Protocol: Intellectual Property Laws Amendment Act 2015 (Cth)).


28 This appears to be a result of a negotiating stance adopted by many parties to the TPP negotiations, that the best kind of agreement would be one that required no changes to local IP law. The implication of this negotiating stance is, of course, that since there are relatively few changes to IP law anywhere, there are few areas where any IP owner will get any concrete benefit from Chapter 18 at all.

29 Article 1.2 of the TPP is not clearly drafted.
Economic Partnership Agreement, AUSFTA, the Korea-Australia Free Trade Agreement and the TPP as well as TRIPS are intended to interact as a matter of international law.

In some cases, obligations are contracted or expanded as between two parties to the TPP via a side letter. So you can read the text of the TPP and still, apparently, be in the dark. In Australia’s case:\(^{31}\)

- A side letter with the US singles out 3 articles in the TPP which the Parties ‘understand’ ‘shall govern the relationship between Australia and the United States’ in substitution for equivalent provisions in the Australia-US Free Trade Agreement (AUSFTA);\(^ {32}\)
- Another side letter with the US that purports to interpret AUSFTA provisions on government use;
- A side letter with Japan on copyright term (which more or less acknowledges that the TPP causes problems which will have to be ‘fixed’ through industry dialogue); and
- Side letters with Peru and Malaysia address questions of traditional knowledge (to what effect is hard to work out).

Chapter 18 has footnotes which flatly contradict the text,\(^ {33}\) and provisions which appear to mean one thing until some other article much later in the chapter is considered,\(^ {34}\) and provisions that are utterly incomprehensible unless detailed research is done on other treaties and reservations to those treaties.\(^ {35}\)

In other cases, the TPP text itself creates multiple options. One example relates to the provisions on intermediary liability. These rules govern the extent to which online service providers – search engines, content hosts, and ISPs – are protected from liability for copyright infringement in return for cooperating with copyright owners to act against infringers. Online service providers operate globally and digitally – consistent rules could assist the flow of digital trade. The TPP however sets out at least four different sets of rules, even before quirks of local implementation kick in.\(^ {36}\) These are not, however, four different options from which countries can choose the one which works best – Annex 18-E, for example, is only open to Canada.

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\(^{30}\) I say ‘apparently’ because the legal effect of side letters is not entirely clear.

\(^{31}\) Other side letters pertain between other countries: the US has side letters with a number of countries, for example, requiring those countries to act in good faith and not undermine the intent of the provisions in Chapter 18 regarding geographical indications.

\(^{32}\) These areas are the regulatory review exception in relation to patents for pharmaceuticals (TPP art 18.49); the anti-circumvention provisions (TPP art 18.68) and patent term adjustment for granting authority delays (art 18.46.3–18.46.4). Exactly what this means for Australia’s relationships with other TPP countries and indeed other non-TPP countries is unclear; it is also unclear exactly what this means in relation to other provisions in AUSFTA.

\(^{33}\) For example, footnote 89 to article 18.68.

\(^{34}\) For example, Art 18.9 (transparency) interacts with art 18.7 and 18.24 (converts exhortation to obligation to publish).

\(^{35}\) See in particular here the provisions on national treatment. I have analysed these in some depth in Kimberlee G Weatherall, ‘Section by Section Commentary on the TPP Final IP Chapter Published 5 November 2015 – Part 1 - General Provisions, Trade mark, GIs, Designs’ (2015) available at: http://works.bepress.com/kimweatherall/31/.

\(^{36}\) Section J sets up one set of rules, broadly similar to the Australia-US Free Trade Agreement but with some different wording. Note too that Section J is not one of the provisions singled out in a side letter as superseding the Australia-US Free Trade Agreement. This may mean that Australia is bound by both, slightly different sets of rules. Section J in conjunction with footnote 155 contemplates a different system, where notices alleging infringement are sent to an independent organization for verification before being sent on to ISPs for action. Annex 18-E allows Canada to maintain its system of notice and notice (rather than notice-and-takedown) and statutory secondary liability (but appears not to apply to anyone else, since to take advantage of annex 18-E, such a system would have to be in effect at the date of in principle agreement of the TPP). Annex 18-F allows a Party may implement Article 17.11.23 of the US- Chile FTA.
Complexity at this level was not inevitable, nor is it necessary to achieve an appropriate level of IP protection in TPP countries. The usual way to accommodate differing systems in treaties is to write the rules at a sufficient level of generality that all systems are accommodated, and/or state goals to be aimed for rather than specific rules meant to achieve the goals. Rules written that way have the advantage of being more likely to stand for decades rather than months.37

Such extraordinary, needless complexity creates unnecessary costs: for government, and for anyone interested in the current scope of Australia’s international IP law obligations, including any stakeholder wishing to suggest needed reforms. It also contributes to legal uncertainty.

