ipria

This supplementary submission seeks to do two things. First, it outlines a proposed approach for the Committee to take in order to reduce the damaging effect of the AUSFTA Chapter 17. Second, it seeks to provide clear and comprehensive answers to questions raised by the Committee during hearings. I do not seek to reiterate points made in my first submission to the Committee.

For convenience, the following Table of Contents sets out the issues addressed in this Supplementary Submission.

I would draw the Committee's attention in particular to Part 6, which deals with **one area where, in my view, the Agreement as currently drafted is, potentially, unfixable in implementation.**

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PART A: WHAT APPROACH SHOULD THE COMMITTEE ADOPT?

1 What approach should the Committee adopt? Should the Agreement be rejected, modified (slightly or substantially), or accepted as it is?

My personal opinion, as stated in my submission, is that Chapter 17 of the AUSFTA is a bad policy outcome for Australia. My main objections to the Chapter remain:

- It requires Australia to adopt certain problematic laws (including copyright term extension);
- it is too detailed and too restrictive on future policy reform;
- the process by which it was negotiated was neither transparent, nor sufficiently accountable, and overrode important Australian policy processes.

1.1 Can my concerns be addressed?

If the Committee decides to accept the AUSFTA, including Chapter 17, I suggest two steps to mitigate its damaging effects:

1. The Committee should require the government, in its implementation of Chapter 17, to address those areas raised in hearings before this Committee, where Australian IP law lacks defences to copyright infringement available in the United States. This should be stated as a **condition** of accepting the AUSFTA; and
2. The Committee should, for the avoidance of future doubt, put on the record certain understandings about the effect and future implementation of Chapter 17 as outlined below.

By adopting these two steps, the Senate Select Committee could be more confident of the effect of Chapter 17. The current uncertainty about the effect of the Chapter is not satisfactory.[1]

I reiterate that these steps will not address all my concerns. Even if these steps are taken, I fear future disputes with the United States, and deleterious effects on culture and innovation in Australia through unnecessarily stronger IP law. These steps will merely reduce those effects.

1.2 Understandings which must be placed on the record about the effect of Chapter 17

Much of the discussion of Chapter 17 from the government negotiators before this and other Committee has been on the basis that "it will be ok in implementation" – that concerns expressed by users, and computer programmers, and others will be addressed via implementation.

In the future, we will face implementation issues, and possible disputes with the United States about our chosen form of implementation.[2] As was noted in Committee hearings,

[1] As the Committee Chair noted, Hansard, 18 May 2004, FTA 96

Chapter 17 is one of the chapters where the US could dispute whether our implementation complies with the 'spirit' of the Agreement under Article 21.2(c).[3]

In either event, a statement as to the Australian understanding of our obligations will be relevant to the interpretation of the AUSFTA.[4] To be useful, these understandings must be clear. We currently lack information about the Parties' understandings about the legal effect of the Agreement, because negotiations did not occur in public. While members of the negotiating team have made some statements to the Committee during hearings, these have been vague, and qualified, and too often state that issues "are matters for implementation". By placing these understandings clearly on the record, the Committee has the opportunity to prevent later arguments – by government or by copyright owners – that a narrower reading of the Agreement was intended, or is the only one open.

I therefore recommend that some, or all of the following understandings regarding the effect of Chapter 17 be clearly placed on the record. They should be expressed as recording the view of Chapter 17 of the Australian government on the basis of the negotiations, as well as the understanding of the Committee. Most are completely consistent with suggestions by members of the negotiating team made to this Committee.

The same approach, I would recommend, should be adopted with respect to the submissions and principles of the Internet Industry Association of Australia, in their submission dated 1 June 2004.

Recommended Understandings

1. The AUSFTA allows Australia to introduce new defences to copyright infringement, including (a) an open-ended fair use defence to copyright infringement, (b) defences/exceptions to mitigate the bad effects of copyright term extension, and (c) defences for private copying in accordance with the ordinary practice of ordinary consumers (and ordinary Senators) today;[5]
2. The AUSFTA allows Australia to raise the standard of what constitutes an 'original' work under copyright law;[6]

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[2] I refer the Committee to Part 3.2.2, page 16 of my Submission to the Committee, which outlines why we cannot expect enthusiastic acceptance by the United States of any 'flexible' implementation of the AUSFTA in relation to the IP Chapter.

