

**Submission to the Department of Foreign Affairs and Trade
in response to its Discussion Paper**

**An International Proposal for a Plurilateral
Anti-Counterfeiting Trade Agreement**

**Intellectual Property Research Institute of Australia
(IPRIA)**

December 2007



The Intellectual Property Research Institute of Australia (IPRIA) is a national centre for multi-disciplinary research on the law, economics and management of intellectual property. It is based at the University of Melbourne, and is a joint venture of the Faculty of Law, the Faculty of Economics and Commerce, and the Melbourne Business School.

IPRIA was established in 2002 as part of the Federal Government's Innovation Statement, *Backing Australia's Ability*. IPRIA's research focuses on ways to improve the protection, management and exploitation of intellectual property by business, research institutions and other users of the IP system, and on supporting high quality policy development by government in areas relating to intellectual property. It seeks to use the outcomes of its research to create and contribute to public debate on key issues relating to intellectual property. Part of IPRIA's missions is to provide objective contributions to law reform efforts.

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Introduction

The Department of Foreign Affairs and Trade (DFAT) has sought submissions regarding the proposal for a plurilateral anti-counterfeiting trade agreement (ACTA). The Department's request relates to a potential new treaty aimed at combating transnational counterfeiting and piracy through the establishment of a new standard of intellectual property rights (IPRs) enforcement. Counterfeiting and piracy are seen as major impediments to firms maximising the benefits gained through the pursuit, and maintenance, of intellectual property rights. A significant amount of DFAT's Discussion Paper is focused on issues of criminal enforcement of IPRs; however, there is some reference to the possibility of civil enforcement issues forming part of the trade agreement. It is these issues that this submission is aimed at.

IPRIA's submission takes the form of a summary of the research (some published and some yet to be published) that the Institute has conducted in relation to intellectual property enforcement in Australia and by Australian firms in China. This work is ongoing and being carried out by a number of researchers. Those researchers include Jason Bosland, Chris Dent, Paul Jensen, Anne Leahy, Fiona Rotstein, Kim Weatherall,¹ Elizabeth Webster and Jongsay Yong. The research of relevance to the Department's inquiry relates to the civil enforcement of copyright and trade mark rights. The Institute has not, to date, explored the criminal enforcement of IPRs.

Empirical Evidence on the Civil Enforcement of Copyright

Our research has shown that there were, between 1997 and 2003, a total of 108 copyright infringement proceedings in which a judgment was rendered by a court. This figure compares to the 52 patent proceedings in which a judgment was rendered by a court in Australia from 1997 to 2003.² Of the copyright proceedings, literary works were at issue in 43 proceedings³ and artistic works were at issue in 36

¹ Kim Weatherall is now based at the University of Queensland.

² K. Weatherall and P. Jensen, 'An Empirical Investigation into Patent Enforcement in Australian Courts' (2005) 33 *Federal Law Review* 239, 262. Further, there were an average of 22 patent proceedings filed in Australia between 1995 and 2005: F. Rotstein and K. Weatherall, 'Filing and Settlement of Patent Disputes in the Federal Court: 1995 -2005' (2007) 68 *Intellectual Property Forum* 65, 68. It must be emphasised that the figures for patents relates to proceedings filed, rather than judgments handed down by courts in patent matters. Between 1995 and 2002, only 15% of patent proceedings proceeded to judgment: *ibid*, 69.

³ Of these 43, 16 involved computer programmes, 15 involved databases and 6 involved technical writing.

proceedings.⁴ Cinematograph films were only at issue in 6 proceedings in the period studied and sound recordings were at issue in 3 proceedings. Civil enforcement of copyright associated with any large scale copying of DVDs or CDs, therefore, is not common in Australia.