C. Chapter 18 is unbalanced: heavily favouring right holders over Australian users and members of society

Another problem with Chapter 18 is that it is radically unbalanced: while the TPP language creates a series of mandatory, strong protections for rights holders, provisions that reflect ‘user’ interests are almost all in mealy-mouthed, weak language. It is not as unbalanced as the equivalent chapter in AUSFTA, but that is hardly a recommendation.

Chapter 18 embodies extensive, detailed, and strong rights for IP owners, most of which are stated in mandatory terms:

- A broad conception of the kinds of subject matter that can be claimed exclusively (especially in the area of patent, but also in trademark and in relation to designs);
- A broad scope of rights for IP owners;
- Long-enduring rights (especially in copyright, where the completely excessive ‘life plus 70’ term is made mandatory); and
- A cornucopia of enforcement procedures, remedies, and other procedural advantages (such as presumptions in their favour in litigation).

On the other hand Chapter 18 merely ‘recognises’ other the interests of users or the broader public without obliging Member States to protect those interests. For example:

- Articles 18.2–18.4, which state various balancing principles, are all put in optional terms, and in some cases merely ‘recognise’ (without doing anything about) the need to promote access to and dissemination of IP-protected material. Art 18.15 merely ‘recognises’ the importance of the public domain (while doing nothing to enhance or promote it);
- While Parties are required to ratify and implement a series of treaties for the protection of rights holders, they are not required to ratify the multilateral Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled, which addresses the long-standing book famine suffered by the visually disabled;38

instead of Section J (this appears to be general – ie other countries could also choose to use the Chile model)

37 See Weatherall, above n 27. In that paper I discuss the way that TRIPS (which is drafted at a much more general level) did not cause difficulties for IP reform for some time, whereas AUSFTA (which is much more detailed) was causing difficulties for reform and standing in the way of ideas even proposed by right holders within a decade.

38 ‘The (Non) Use of Treaty Object and Purpose in Intellectual Property Disputes in the WTO’ (Max Planck Institute for Intellectual Property and Competition Law Research Paper No 11-15, 28 September 2011). The Marrakesh VIP Treaty is mentioned elsewhere in the text: see footnote 77 page 37. However, the mention there is optional: it comes as one form of ‘balance’ which Parties ‘shall endeavour to achieve’ (art 18.66) and even then Marrakesh is merely mentioned as one way such interests are recognised rather
• Article 18.66 which addresses balance and exceptions and limitations in copyright is stated in weak language (Parties 'shall endeavor to achieve an appropriate balance') and limited by reference to the three-step test.

The existence of provisions reflecting broader societal interests in IP beyond those of rights holders is of course welcome in the sense that it is better than nothing: they might help in interpretation of the text so as not to be completely unreasonable. But we should be under no illusions that this is a balanced chapter or even a chapter that adequately reflects the universally acknowledged competing interests that must be managed in drafting IP law so as to protect the interests of society, users, and next generation innovators not already in possession of IP portfolios. Chapter 9 contributes to this issue, as further outlined below.

D. Chapter 18 locks in bad, outdated IP policy

There are particular rules in Chapter 18 which are problematic and contrary to Australian interests. Examples include:

1. Some patent rules have been locked in despite having already been independently assessed as contrary to Australia’s interests because they have imposed serious, measurable costs on Australia’s already overburdened health system with little or no measurable commensurate benefit for patent owners.39

2. The anti-circumvention rules in the Chapter were written over 20 years ago. They have not proved successful or durable (as evidenced by the constant complaints about online infringement),40 and a recent Parliamentary Committee concluded that they are part of the reason why Australians continue to pay more and wait longer for material than consumers in other equivalent countries.41 The anti-circumvention provisions have the potential to cause many problems going forward, because they allow copyright owners to assert complete control over access (and hence price) while imposing no obligations on copyright owners to provide anything at all to Australians (eg, access within a reasonable time at a reasonable price).