[3] The **significance** of Article 21.2(c) – and the specific inclusion of Chapter 17 – should not be underestimated. While similar provisions **are** common in trade treaties, and it is true that such cases **are** hard to prove, it is worth noting that there is currently a moratorium on nullification disputes in the WTO in relation to IP: first there was a legal moratorium (TRIPS Article 64.2 and 64.3), since its expiry a 'working' moratorium has applied: see Peter M. Gerhart, "Reflections: Beyond Compliance Theory – TRIPS as a Substantive Issue" (2000) 32 *Case Western Reserve Jnl of Int'l L.* 357 at 384 TRIPS Article 64.2 and 64.3. On the "working understanding" as to the non-use of these provisions in the WTO, see Peter M. Gerhart, "Reflections: Beyond Compliance Theory – TRIPS as a Substantive Issue" (2000) 32 *Case Western Reserve Jnl of Int'l L.* 357 at 384. **The US is the only country, so far as I am aware, to try to get around this moratorium:** *Report of the Appellate Body, India - Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50/AB/R, Bernan's Annotated Rep., vol. 4, at 249 (Dec. 19, 1997) (see especially pp42-48)

[4] *Vienna Convention on the Law of Treaties* (1969) 1155 U.N.T.S. 331, Article 32.

[5] See Hansard, Tuesday 18 May 2004, FTA 92 (Comments of Ms Toni Harmer) (stating that "we have also been very careful to ensure that we maintain the ability to put in place exceptions where we regard those to be appropriate to the Australian circumstances")

[6] see Hansard, Tuesday 18 May 2004, FTA 102 (comments of Mr Chris Creswell)

3. Australia will not under Article 17.4.4 extend the copyright term of works which have already fallen into the public domain;[7]

4. The AUSFTA allows Australia, if it should so choose, to impose limits on the validity of contractual provisions which seek to "contract out" of exceptions to copyright infringement;[8]

5. Article 17.4.1 allows Australia to retain, and expand the exception for temporary reproductions under ss43A and 111A of the *Copyright Act*;

6. Article 17.4.7(e) and (f) allows Australia to create new exceptions to the anti-circumvention provisions **both** to allow the individual to circumvent a TPM, *and* to ensure that those entitled to rely on the exception may be legally provided with the means of doing so;[9]

7. Article 17.4.7(e)(i) allows Australia to enact an "interoperability" exception that allows computer programmers to circumvent technological protection measures, not only to create programs that work with existing copyright programs, but also that read files, and data, created by or for existing computer programs;

8. The AUSFTA allows Australia to introduce new exceptions to patent infringement, including, if necessary, a research exception to patent infringement, and an exception to allow the development of interoperable computer programs.

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[7] See Hansard, Tuesday, 4 May 2004, FTA 46 (comments of government negotiators to this effect)

[8] I am not aware of any statement by the government negotiators on this particular point. The proposal to ban "contracting out" was put by the CLRC. CAL appear to take the view that it is not allowed by the text: see CAL submission, [41]. Concern about this issue was raised by members of the Senate Select Committee at the IP Roundtable on 17 May 2004.

[9] See Hansard, Tuesday 18 May 2004, FTA 93 (Comments of Ms Toni Harmer) (stating that "We have the capacity under the technological protection measure provisions of the agreement … to make exceptions where we regard those exceptions to be necessary and appropriate to the Australian circumstances").

PART B: ANSWERS TO THE QUESTIONS OF THE COMMITTEE

2 Is the impact of the IP provisions different in the United States and Australia?

2.1 Response

Yes, for three key reasons:

(1) Chapter 17 is modelled on US law; so less changes will be required to US law;

(2) Australian copyright law applies to more works: a lower threshold standard here means that we protect "low originality" works (eg factual databases, like the phone book) which are excluded from copyright protection in the United States;[10]

(3) Australia's purpose-based "fair dealing" defences to copyright infringement are narrower and less flexible than the open-ended "fair use" defences in the United States (see further below Part 3) – and this flexibility is relevant to key areas where the law will be strengthened by the AUSFTA.

2.2 Can the inequality of effect be fixed in implementation?

Australia could legislate to raise the level of originality and to introduce "fair use" as a defence to infringement. Nothing in the AUSFTA would prevent such action being taken; if anything it is supported by Article 17.4.10(c).[11]

However, IP owners have indicated that they would oppose any move to adopt a "fair use" defence, and the comments of government negotiators have been, at best, equivocal on this point.[12] In relation to originality, the Attorney-General's Department at this stage is indicating it has no intention of addressing the standard of originality in Australia.[13]

If the Committee considers these reforms desirable, it should consider making a specific recommendation to that effect, as suggested above.

