

TELSTRA CORPORATION LIMITED

Productivity Commission's Inquiry into Australia's IP Arrangements

Response to Issues Paper

30 November 2015

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1 Introduction

Telstra Corporation Limited ('Telstra') welcomes the opportunity to make a submission to the Productivity Commission's Inquiry into Australia's Intellectual Property Arrangements.

We are a strong supporter of the Government's ambition to create a more agile and innovative country.

We are engaged across the innovation ecosystem from our support for incubation and early stage innovation investment, to our own development of new products and services, through to our co-creation and collaboration with a range of organisations. Our innovation work is strengthened by the involvement of our customers, vendors, partners and our people.

Examples include:

- **murud** accelerator programs - in Sydney, in partnership with RiverCity Labs in Brisbane, and in Singapore - which identify and support start-ups to create valuable technology products and services;
- **Telstra Ventures** which sources and invests in world-class technology from teams based in Australia, the US and China;
- **the Gurrowa Innovation Lab** in Melbourne, which is the centrepiece of our internal technology research capabilities, providing us with a dedicated place to co-create with our customers and partners; and
- **Partnerships** with private and government organisations (including leading research institutions, such as Date61 and the George Institute) to build deep relationships and pursue research aligned to our key strategic priorities.

Underpinning our innovation work is an extensive intellectual property (IP) portfolio, including copyright, confidential information, trade marks, domain names, patent and design rights in Australia and overseas. At times we are an IP rights holder, collaborator, sponsor, licensor, licensee, user and intermediary.

Our focus on innovation, and our understanding of the importance of IP to a national innovation culture, puts us in a unique position to appreciate the challenges and opportunities presented by Australia's IP system, and to contribute to the Productivity Commission's Inquiry.

Telstra's Submission

The Productivity Commission's Issues Paper is very broad in its scope. This submission addresses only those aspects of the Productivity Commission's Issues Paper that are of particular interest or concern to Telstra and our customers.

2 The Productivity Commission's Framework

The Productivity Commission ('PC') has adopted a framework for its Inquiry, based on the following four principles:

- **Effectiveness** – *do IP rights target additional innovation and creative outputs?*
- **Efficiency** – *getting the balance right*
- **Adaptability** – *making sure IP rights are apt for the future*

- **Accountability** – a transparent, evidence-based system

We support a principles-based approach to the Inquiry and we are generally supportive of the proposed framework, subject to our following comments.

We caution against a uniform application of the PC's principles to each of the different IP regimes. 'Intellectual Property' is a collective term used to describe a disparate set of intangible property rights. While these rights have some elements in common (e.g. to stimulate innovation), they are also subject to different international obligations, domestic laws and administration which affect their subsistence, ownership, duration, infringement, enforcement and exploitation.

As a result when applying a principle to (for example) - a technical invention - a creative work - an industrial secret – computer code - a brand – the Commission must remain cognisant of the innate differences of each IP regime, and the likelihood that 'one size' approach may not fit all. In some cases, specific outcomes may not be relevant, suitable or achievable across all the IP regimes.

We also note that particular IP regimes may warrant individual guiding principles, to take into account their specific application and purposes. For example in relation to:

- Trade marks – the underlying purpose is not necessarily to incentivise the creation and dissemination of new marks, but to distinguish the goods and services of one trader from those of other traders, and to prevent consumer confusion.
- Copyright - we support a guiding principle which acknowledges and respects authorship and creation¹.

2.1 Effectiveness

Telstra believes that IP rights encourage genuine innovative and creative output that would not have otherwise occurred, or would not otherwise have been available in the public domain. Understanding current technologies and artistic expressions, and legitimately adapting them to enable new discoveries and the creation of new works is crucial for a successful IP system and innovation culture.

In our view, an effective IP system must:

- stimulate creativity and innovation, promote collaboration, and encourage fair market access;
- maintain an appropriate balance between:
 - providing incentives for, and rewarding innovation and creativity; and
 - enabling the wider community to legitimately access information about, and further develop, known innovations and creative works;
- protect investment in brands and goodwill, and support the community's ability to identify and differentiate products and services;
- maintain legal and commercial certainty as to the grant and enforcement of rights; and
- reduce transaction costs, duplication and administrative burdens.

¹ Refer to section 4.2 below.