3. The TPP requires a ludicrously long copyright term. 100+ year copyright terms locked in by art 18.63 make a mockery of the importance of the public domain supposedly affirmed by art 18.15. Independent government reports and prize-winning economists and even the US Register of Copyrights42 have recognized that the copyright term is too

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39 For more, see Harris, Gruen and Nicol, above n 21.
40 Experience also suggests that the anti-circumvention provisions are over-broad: when new copyright exceptions must be written so that people can repair tractors or buy printer cartridges, something is wrong with the state of copyright.
42 See eg Maria Pallante, 'The Next Great Copyright Act' (2013) 36(3) Columbia Journal of Law and the Arts 315
long.\textsuperscript{43} When copyright content is 100+ years old, it is very costly to administer. Orphan works – works whose owners cannot be located even with reasonable effort – abound.\textsuperscript{44}

4. The TPP includes a provision requiring that all new rights or extended terms apply to everything that is currently existing and protected.\textsuperscript{45} Not only does this provide a windfall to rights holders with no countervailing benefit for the public, but it increases red tape and transaction costs significantly.\textsuperscript{46}

5. Rules in patent that combine (a) broad patent subject matter, (b) presumptive validity and (c) strong and unqualified enforcement create a recipe for encouraging trolling by holders or questionable rights.\textsuperscript{47} The thought of a flood of low quality patents issuing from patent offices throughout the Asia-Pacific, potentially with strong enforcement provisions – should give everyone – including the negotiators of these and future agreements – serious pause.\textsuperscript{48}

Far from being a pro-innovation, 21\textsuperscript{st} century chapter, Chapter 18 is largely a 20\textsuperscript{th} Century set of rules, many of which have been repeatedly criticised.

\textbf{E. Chapter 18 locks in newer and emerging rules before we even know if they are a good idea}

Not only does Chapter 18 include old, outdated, problematic rules: it seeks to lock in new and untested IP rules: setting them in concrete before anyone has really worked out whether they are a good idea. Examples include:

1. The extensive criminal provisions on liability and penalties – which Australia has had since a range of amendments in 2004 and 2006 – are almost entirely untested. The mere fact that they are almost completely unused, a decade on, suggests at least that they are not useful.


\textsuperscript{44} Fortunately, in chapter 18 the long copyright term is not coupled with

\textsuperscript{45} Art 18.10 (all rights); 18.64 (copyright). Copyright term extension that applies to all existing protected works (18.64) leads to administration/transaction costs owing to difficulties in calculating copyright term into the future, particularly for countries (in essence, everywhere but the US) where the duration of copyright for works produced by employees is calculated by reference to the death of the author. Copyright term is not a ‘simple’ calculation of ‘is it 70 years since the work was published’ or even ‘is it 70 years since the author died’: rather, it is ‘is it 70 years since the author died’ but also ‘but was the work in the public domain as of the date the TPP came into force for this country’: a date that could well vary for different TPP countries. It is bad policy, made concrete and unchangeable, in the face of repeated calls for a rethink.

\textsuperscript{46} As a result of rules that extend the term of existing protected works, you cannot determine the length of copyright merely by knowing the date of an author’s death or the date of publication. You must also know how the date of death/publication interacts with exactly when the copyright term was extended. As officials in the Communications Department currently trying to address questions of perpetual copyright can tell you, this makes reform very complex, and precludes the imposition of simple, bright-line dates in the process of determining the required copyright term.


\textsuperscript{48} ibid.
2. Trade secret rules. There is no international or even TPP-wide consensus on what trade secret laws should look like: the very strangely drafted provision on trade secrets in the TPP is difficult to interpret but appears to be an attempt to direct future development in this area: at a time when both the US and EU are currently in the process of drafting trade secret laws and, for Australia, when little or no attention has been paid at a policy level to trade secrecy laws.

There are ways to address new and emerging issues in IP. The obvious way to address these issues is through ongoing dialogue – not by trying to set rules in stone now.

3. **Chapter 18 does have a very few positive features**

Chapter 18, in my view, has few saving graces. It is a sad indictment when almost the best thing you can say is that it could have been worse (and yes, it could have been a lot worse, given the kinds of rules I understand were originally proposed by the US). However, we can acknowledge that there are provisions in Chapter 18 that should be seen as having benefits:

1. The inclusion of the objectives and principles (articles 18.2–18.4) is a net positive. They may assist in interpretation of the chapter in both state-to-state and investor-state disputes. They provide a necessary textual anchor to ensure that, in any dispute, a full range of interests can be considered, particularly by arbitrators who will not necessarily be specialists with a background in international IP law.

2. Inclusion of provisions on limitations or exceptions in copyright (Art 18.65 and especially 18.66) is an improvement. By making explicit the need for balance in IP systems such provisions can (in conjunction with other provisions, in particular articles Articles 18.2–18.4) support an interpretation of the purposes of the agreement as a whole that reinforces the importance of a range of interests and is not confined to strengthening IP rights. The obligation is to balance the copyright system as a whole – and not only through exceptions. The provision is open-ended and provides a powerful basis for concluding that this balance is best achieved through the adoption of an open-ended flexible exception like fair use – which the ALRC recently concluded should be introduced into Australian copyright law.