3 Is the United States' "fair use" defence broader than the Australian "fair dealing" defences?[14]

3.1 Response

On its face, the US defence of fair use is broader and more flexible in its terms than the Australian defences of fair dealing, which only apply to 4 specific purposes.[15] The problem

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[10] The White Pages phone book is protected by copyright in Australia: *Desktop Marketing Systems Pty Ltd v Telstra Corporation Limited* [2002] FCAFC 112; it is not protected in the United States: *Feist Publications, Inc. v. Rural Telephone Service Co.,* 499 U.S. 340 (1991)

[11] This provision states that the language of the Chapter does not "reduc[e] or extend[] the scope of applicability of the limitations and exceptions permitted" under our existing treaty obligations

[12] See the comments of Ms Toni Harmer, Hansard, Tuesday 18 May 2004, FTA 93 (stating that rather than adopting the US way of doing things, we can "craft exceptions to be appropriate to Australia"). This suggests a preference for a continued "purpose-based" approach which would not provide the kind of flexibility that is important if IP law is to be strengthened.

[13] See the comments of Chris Creswell (Attorney-General's Department), Hansard, Tuesday 18 May 2004, FTA 102

[14] Question asked by Senator Peter Cook, Hansard, Tuesday 18 May 2004, FTA 88-89

with specific categories is that they do not deal with unforeseen circumstances, and as a result, you may fall in the cracks.[16]

In the United States, the court must look at a series of factors to determine whether a use is "fair": including the impact on the copyright owner's market, and the nature of the use made.[17] The real difference is that US courts have the power to find new, or unforeseen, but economically insignificant uses "fair", where Australian courts do not have that power.

Situations where US courts have found fair use which would not always fit Australian "fair dealing" defences include several very commonplace actions, which Australians do every day:

- Time-shifting (taping a show to watch later);[18]
- "Space-shifting" (making a copy to a different device – like an MP3 player); [19]
- Parodies. [20]

Despite acknowledging these differences,[21] CAL have argued that Australian defences to copyright infringement are broader than in the United States[22] - indeed, so broad as to breach the TRIPS Agreement.[23] This argument is raised on two bases: first, that "fair use" is narrowly interpreted by US courts, and second, that Australia has numerous additional exceptions so that, overall, we are more generous to consumers.

3.1.1 Is US "fair use" interpreted more narrowly than Australian "fair dealing"?

US interpretations of "fair use" vary over time and from court to court. In some circumstances interpretations are generous to alleged infringers;[24] in other cases more narrow. Generalisations are difficult, and I am not aware of any published, complete study which would answer this question.

However, two points should be noted. First, in a number of specific circumstances that have already arisen, Australia has no defence to infringement – even where uses are very common – such as taping a television show to watch later. These sorts of uses **could** be excused by a court under an open-ended exception – meaning Senator Peter Cook would no longer be a professed infringer of copyright.[25]

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[15] The apparent narrowness of Australian fair dealing defences was recently commented on in the High Court hearings in the *Panel* litigation: see High Court Transcript, *Network Ten Pty Ltd v TCN Channel Nine* [2003] HCATrans 338

[16] Comment of Kirby J, High Court of Australia, *Network Ten Pty Ltd v TCN Channel Nine* [2003] HCATrans 338 (5 Sept. 2003)

[17] 17 U.S.C. §107

[18] The illegality of this action was confirmed by Mr C. Creswell before the Committee: see Hansard, Tuesday, 18 May 2004, FTA 86-87

[19] *Recording Industry Association of America v Diamond Multimedia Sys., Inc* (1999) 180 F.3d 1072

[20] *Campbell v Acuff-Rose Music, Inc* 510 US 569 (1994) (the "Pretty Woman" case); *Suntrust Bank v Houghton Mifflin Co* 268 F.3d 1257 (2001) (the "Wind Done Gone" case)

[21] Hansard, Monday, 17 May 2004, FTA 39-40

[22] Hansard, Monday, 17 May 2004, FTA 15

[23] Hansard, Monday, 17 May 2004, FTA 17

[24] get ref*** Wind done Gone case

[25] Hansard, Tuesday 18 May 2004, FTA 87-88

More importantly, the US "fair use" is more flexible and can be applied in new circumstances. This flexibility has particular relevance in the context of changes made by the AUSFTA. In other words, the strengthening of copyright caused by the Agreement would be less concerning if Australia had a flexible, open-ended defence to infringement. An open-ended fair use defence could be used by courts to alleviate issues arising from:

- **Copyright term extension** (Article 17.4.4): by allowing uses made of very old works which are no longer in print or being exploited; and
- **The inclusion of "temporary copies" in the rights of the copyright owner** (Article 17.4.1): by covering copies made in the course of use of copyright works.

3.1.2 Taken as a whole, is Australian copyright law more generous to users than US law?

Both Australia and the United States have other defences than fair use/fair dealing. A full comparison of law in the two countries would require a deeper study, and it is not possible to state conclusively whether Australian defences are more generous or not.