The effectiveness of an IP system is also dependent on, and contributes to, the economic and cultural environment in which it operates. Australia's IP system must therefore be considered in the overall context of our national innovation culture and framework.

In Telstra's 2014 submission to the Senate Economics References Committee's Inquiry into Australia's Innovation System², we identified a number of priority action areas which we believe will enable the design and delivery of an improved innovation system. They included:

- A national vision to drive a long-term commitment to innovation;
- Core educational skills in science, technology, engineering and maths ('**STEM**');
- A base level of funding for research institutions;
- Government support for innovation via their investment decisions; and
- Regulatory certainty, including support for R&D, innovation and Australia's IP system.

In particular, we strongly support competitive R&D tax incentives (including incentives aimed specifically at IP). These type of incentives are essential for Australia to compete for and attract R&D and IP investment, to improve Australia's productivity, and to enhance economic prosperity.

Telstra welcomes the Government's renewed focus on innovation and has been pleased to participate in recent events like the National Reform Summit and the Prime Minister's Innovation Roundtable. We look forward to the Government's upcoming innovation statement and to continuing to play an active role in advocating for and contributing to a more innovative Australia.

Over the last decade, a number of countries have enacted favourable tax and other incentives (such as the tax concessions, offsets and deductions) aimed at attracting innovation investment and collaboration, IP creation, and fostering local job creation. For example:

- **Singapore** – adopted an 'IP Hub Master Plan'³ to attract investment in both research and development. A 400% tax deduction is also available to eligible qualifying R&D activities.
- **India** – has a 200% super deduction for in-house R&D expenditures, including capital expenditures; and a super deduction of 125% - 200% for payments made to prescribed entities (e.g. universities) undertaking R&D in India.
- **The US, UK, France and China** - introduced (or are considering introducing) 'Innovation Boxes' or 'Patent Boxes', which operate by taxing income from locally developed and owned IP at a reduced rate (e.g. 10% in the UK).
- **The UK, Germany** and a number of other countries provide generous IP depreciation regimes.
- **The UK** - software may be expensed for accounting purposes enabling a 100% tax deduction in that year.
- **China** – provides subsidies to maintain high levels of patent filings.

² Telstra's submission to The Senate Economics References Committee's Inquiry into Australia's Innovation System, August 2014 at http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Innovation_System/Submissions.

³ See <https://www.mlaw.gov.sg/news/press-releases/IP-hub-master-plan-launched.html>.

It is crucial for Australia to offer similar incentives if we are to remain competitive in the global innovation and IP marketplace, and if we are to attract '*international talent, entrepreneurs and investors*'⁴.

To be effective, we should also review *disincentives* to innovation in Australia, for example:

- an inability to deduct amortisation expenses – which effectively increases a company's tax rate, disadvantaging businesses with significant intangible asset bases compared to those with a tangible asset base;
- an inability to deduct the cost of an intangible asset acquired as part of a third party transaction over the life of the asset;
- an inability to depreciate certain software under the 5 year 'in house software' regime and instead being forced to depreciate it over 25 years; and
- an internationally uncompetitive software write-off regime.

Ensuring R&D is undertaken and *effectively protected* in Australia is an important part of keeping our economy thriving, ensuring that we retain the best and brightest talent, and enhancing our national knowledge and creative baseline. The failure of Australia's IP system to effectively protect databases⁵, is a practical example of a *disincentive* to the creation and dissemination of materials.

Copyright protection for databases and compilations as literary works is very limited, and doesn't adequately recognise or protect the intellectual and commercial investment in these type of works. In a digital environment, databases and compilations are increasingly created through the joint efforts of multiple contributing individuals, as well as the use of computer programs and technology. The lack of protection for works which are substantially computer-generated (as opposed to being the direct product of human effort) fails to recognise the use and adaptation of new technologies, and is a *disincentive* to the creation and dissemination of these works.

Australia's failure to adequately recognise and protect databases is out of step with their *sui generis* protection in the EU⁶, and is an IP area of competitive difference for the EU.

2.2 Efficiency

Balance

An efficient IP system must balance the interests of its stakeholders, to ensure a fair and sustainable outcome *which continues to drive innovation and creation*.