3. Inclusion of obligations that procedures be fair and equitable (art 18.71) recognises both sides of the enforcement equation: both the need to prevent and deter infringement, and the need to ensure safeguards against abuse, that impediments are not created to trade, and more generally, the need for both fairness and equity in all enforcement (civil, criminal and administrative).

4. Inclusion of a reference to proportionality in implementing enforcement (art 18.71.5), although the language is weak. The TPP includes draconian procedures and remedies (including border seizures; seizure of implements used in infringement; confiscation of assets), including draconian procedures with potential to impact on rights and interests of innocent third parties: proportionality ought to be a limiting factor on any measures and remedies.

5. In anti-circumvention law, the replacement of art 17.4.7 of AUSFTA with art 18.68 of TPP. The TPP text is more flexible, and in particular, is less restrictive on exceptions, and allows for some limitations in relation to the obligation to restrict manufacture/distribution of circumvention devices. This could allow Australia to revise
and make more sensible our anti-circumvention exceptions. It would be entirely permissible under this provision to simply decide appropriate exceptions through a legislative process or through the promulgation of regulations. The language accommodates countries that have recurring administrative systems for proving the need for exceptions (like the US, and presently, Australia). This text invites reconsideration of Australia’s present approach on TPMs and TPM exceptions.

4. The Interaction between Chapter 18 (Intellectual Property) and Chapter 9 (Investment)

One final matter for concern in the TPP is the interaction between Chapters 9 (Investment) and 18 (Intellectual Property). Comment on the Investor-State Dispute Settlement (ISDS) provisions generally is not the concern of this submission: rather, I have concerns about the potential impact of ISDS on IP specifically. In my view, allowing for direct claims by right holders in IP could introduce a dangerous new dynamic into international IP law and into domestic IP reform processes.

Members of the Australian Parliament no doubt already know that the appropriate balance between private rights in IP and public interests in access to and use of cultural products and inventions is highly contentious. Debates about the reform of IP law tend to be highly polarised: both among interest groups in a given society and among States at an international level. This will particularly impact on discussions around exceptions and limitations to IP rights, as these are the rules most likely to be challenged by IP owner investors.49

Limitations and exceptions in IP have been challengeable within the WTO system since TRIPS came into force alongside WTO Dispute Settlement processes. Although such international legal disputes as have occurred over IP have often concerned exceptions and limitations (with some challenges to exceptions being upheld50) few formal disputes have been initiated. One reason is that it is relatively rare for a State to consider that the economic harm caused by a given IP reform is sufficient to warrant a challenge. But another restraint on such challenges is that any State challenging limitations on IP rights – for example through the Dispute Settlement processes of the World Trade Organization – must weigh the potential impact of a successful challenge on their own ability to enact public interest exceptions in IP law. Even countries with strong IP law and strong interests in IP – such as the US – have many exceptions to IP law. The need to preserve domestic policy space puts a brake on claims against other States’ use of similar domestic policy space.

The introduction of investor-state dispute settlement changes this dynamic. Many individual right holders would have little or no interest in preserving the discretion of States to limit IP rights. This creates the potential for an increase in complaints and challenges to public interest-oriented IP law reforms.

If challenges, or even the threat of challenges, become more frequent, this will impact the IP reform process. Once upon a time, deciding whether to reform IP law was a matter of working out whether the reform was in the public interest, taking into account both the costs and

49 It should also be borne in mind, however, that extending IP rights could also be the subject of a claim: for example, if new rules to try to make enforcement more effective were to impact on the value of investments by online intermediaries.

benefits for the broader public and the costs/benefits for right holders: contentious enough in the face of incumbent IP stakeholders. TRIPS imposed some additional obligations to check consistency with international law: but the details in TRIPS are quite limited. Following the Australia-US Free Trade Agreement (AUSFTA) – the first of Australia’s modern FTAs including a very detailed IP chapter – IP policy-making is at least a two stage process: work out whether the reform is good for Australia and then work out if it is allowed under AUSFTA. Post TPP, with Chapter 9 and Chapter 18, the process will be a three-stage one:

1. Is the reform a good idea?
2. Is it consistent with our international treaty obligations?
3. Will it upset some sizeable company that might bring an investor claim?

Note too that the impact of Chapter 9 on IP reform is potentially unbalanced. Reforms that strengthen IP rights will not be affected by this new dynamic (subject, of course, to intermediaries perhaps claiming that excessive enforcement damages their investments in internet infrastructure). Over time, this has the potential to cause one of two damaging dynamics:

1. It could further unbalance our IP laws: reforms to advantage right holders will be possible; reforms to balance those rights or take account of user interests will not. Over time, IP law could further entrench advantages for incumbent IP owners;
2. Alternatively, the existence of ISDS claims could hamper all reform, including pro-IP reforms: user interests will seek to block pro-IP reforms that have no balancing aspects, but laws with balancing aspects will be hindered by the threat of ISDS.