However, the assertion that the Australian defences are significantly broader than the US is highly questionable, for the following reasons:

- In many respects, US law has similar defences to Australia: including for uncompensated use by libraries, [26] and for certain uses of computer programs. [27]
- CAL relies on our educational copying system as making Australian law more generous. It is true that US law does not have a statutory license for educational uses of copyright works comparable to Part VB of the Australian *Copyright Act*. However it should be noted that the educational licenses in Australia are not defences to copyright infringement – they are schemes of rights management which specifically require **remuneration** to copyright owners.[28]

3.2 Can we fix this issue?

Australia could adopt an open-ended "fair use" defence, thus reducing the difference in impact of the AUSFTA between Australia and the US.

However, the Australian government, DCITA and the Attorney-General's Department have not shown any intention of adopting a flexible fair use exception, despite a proposal in 1998 by the CLRC. CAL argued to the Senate Select Committee that these issues are "for another day and another place" – and said that it would be opposed to any such move.[29]

It is possible that no steps will be taken to make Australian defences more flexible, unless required by this Committee. If the Committee is of the view that Australia should adopt a flexible fair use defence, then it may wish to consider making this a condition of acceptance

[26] 17 U.S.C. §108
[27] 17 U.S.C. §117
[28] The Universities currently pay $17 million/year to CAL: see Hansard, Monday, 17 May 2004, FTA 35 (Anne Flahvin on behalf of the AVCC)
[29] Hansard, Monday, 17 May 2004, FTA 15 (Michael Fraser, CEO, CAL)

of the AUSFTA, making a specific recommendation for consideration of the issue, and stating a timetable for that to occur.

4 Does Chapter 17 achieve "harmonisation" of US and Australian IP law, with consequent economic benefits in the form of reduced costs for Australian business?[30]

Harmonisation *can* have benefits for some (particularly transnational) businesses, in the form of reduced legal and transaction costs. Of course, for this to be a benefit it is necessary that the laws we are harmonising *to* are desirable: an issue on which the Committee has heard many views.

In assessing the benefits of harmonisation, however, the Committee should bear in mind that even *with* Chapter 17, Australian and US IP law will be very different. It is therefore not the case that people dealing with copyright will be able to contract across borders with no friction. Below is a list of some key differences between Australian and US copyright which will remain *even if* the AUSFTA is implemented in full:

(1) Australia has a lower level of originality, so we protect more things with copyright law;[31]

(2) Broadcasters' signals are not protected in the US to the same extent as they are here;

(3) We have different exceptions to copyright infringement (fair use vs fair dealing), and we have different statutory licensing schemes (for example, the educational statutory license in Australia[32]);

(4) We have moral rights protection,[33] the United States only has very limited moral rights protection.[34] Since these must be specifically dealt with in contract,[35] this is one area where the differences will remain very significant for legal and transaction costs;

(5) We treat works created by employees very differently, for example, the term of a "work made for hire" in the US is dated from publication or creation – in Australia it depends on the life of the author;

(6) We define both the subject matter of copyright,[36] and the rights enjoyed by a copyright owner differently.[37] For example, In the United States, copyright owners have, among other things, a right to prepare derivative works, to "display a work publicly". In Australia, a copyright owner does not those rights, but they have a right to "communicate" the work to the public, and a right to make an adaptation – which a US copyright owner does not have;

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[30] Question asked by Senator Peter Cook, Hansard, 17 Monday 2004, FTA 32

[31] This is the effect of *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 55 IPR 1 (Full Federal Court); *special leave refused.*

[32] Part VB of the *Copyright Act* 1968 (Cth)

[33] Part IX of the *Copyright Act* 1968 (Cth)

[34] 17 U.S.C. 106A

[35] ss195AW and 195AWA *Copyright Act* 1968 (Cth)

[36] US: 17 U.S.C. 102; Australia: ss31, 32, 85-88 (inter alia)

[37] US: 17 U.S.C. 106; Australia: ss31, 85-88

(7) In the United States, materials produced by the US government are not protected by copyright;[38] in Australia, the Crown owns copyright in materials which it produces.[39]

In this context, some caution is necessary when assessing statements that harmonisation will result in considerable savings in transaction and legal costs.

5 Copyright term extension

5.1 Will the AUSFTA lead to harmonisation of copyright term between Australia and other trading partners?

As Dr Rimmer has pointed out, harmonisation under the AUSFTA is at most only partial because:

- Unlike the US and Europe, Australia does not intend to extend the copyright term of works already in the public domain, and
- The copyright term for works created by employees will differ between the US and Australia.

This suggests that many of the transaction costs pointed to by organizations such as CAL[40] and VI$Copy will remain even if the AUSFTA is adopted.