Empirical Evidence on the Civil Enforcement of Trade Marks

Counterfeiting in relation to trade marks is of larger concern in this country; however, the statistics do not indicate that the practice is rampant. From 1997 to 2003, there were 81 trade mark proceedings that went through to judgment.⁵ Of these, 24 related to counterfeit goods.⁶ One feature of the counterfeit cases was that, in every case involving the infringement of a mark, the mark owner was successful.⁷ When linked to the observation that, in over 80% of counterfeit cases, the alleged infringer was not represented in court,⁸ the figures indicate that the court proceedings are a formality aimed at achieving the forfeiture of goods with the infringing mark.⁹ These types of actions before the Federal Court are, arguably, a waste of resources and may be better suited to be heard by the Federal Magistrates Court.¹⁰ The Federal Government, in May 2007, accepted the Advisory Council on Intellectual Property's recommendation that the jurisdiction of the Magistrates Service be extended to cover trade mark and design matters.¹¹ It may be noted that, currently, the Federal Magistrates Court has jurisdiction to hear civil copyright infringement cases.¹²

Empirical Evidence Arising from Firms Engaged in Trade with China

The final piece of research to be referred to here is a survey of Australian firms who do business with Chinese firms.¹³ Over 2,000 businesses were surveyed, 260 of which

⁴ Of these 36, 14 involved a building or model and 11 involved a commercial artistic work (for example, logos or illustrations in catalogues).

⁵ J. Bosland, K. Weatherall and P. Jensen, 'Trade Mark and Counterfeit Litigation in Australia' (2006) *Intellectual Property Quarterly* 347, 355.

⁶ *Ibid.* The authors consider that 'counterfeit cases involve an infringer attempting to reproduce – and substitute for – the goods (not just the trade mark) of the trade mark owner': *ibid.*, 350-1.

⁷ *Ibid.*, 364.

⁸ *Ibid.*, 367.

⁹ *Ibid.*, 369.

¹⁰ *Ibid.*, 372.

¹¹ For the Government's response to ACIP's recommendations, see <http://www.ipaustralia.gov.au/pdfs/news/Brief%20Release%20Gov%20response%20ACIP%20FMS%20.pdf>

¹² *Copyright Act 1968* s. 131D.

¹³ A. Leahy, D. McLaren, D. Morgan, K. Weatherall, E. Webster and J. Yong, 'In the Shadow of the China-Australia FTA Negotiations: What Australian Business Thinks about IP' (2007) *Intellectual Property Research Institute of Australia*, Working Paper 07/07.

said that IPRs in China were an important aspect of their business dealings.¹⁴ Further, 5.4% of these 260 businesses stated that their patents had been infringed by Chinese exports and 5.2% stated that their trade marks had been infringed by Chinese exports.¹⁵ It may be noted, however, that almost 90% of the 260 firms considered that the effect of infringement on profits was ‘not important’.¹⁶ China has a reputation for being prominent in terms of the production of counterfeit goods; this survey, however, suggests that the impact on Australian businesses of any such behaviour is minimal.

Conclusion

IPRIA’s research emphasises the low rate of civil intellectual property enforcement actions in this country. This may, in part, be a result of the expense associated with litigation; it may also be, in part, a result of a low level of infringement in Australia – or, more particularly, a low level of infringement significant enough to pursue through the courts. This, in turn, suggests that there is an even lower level of counterfeiting and commercial-scale piracy here, as these are only a subset of all types of infringement.¹⁷ IPRIA does not argue that the low level of infringement is the result of a perfect intellectual property architecture in this country;¹⁸ however, radical changes to the international arrangements supporting the regime here may not significantly impact on the level of counterfeiting in this country. Radical changes, on the other hand, may have unforeseen, and unforeseeable, impacts on the legitimate exploitation of IPRs and the capacity of all firms to operate within a competitive market. More research in this area, therefore, is needed; in particular with respect to the criminal enforcement of intellectual property infringement; it may be noted, too, that the Australian Institute of Criminology is currently undertaking research in this area.

¹⁴ Ibid, 12.

¹⁵ Ibid, 13.

¹⁶ Ibid.

¹⁷ The OECD has noted that Australia is one of the countries that is ‘reported to not be substantially affected by counterfeiting’: *Economic Impact of Counterfeiting and Piracy*, Part III Industry Sectors, Draft Report, 2007, 61. The Draft Report highlights, in particular, that the ‘magnitude of counterfeit pharmaceuticals’ is ‘low’ in Australia: 89.

¹⁸ Though ‘Australian IP rules are currently among the most stringent in the world’: Leahy et al, above n 11, 19.