At the very least, IP law reform is set to get a whole lot more complicated than it already is.

I acknowledge that some efforts have been made in Chapter 9 to limit the potential for investors to bring claims under Chapter 9 in relation to IP reforms and/or other legal reforms that impact on IP rights:

1. Art 9.8.5 states that Art 9.8 (expropriation) “shall not apply” to issuance of compulsory licences, or revocation, limitation or creation of IP rights, “to the extent that the issuance, revocation, limitation or creation is consistent with Chapter 18 (Intellectual Property) and the TRIPS Agreement”;

2. Art 9.10 (performance requirements) excludes some claims in cases of compulsory licences, consistent with Articles 31 and 39 of TRIPS (9.10.3(b)), and some claims in the case of equitable remuneration determined under copyright law (9.10.3(c));

3. Art 9.12.5 seeks to preserve exceptions to national treatment allowed under TRIPS and Chapter 18;

4. More generally, Annex 9-B states a general rule that non-discriminatory regulatory actions by a Party designed to protect legitimate public welfare objectives do not constitute indirect expropriations ‘except in rare circumstances’.

Nevertheless it is clear that under Chapter 9 it is possible that an owner of Australian IP (patent, trade mark, copyright) could bring a claim in relation to IP reforms and/or other legal reforms that impact on IP rights:

1. IP is specifically included as an investment in art 9.1;\(^{51}\)

\(^{51}\)Although the definition does seem to require that an investment still have “the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the
2. There is no provision which excludes claims under Art 9.6 (minimum standard of treatment) relating to changes affecting IP. A claim under this standard is being brought in Eli Lilly’s current proceedings against Canada under NAFTA for (alleged) changes to Canada’s standard of ‘usefulness’;

3. Expropriation claims are only excluded to the extent that a State’s actions are consistent with TRIPS and Chapter 18: meaning an investor can dispute consistency with the detailed IP rules in Chapter 18 as well as the principles stated in TRIPS;

4. The provision in 9-B designed to protect regulatory sovereignty has a carve-out for ‘rare circumstances’ – meaning that too can be disputed.

The ability to challenge laws as inconsistent with TRIPS or Chapter 18 is particularly problematic:

1. First, because it seems to create a new kind of investor claim – a claim to inconsistency with a substantive chapter of the free trade agreement (albeit coupled of necessity with the further requirement to show an indirect expropriation);

2. Second, because many provisions of the IP chapter are based on similar or identical provisions found in other international agreements, the more appropriate forum for considering and ruling on the interpretation of such provisions is in a tribunal with appropriate mechanisms for participation by all other interested parties (including other States subject to the same provisions in international agreements);

3. Third, because such claims will be incredibly complex (for some of the reasons made clear earlier in this submission) and hence legally expensive for both State and investor claimant. The current claim by Eli Lilly under NAFTA against Canada has necessitated extensive research into the background of TRIPS; domestic implementations of TRIPS (none of which are usual subjects for ISDS disputes), as well as standard investment law. Such claims will only be able to be brought by very well-resourced claimants (hence giving advantage to large multinational firms) and will be a significant drain on government resources (in a context where costs are not ordinarily recovered). They will also be expensive for amici who may feel the need to participate in order to protect user and society interests.

There are a range of possible steps JSCOT could suggest to mitigate the negative impact of Chapter 9: including renegotiation or rejection of the chapter and other suggestions which I know have been included in a submission by the Australian Digital Alliance. But the concern outlined in this submission highlights a possibly less visible impact of Chapter 9 on reform that will be difficult to monitor. I would therefore suggest that JSCOT consider whether there are any mechanisms for improving transparency around the impact of investor claims on IP reform processes. For example, JSCOT could consider proposing a record-keeping system, requiring government officials to record and report any reference to the potential for a Chapter 9 claim made by any stakeholder in the course of IP reform discussions. At least then we would have some way to test the kinds of concerns reflected in this submission. They might prove to be unfounded. They might prove less unbalanced than I fear (maybe everyone will make threats!). It would be good to know, however, what the impact is in the long term.

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expectation of gain or profit, or the assumption of risk’. Some objects of IP rights would not fit this requirement, including for example some copyrights that arise automatically in Australia with no commitment of capital or assumption of risk within Australia, and, in some cases, little or no expectation of profit.