5.2 Do creators support copyright term extension?

Although the negotiators have stated that the "copyright industries" supported copyright term extension during negotiations,[41] the only proper conclusion is that views are very mixed. Some creators support copyright term extension.[42] Others oppose it[43] or "query" whether it has benefits.[44] As the research of Professor Yochai Benkler of Yale Law School has demonstrated,[45] strengthening and lengthening of copyright tends to benefit certain kinds of copyright owners – mostly, the large, corporate copyright owners with a large catalogue from which value may be extracted. New, and small innovators tend to be disadvantaged.

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[38] 17 U.S.C. 105

[39] *Copyright Act* 1968 (Cth), Part VII.

[40] See Hansard, Tuesday 4 May 2004, FTA 42 (stating that "it is just not feasible in a pragmatic sense for us to have a different term from that applying with our major trading partners in the US and Europe. To administer that would cost more than it is worth. It has always been our view that we should harmonise.")

[41] See Hansard, Tuesday 18 May 2004, FTA 104

[42] The Australian Copyright Council, CAL and the Australian Society of Authors, and Vi$copy

[43] The Australian Screen Directors Association; the Victorian Film and Television Industry Working Party; the Melbourne Symphony Orchestra, the Australian Computer Society, as does Linux Australia.

[44] The Australian Writers Guild in their response to a question on notice noted the differences in views and queried the benefits.

[45] See Yochai Benkler, "Intellectual Property and the Organization of Information Production" (2002) 22 *International Review of Law and Economics* 81

5.3 Can the Australian Government take steps to reduce the costs of copyright term extension?

Yes, there are some steps the Australian government could take. Australia could (and should) consider a range of measures to reduce the deleterious effects of such extension:

(1) Australia could enact new exceptions to copyright infringement for old works that are not being commercially exploited: the United States has such an exception, although on its terms it is not sufficiently broad;[46]

(2) Australia could create a flexible, open-ended “fair use” defence (as referred to above) – which might assist in allowing valuable uses of old, and unexploited copyright works;

(3) Australia could consider initiatives such as that in the *Public Domain Enhancement Bill* proposed in the US, which would require registration for older works;[47]

(4) Australia could consider other systems to reduce the transaction costs associated with finding copyright owners of old works (these being the most significant costs, as Dr Rimmer has pointed out[48]). For example, Australia could consider a system that allowed people wanting to use old works for which a copyright owner was not readily located to make a payment into some central fund, allowing the use to go ahead and the owner, if eventually located, to receive payment from the Fund.

None of these steps is required by the AUSFTA, and none have yet been mentioned by the Australian government or negotiators as far as I am aware. Once again, if the Committee considers such steps are necessary, a specific recommendation would be advisable.

6 Questions from the Chair on the Anti-Circumvention Provisions (Article 17.4.7)

The Chair of the Committee asked a series of questions on the effect of these provisions at the IP roundtable, and on the following day. I seek to provide summary responses to those questions in Table 1 below.

To answer these questions properly, 3 separate issues must be considered:

(1) Is it illegal under current Australian law?

(2) Would it be illegal if the recommendations of the Digital Agenda Review were accepted?

(3) Would it be illegal under the AUSFTA?

In understanding the answers given in Table 1, the Committee should note three general points.

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[46] 17 U.S.C. §108(h), which permits nonprofit libraries, educational institutions or archives to reproduce or distribute copies of works, including in digital format, or to display them during the last 20 years of the copyright term as long as the work is not commercially available. However, this is limited to certain purposes – basically, research or study. Use or distribution for broader purposes than simply research or study should be allowed.

[47] See comments of Dr Rimmer, Hansard, Monday 17 May 2004, FTA 32

[48] See Hansard, Monday 17 May 2004, FTA 31

First, the current state of Australian law is **not certain**. The interpretation of "technological protection measure" by the Full Federal Court in *Sony v Stevens* case[49] makes some of the acts queried by the Chair illegal. However, under the trial judge's interpretation, those acts were held to be **legal**.[50] *Sony v Stevens* is currently the subject of an application for special leave to the High Court;[51] the High Court could overturn the Full Federal Court, making these actions **legal** under current Australian law.

Second, the Digital Agenda Review Recommendations resulted from a process of public consultation, as outlined in my main submission. Both owners and users (and those who are both) had input into that process. The Review rejected submissions from copyright owners which sought the kind of result which has resulted from the AUSFTA – submissions aimed at expanding the definition of a "technological protection measure", and narrowing the exceptions to the bans on circumvention. Instead, that Review recommended:

(1) Strengthening protection for copyright owners, by making the act of circumvention illegal; but

(2) Limiting the effect of that stronger protection in two ways: by

  (a) Narrowing the definition of what is a technological protection measure protected by the Copyright Act; and

  (b) Broadening the exceptions to the ban on circumvention, and the ban on distributing circumvention devices.