Striking the right balance is complex and may differ between IP regimes (given their different application and purposes, as discussed in 2 above). For example,

- trade marks enable consumers to make informed purchasing decisions that impact their current and future welfare;
- patent applications are published 18 months after an application is filed, so others can legitimately use the information to develop new innovations; and

⁴ Page vii of The Global Innovation Index 2015, <https://www.globalinnovationindex.org/content/page/gii-full-report-2015/>.

⁵ Refer to: *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458 and *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149.

⁶ *Directive 1996/9/EC of the European Parliament and the council of 11 March 1996 on the legal protection of databases in the European Union ('Database Directive')*.

- copyright includes a series of fair dealing exceptions which enable legitimate access to works and subject matter other than works, for specific purposes.

The Issues Paper equates efficiency with the *right* balance, but then focusses on economic considerations; i.e. that an efficient IP system:

- ensures that IP is generated at lowest cost to society;
- ensures that IP rights are traded; and
- considers the longer-term effects of IP rights and the costs to IP users

While we agree with the statements above, we also believe that there are other considerations which should be taken into account when assessing the efficiency of Australia's IP system. For example:

- IP's dynamic role in the innovation cycle – to foster new ideas and new ways of thinking, transacting and communicating. The right balance should refer equally to a reward and incentive to generate an initial idea, as well as a reward and incentive for others to legitimately access and use that idea (information and knowledge) to generate the next idea, and the next idea, and so on.⁷
- Development and growth of new markets, or ways of doing things.⁸
- The potential for IP to foster collaborations, mentoring and partnering between (e.g.) institutions, individuals, governments, overseas parties, experienced enterprises and start-ups.
- Non-economic considerations – for example, in its May 2013 Discussion Paper '*Copyright and the Digital Economy*'⁹, the Australian Law Reform Commission ('ALRC') identified several principles for any reform to Australia's copyright laws (which we support), including a principle acknowledging and respecting the rights of authors, artists and other creators¹⁰.
- Promotion of a strong education system (particularly in core STEM disciplines).
- New employment opportunities and the ability to attract talented, entrepreneurial people.

Other methods to secure a return on innovation (such as trade secrets/confidentiality agreements)

While trade secrets and confidentiality agreements can be valuable in limited, specific circumstances, we don't believe that they are viable substitutes for patent grants or copyright protection. In particular, an action for breach of confidence (for contractual damages) won't prevent a competitor from exploiting an

⁷ For example, 'mash-ups' in music are a gaining popularity, and can lead to stand alone musical works, as well as new ways of advertising. While mash-ups require legitimate access to original musical works, they then build on those works to produce new works. An efficient IP system should incentivise and reward the owner of the original musical work, enable access to that work for legitimate purposes, and where access generates new ideas (works) incentivise and reward those new works.

⁸ The recent explosion of digital technologies and devices is an excellent example of a market that didn't exist a decade or so ago. This type of new innovation has driven new consumer expectations, new areas of market competition and new business models.

⁹ <http://www.alrc.gov.au/publications/copyright-and-digital-economy-dp-79>

¹⁰ See Framing Principle 1 - http://www.alrc.gov.au/sites/default/files/pdfs/publications/dp79_whole_pdf_.pdf.

invention. Further, information that remains secret is not available for others to understand and legitimately adapt and further develop.

Legislative and Regulatory Certainty

An efficient IP system must provide stakeholders with legislative and regulatory certainty.

Australia's IP system has been the subject of a large number of reviews in recent years¹¹. While some of these reviews have resulted in changes to IP laws and administration, others are still waiting responses from the Federal Government.

Responding to multiple reviews, waiting for their outcome and adjusting to legislative, regulatory and procedural changes is costly, distracting, uncertain and inefficient.

2.3 Adaptability

We agree that an IP system must be adaptable and flexible to changing conditions and technologies. In our view, Australia's IP regimes are at times inconsistent in this regard.

New technologies

An adaptable IP system should be technology neutral, to encourage and engage with new and unknown technologies and ideas. While Australia has a relatively robust IP framework, changes in technology continually move faster than legislative change. A technology neutral overlay to Australia's IP laws would greatly enhance their adaptability and the certainty of their application for all stakeholders.