The effect of the AUSFTA is quite different: it **strengthens** protection in three ways:

(1) Making the act of circumvention illegal;

(2) Broadening the definition of what is a technological protection measure;

(3) Narrowing the exceptions to the ban on circumvention and the ban on distributing circumvention devices.

Third, in considering the effect of region coding, the Committee may wish to read the submission of the ACCC to the Digital Agenda Review (which I have forwarded to the Committee). The approach recommended by the ACCC would avoid what appear to be the Chair's concerns, as expressed in the Chair's questions to the IP roundtable. The ACCC's proposal is **prevented** by the text of the AUSFTA.

Finally, Mr Simon Cordina, in a hearing before the Committee, stated that:

> *"in terms of regional coding itself, if a person is playing a legitimate, non-pirated product, the government's intention would not be for that to fall foul of the laws in relation to technological protection measures".*[52]

I applaud the view but it is not possible, in my opinion, on the face of the Agreement without the creation of a specific exception.[53] Australia's ability to create exceptions is dealt with

[49] *Kabushiki Kaisha Sony Computer Entertainment v Stevens* (2003) 57 IPR 161

[50] *Kabushiki Kaisha Sony Computer Entertainment v Stevens* (2002) 55 IPR 497

[51] Confirmed in a telephone conversation with the High Court Registry, Friday, 4 June 2004.

[52] Hansard, Tuesday 18 May 2004, FTA 91

[53] This is supported by the comments of Ms Harmer, Hansard, Tuesday 18 May 2004, FTA 93, and Mr Cordina, Hansard, Tuesday 18 May 2004, FTA 94

below (Part 7, page 13). The only other way to achieve this result would be to define "technological protection measures" narrowly – however, the language of the treaty is very specific on what is to count as a TPM (Article 17.4.7(b)). Australia *could,* without the AUSFTA, have achieved this result: see the ACCC submission to the Digital Agenda Review (forwarded by me to the Committee) for an example of how this could be achieved.

Table 1: Summary of outcomes in relation to the acts raised by the Committee Chair

Action	**Position under current Australian law**	**Position if Digital Agenda Review Recommendations were adopted**	**Position once AUSFTA is implemented in Australian law**
Modification of a DVD player to allow it to play disks from any region	**Illegal.** But question is open because *Sony v Stevens* interpretation subject to High Court appeal.	**Legal** Because of (a) narrowing of definition of TPM and (b) recommended exception to allow access to a legitimately acquired non-pirated product.	**Illegal** Subject (possibly) to creation of an exception
Selling a DVD player that played disks from any region	**Probably legal**. DVD player is probably not a 'circumvention device'. **But note:** patents and contracts are currently used to require DVD player manufacturers to enforce region-coding.[54]	**Probably legal.** But patent and contract may be used to prevent such sales, as occurs currently.	**Probably legal.** But patent and contract may be used to prevent such sales, as occurs currently.
Playing a DVD on a DVD player modified to allow it to play DVDs from any region.	**Legal.** Act of circumvention is legal.	**Legal.** Act of circumvention illegal, but definition of TPM narrowed.	**Possibly illegal** Act of circumvention illegal if individual should have known
Modifying or removing rights management information contained in a digital media file.	**Illegal**	**Illegal**	**Illegal**

[54] In order to produce a DVD player which will play the disks produced by the major movie studios, a manufacturer must license patented technology, known as CSS. One of the conditions of the CSS license is that the manufacturer will produce DVDs which enforce region coding: see CSS Procedural Specifications, Clause 6.2.1.4 (Version 2.2, Effective 15 September 2003, and downloaded April 2004). This is why we need a right to **modify** the DVD player if we are to overcome region-coding concerns.

Action	Position under current Australian law	Position if Digital Agenda Review Recommendations were adopted	Position once AUSFTA is implemented in Australian law
Bypassing measures applied to music CDs which prevent them being played on a computer.	**Legal** Act of circumvention is not illegal, but distributing means of doing so is illegal.	**Possibly legal** Recommendation 17 would create exception for gaining access to a legitimately acquired copy.	**Illegal.**

7 Can Australia create new exceptions to the anti-circumvention provisions?

7.1 Response

One key issue which has been raised in the Senate Select Committee hearings is the question: to what extent can Australia create new exceptions to the anti-circumvention provisions, in addition to those listed in Article 17.4.7(e)?

The process for creating new exceptions is set out in Article 17.4.7(e)(viii). In my main submission I have expressed concern about the **cost** of obtaining an exception via such a process, particularly for non-profit organizations and individual users. I need not repeat those concerns here. And, of course, this process will not help the poor unfortunate who has acted without realizing they *needed* an exception.

The important point however is: how wide is our ability to create new exceptions? At the IP Roundtable, I argued that Australia can, under Article 17.4.7(e)(viii), create new exceptions to legalise the **act** of circumvention, but cannot (owing to the effect of Article 17.4.7(f)) create new exceptions to the ban on **distribution** of circumvention devices.[55] This is because under Article 17.4.7(f), Australia may create exceptions to the ban on the *act* of circumvention by the process outlined in Article 17.4.7(e)(viii), but cannot, using that process, create exceptions to the ban under Article 17.4.7(a)(ii).

If I am correct in this concern, the following example demonstrates the effect.

***Example**.*
A multimedia student wants to make a collage using scenes and pictures from recent movies released only on DVD. The actual copying and use of the images is probably a fair dealing (personal research or study, and/or criticism/review) and hence not copyright infringement. However, DVD encryption prevents the copying of the scenes from the DVDs. What is the legal situation?

[55] See Hansard, 17 May 2004, FTA 39-40.

Current law:	*Circumvention by the student is not a breach of the law; however, no defence exists to a retailer who supplies the means to circumvent to the student for this fair dealing.*
Digital Agenda Review:	*Student's circumvention is prima facie illegal, but she has a defence (personal research/study) as a result of Recommendation 17, and for the same reason, a defence exists for University store that supplies means.*
AUSFTA Art 17.4.7:	*No defence on the text. Australia could create a defence for the student – presumably after an exhaustive legislative or administrative process (by which time this student may have graduated, even assuming someone is willing to go to the expense of trying to make a "credible showing" of harm under Article 17.4.7(e)(viii).* ***However,*** *under Article 17.4.7(f), Australia cannot create a defence which would allow the University store to distribute the means of circumvention – nor for the computer science students to provide that service. Potential result: student must take a course in computer science and advanced encryption – or seek the means from overseas.*

7.2 Can my concerns be addressed?

It is apparent, from comments of the negotiators to the Committee, that they do not believe that my interpretation correctly states the effect of the Agreement.[56] Members of the negotiating team simply stated that this was a question of implementation, and referred to some legal advice on the provisions' effect, which ahs not been made public. I should note that I have considered a range of ways that the results which the negotiators **say** they expect might be achieved on the text – in my view, **none** will work.[57]

In particular, I consider it **very likely that my interpretation of the Agreement accurately states the US understanding of its effect**. In the United States, it is in fact the case that the "flexible process" on which Article 17.4.7(e)(viii) is based[58] **cannot create exceptions to the ban on distribution**.[59] I note also that, on careful analysis, the statements of copyright owners in the IP roundtable, and in other hearings before this Committee, all refer to

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[56] See Hansard, 18 May 2004, FTA 38-39

[57] For example, I do not think that Australia can narrow the definition of a technological protection measure to avoid this result – in light of Article 17.4.7(b).

[58] 17 U.S.C. §1201(a)(1)(C)

[59] The Register of Copyrights in the Library of Congress, which in the US considers the creation of new exceptions, has several times commented on its inability to create exceptions to the ban on distribution: For example, in 2003 the Register of Copyrights was asked to create an exception to allow the distribution of interoperable "chips" which allowed an aftermarket in printer toner cartridges. The producer of the chips had been sued in the Federal District Court under the AUSFTA. In the event, the Register took the view that the existing "interoperability" exception was sufficient. However, in making this finding, the Register of Copyrights noted that "Even if the Register had found a factual basis for an exemption, it would only exempt the act of circumvention. It would not exempt the creation and distribution of the means to circumvent or the distribution of interoperable computer programs embedded in devices" – in other words, no one would be able to distribute the chips! Register of Copyrights Marybeth Peters, *Recommendation of the Register of Copyrights in RM 2002-2004; Rulemaking on Exemptions from Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies,* October 27, 2003, at page 180-181

Australia's ability to create an exception for **use** of a circumvention device – but make no mention of how users are to **obtain** circumvention devices.

It therefore seems to me to be crucial that Australia's understanding of this provision, and the basis for that understanding, must be made absolutely explicit. If Australia is of the view that it can create exceptions to the ban on distribution, that understanding must be made explicit.

I understand that the negotiators may oppose such a step, on the basis that the United States may not agree and a dispute could arise even before the Agreement was ratified by each country. I would suggest that on the contrary, it is better that we have a clear understanding of the effect of the Agreement now – rather than waiting until we have a dispute to find that we cannot use the flexibility that we thought we had. After all, if our negotiators understand we have that flexibility – surely the United States also has that understanding? And if so, why should it not be made explicit?

Please note that I would be happy to respond, whether in confidence or otherwise, to contrary arguments or interpretations which may have been put to the Committee.