We would however caution that while a technology neutral approach is required for some of the IP regimes, others are already well suited to adapt as circumstances require. For example:

- The patent system has proved to be very adaptable. The Advisory Council on Intellectual Property ('**ACIP**') reviewed patentable subject matter¹² and concluded the current test for patentable subject matter (as applied by Australian Courts) is the best one available to us. This has allowed the High Court in the recent *Myriad* decision¹³ to impose limits on the patent protection available for the results of genetic research, and the Full Federal Court in *Research Affiliates*¹⁴ to exclude patent protection for business methods.
- The current definition of 'sign' in the *Trade Marks Act 1995* (Cth) is flexible and provides incentive and scope for owners (who satisfy the registrability criteria prescribed in s41) to create and protect innovative branding and marketing practices, and for consumers to readily distinguish products and services bearing those new registrable brands from other products and services.

¹¹ For example – Advisory Council on Intellectual Property (**ACIP**), *Review of the Innovation Patent Systems*, 2015; ACIP, *Review of the Designs System*, 2015, Australian Government Attorney-General's Department, *Online Copyright Enforcement*, 2014; IP Australia, *Patentable Subject Matter – Consultation on an Objects Clause and an Exclusion from Patentability*, 2013 (**Patentable Subject Matter Review**); Australian Law Reform Commission, *Copyright and the Digital Economy*, 2014 (**ALRC Copyright Review**); Australian Government Attorney-General's Department, *Revising the Scope of the Copyright Safe Harbour Scheme Consultation Paper*, 2011; IP Australia, *Getting the Balance Right: Towards a Stronger and More Efficient IP Rights System 2009*;

¹² Patentable Subject Matter Review.

¹³ *D'Arcy v Myriad Genetics Inc.* [2015] HCA 35.

¹⁴ *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 15 (10 November 2014).

In contrast:

- Some definitions in the *Copyright Act 1968 (Cth)*¹⁵, the closed list of fair dealing exceptions to copyright infringement¹⁶ and certain express provisions¹⁷ suggest that our current copyright system is not agile, or readily adaptable to technological changes (without legislative reform).
- As discussed in section 2.1 above, Australia's failure to adequately recognise and protect databases and compilations undermines the commercial investment and employment opportunities enabled by these works, and is out of step with international recognition of database rights.

Different levels of innovation

In our view an IP system should be adaptable and flexible in recognising and supporting different levels and phases of innovation. For example, some technologies warrant substantial innovation investment, research and IP outcomes, while others are better incentivised and rewarded by more expedient regimes (such as an innovation patent registration, as discussed in section 3.2 below).

2.4 Accountability

We agree with the PC that as IP impacts much of the economy and society, the effects of any policy change is likely to be systemic. Changes to Australia's IP system are likely to impact the balance of rights and stakeholder interests and engagement with innovation and IP. We therefore strongly support broad, public consultation and transparency in decisions relating to evaluation and changes to Australia's IP laws and regulations, including when negotiating IP issues in international agreements.

In recent years, there have been difficulties for some countries (including Australia) when negotiating international agreements. These difficulties include facilitating open public discussion about the *specific* issues being negotiated, or releasing the draft agreement text for review and comment by Australian stakeholders.

Parties negotiating IP Chapters in international agreements don't appear to address the issue of transparency equitably. We understand that some negotiating parties are permitted to discuss the specific agreement text with their domestic stakeholders (subject to appropriate confidentiality arrangements) while other negotiating parties are not. Without knowing or understanding the issues or how those issues are dealt with in the text of a proposed trade agreement, it is very difficult for Australian stakeholders to assess their potential commercial impacts, or to make meaningful submissions to assist their negotiators. This places Australian negotiators and stakeholders, at a disadvantage.

Once the text of an international agreement is settled in confidential negotiations, it can be very difficult (if not impossible) for any changes to be made. This means that problems with an IP Chapter that could easily have been addressed during negotiations become 'locked in'.

¹⁵ For example: (1) *Technological protection measures* - the geographical market segmentation exception applies only to non-infringing copies of a work or other subject matter 'acquired outside Australia', with the implication that the exception applies to physical products, rather than digital works. This leaves the scope and application of the anti-circumvention provisions with respect to works, and other subject-matter, made available online unclear. (2) *Broadcast* - the definition of broadcast is limited to a communication to the public delivered by a broadcasting service within the meaning of the *Broadcasting Services Act 1992*. This means that broadcast copyright is not available to online streaming, including live streaming.