7.3 Proposed Amendment to the Agreement or Side Letter

In my view, in order to ensure Australia has appropriate flexibility, it would be necessary either:

- To add the words "without authority" after "circumvention/circumvent" in parts (A), (B) and (C) of Article 17.4.7(a)(ii) (thus allowing the creation, and distribution of circumvention devices for circumvention authorised by law);
- To include (e)(viii) to the list of exceptions in Article 17.4.7(f)(ii) and (iii) (making it crystal clear that the exceptions created under Articl e17.4.7(e)(viii) may be plenary); **or**
- Agree to a side letter which makes explicit that either Party may, under Article 17.4.7(e)(viii) create an exception both to the ban on the act of circumvention, and to the ban on distribution of circumvention devices/services.

8 Do open source programmers and computer science researchers have anything to fear from the provisions of the AUSFTA?

One of the key concerns of open source and other computer programmers, and computer science researchers in relation to the AUSFTA is that the anti-circumvention provision (Article 17.4.7) will lead to threats and litigation in Australia similar to those which have arisen in the United States.

In my view there are some legitimate concerns that the exceptions that these people would need to rely on – Articles 17.4.7(e)(i) (for interoperability) and (ii) (for researchers) will be implemented narrowly.

In order to avoid these concerns, the provisions need to be interpreted broadly, and enacted so as to provide proper protection for legitimate activities by computer programmers and

researchers. The Committee could mitigate the damaging effects on these innovators by clearly, specifically endorsing the following broad interpretations.

Let me note, as I did on page 2 of this Supplementary Submission, that this will not render the AUSFTA Chapter 17 harmless. It will only mitigate its worst effects, and, it is to be hoped, mitigate the fear on the part of researchers and programmers which is so detrimental to innovation, and which chills new research and programming projects.

8.1 Article 17.4.7(e)(i): Interoperability

One concern of computer programmers is that, in order to achieve **interoperability**, they need to circumvent not only technological protection measures on **programs**, but also on **data, or files,** created for, or by programs. For example, for an open source word processing program to read a Microsoft Word file, it may need not only to interoperate with Microsoft Word (a computer program) – it may need, in addition, to circumvent protection on **files created by Word**. We all know how frustrating it can be if your Word Processor cannot read, and deal with, files created by other programs. Unfortunately, Article 17.4.7(e)(i) only refers to interoperability with **computer programs.** It is therefore understandable that programmers are concerned that their ability to create interoperable programs will be limited.

However, the Australian government has dealt with this issue before, by **expanding** the definition of computer program to include data "incorporated in, or **associated with** a computer program," and "essential to the effective operation of a function of that computer program."[60]

The Australian government can, and should, interpret "computer program" in Article 17.4.7(e)(i) to include data, or files created for or by such programs. Such a step would make the "interoperability" exception real. To ensure this occurs, the Senate Select Committee needs to specifically support a broad reading.

8.2 Article 17.4.7(e)(ii) - Encryption Research

One legitimate area of study for computer science relates to security and access controls. Article 17.4.7(e)(ii) seeks to ensure that this research can continue.

However, the Senate Select Committee should be aware that the exception has not been sufficient in the United States, because it allows research only on **encryption** – which is not the only method of access control. Specific evidence is available of research projects which have been stalled, or ceased, as a result of the narrow exception under the DMCA.[61]

In my view, the exception in Article 17.4.7(e)(ii) must be read broadly to include not only technologies which specifically scramble, and descramble information (ie encryption

[60] *Copyright Act* 1968 s.47AB

[61] Submission of Professor Edward Felten, Associate Professor of Computer Science, Princeton University, to the Library of Congress/Copyright Office Rulemaking on "Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies.", December 2002 (available at <http://www.freedom-to-tinker.com/FeltenDMCA.pdf>)

technologies), but like technologies which are used to control access or prevent copying of copyright subject matter: otherwise it will not achieve its aim of ensuring that legitimate research is not stunted.

Once again, if the Committee wishes to ensure that this view is taken in future implementation, it should specifically state such an understanding.

8.3 Software and Business Method Patents, and Computer Programming

A further fear expressed by open source programmers relates to the potential deleterious effects of software and business method patents on their activities. Given the exponential increase in software patents in the United States, the fear of the effects of such patents is real, even if the AUSFTA does not change the current obligations Australia has to grant patents without discrimination as to the area of technology.[62]

It would be desirable for the Committee to note that this is a real area of concern. In my view, to the extent that patents start to affect interoperability and new development of computer programs, it may, eventually, be necessary to consider new exceptions to patent. These are specifically allowed under Article 17.9.3 of the AUSFTA, but could usefully be affirmed by the Committee, as suggested in the "Understandings" above.

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[62] TRIPS, Article 27(1)