¹⁶ Discussed in more detail in section 4.5 of this submission.

¹⁷ For example: (1) s47C (Back-up of computer programs) – noting that it is limited to computer programs and there is no general exception for back-up for other copyright works or other subject matter; (2) section 135ZZJA - excludes from the statutory retransmission licence, the retransmission of free to air broadcasts by certain means, including online retransmission; and (3) s42 (Fair dealing exception for news reporting) – is limited to reporting of news "in a newspaper, magazine or similar periodical and a sufficient acknowledgement of the work is made" or it is for the "purpose of, or is associated with, the reporting of news by means of a communication or in a cinematograph film".

3 Patents

3.1 Efficiency of the Patent System

Telstra believes that Australia's patent system is operating effectively, efficiently and flexibly to provide appropriate incentives and rewards for innovation and protect outputs.

The efficiency of specific aspects of the patent system have been addressed in a wide range of public consultations, culminating in the *Raising the Bar*¹⁸ reforms. These reforms include raising the standard of:

- 'inventive step' – to remove restrictions on the information and background knowledge which must be taken into account when assessing whether an invention is sufficiently inventive to justify a patent grant;
- usefulness;
- disclosure – to ensure that granted patents are no broader than the invention which they disclose; and
- validity – to expand the grounds which the Commissioner may apply when granting or revoking a patent (after re-examination).

The reforms also included refinements to patent opposition proceedings designed to streamline the administrative process.

While that legislation has only been in force for a limited period, Telstra's experience is that it is achieving its intended outcomes.

In addition, the streamlined single patent application and examination processes for Australia and New Zealand that will result from implementation of the *Intellectual Property Laws Amendment Act 2015* are expected to increase efficiency and eliminate red tape for users of the patent system.

3.2 Innovation Patents

We support retention of Australia's innovation patent system, as an important part of the IP system and innovation ecosystem. These patents stimulate innovation, particularly among Australian small-to-medium enterprises ('SMEs') and encourage incremental, temporal and first-tier innovation.

We do not support ACIP's recent statement¹⁹ that the Government should consider abolishing the innovation patent system.

We understand that ACIP's recommendation is based on an IP Australia research paper called '*The Economic Impact of Innovation Patents*²⁰'. While that paper provides important insights into the innovation patent system, we do not agree that the findings necessitate a conclusion that the innovation patent system should be abolished. We consider that the results suggest that the system could be improved.

¹⁸ *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth).

¹⁹ Statement by the Advisory Council on Intellectual Property (ACIP) regarding the Innovation Patent System, May 2015. Refer to link on <http://www.ipaustralia.gov.au/about-us/news-media-and-events/latest-news-listing/Media-Statement-on-Innovation-Patent-and-ACIP-recommendation>

²⁰ IP Australia Economic Research Paper 05 - http://www.ipaustralia.gov.au/uploaded-files/reports/Economic_impact_of_innovation_patents_-_Report.pdf

We believe it is important that all levels of innovation are encouraged, to create a national culture of innovation²¹. With rapid growth in new technologies, including digital technologies, Australia's IP system should have the flexibility and agility to encourage and support different levels of innovation. Some innovations warrant long term research and funding investment, while others warrant a more expedient approach and IP outcome.

It is also important to recognise that innovation is undertaken by vastly different types and size of organisations (and individuals) across a diverse range industries and subject matters. There is no 'one size fits all' approach for innovation, and Australia's current IP system is uniquely placed to encourage, reward and protect a diverse range of innovation outcomes.

We believe that rather than asking whether the innovation patent system should be abolished, the discussion should instead focus on *why* the system may not function in an optimal way. The following suggestions should be considered to further stimulate innovation and support the improved operation of the innovation patent system.

The Innovation threshold should be raised

We support raising the threshold for an innovation patent to a more demanding level, but one which is below the 'inventive step' threshold required for the grant of a standard patent.

If the relevant invention makes a substantial contribution to the working of the prior art, then the innovation threshold should be satisfied. It should be clear that this assessment involves a comparison of the invention against the prior art, and an assessment of the merit of its contribution. This test appears to be what was originally intended by the current 'innovative step' threshold. However, following the Federal Court decision in the *Delnorth*²² case, the effectiveness of the threshold has been diluted.

Education should be improved

We support additional education and awareness programs targeted particularly at SMEs and individual inventors, to help them understand and engage with the innovation patent system. One way to achieve this would be for the Government and IP Australia to continue to engage with the growing incubator and accelerator community, to raise awareness of Australia's IP system generally including standard patent and innovation patent opportunities.

4 Copyright

4.1 Term of Copyright

Telstra does not support any further extension to the current term of copyright protection. In our view, the life of the author + 70 years provides a very high level of incentive and reward for copyright owners and rights holders (particularly in relation to software).

Any extension of the current term would negatively impact the balance copyright seeks to achieve, by restricting community access to and use of information and knowledge, without providing any further incentives for the creation of new works. A further extension to the term of copyright would also reduce the incentive to create new or derivative works, and to adapt existing works, and risks diminishing overall creative output.

²¹ Refer to our comments in [2.3](#)

²² *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd* [2009] FCAFC 81.

4.2 Moral Rights and Acknowledging and Respecting Authorship and Creation

As mentioned in section 2 above, the ALRC has identified several principles for any copyright reforms, including a principle acknowledging and respecting the rights of authors, artists and other creators. We support this principle and the doctrine of moral rights. Moral rights do not duplicate protections provided elsewhere including misleading and deceptive conduct.

4.3 Efficient and Effective Enforcement of Copyright

Authorisation of Copyright Infringement

The Issues Paper notes that rights holders have increasingly demanded that ISPs take responsibility for copyright infringement over their networks. Part of the genesis of this demand is an argument that in the digital era, efficient and effective enforcement of copyright requires the extended liability of ISPs, or the extension of authorisation liability. We disagree with this proposition. We do not support any change to the law of authorisation liability, including any change to reverse the High Court's decision in the *iiNet*²³ case.

We don't accept that current authorisation law in Australia is inconsistent with international obligations under various free trade agreements, including with the United States, South Korea and Singapore. It is particularly notable that those countries are under *reciprocal* obligations, but none have been required to amend their authorisation liability legislation in order to comply with the free trade agreements with Australia.

Australian copyright law already complies with the requirement to provide legal incentives for service providers to cooperate with copyright owners, in deterring the unauthorised storage and transmission of copyrighted materials. Such incentives have been implemented by way of the safe harbour provisions, which closely reflect the equivalent provisions under the US *Digital Millennium Copyright Act of 1998*.

The requirement to provide legal incentives for service providers does not require extending liability of service providers for authorisation of infringements beyond the current authorisation liability, and beyond secondary liability in similar jurisdictions (as outlined above).

To achieve the efficient and effective enforcement of copyright, we support a multi-pronged approach which includes:

- education about the importance of IP, and respect for IP laws;
- innovative delivery and availability of content, at attractive prices and in a convenient and timely manner;
- effective enforcement mechanisms (such as the current draft Copyright Notice Scheme Code and recent amendments to introduce s115A into the *Copyright Act 1968* to enable Federal Court oversight of overseas website blocking); and
- a safe harbour for online service providers.

In our view, this approach offers a balanced incentive for all stakeholders to participate in, and to work co-operatively, to reduce online copyright infringement in Australia.

Exceptions to Copyright Infringement (Fair Use)

²³ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) CLR 42.

To improve the efficiency and effectiveness of Australia's copyright system, we support the introduction of a principles-based fair use exception to copyright infringement, to replace the existing specific fair dealing exceptions.

We believe that a principles based fair use exception is prospective, flexible and adaptive to new technologies and uses. It would provide all stakeholders with a framework for considering specific known and future unknown ways of using copyright works. In contrast, the current list of exceptions, including fair dealings, are 'closed' and have a narrow 'patchwork' application to circumstances existing at the time an exception was introduced. The current framework of exceptions requires ongoing and incremental legislative change.

With the digital economy driving rapid changes in technology, devices and communication, without a more flexible principles-based approach, exceptions to copyright infringement will become redundant, which in turn will significantly disrupt the balance that copyright law seeks to preserve.

By supporting fair use, we do not in any way condone 'free riding' – the essential question which remains to be answered is whether the use of the relevant copyright material will in fact be 'fair'.

'To say that these additional third party uses should at least be considered under the fair use exception is not to say the uses would be fair. But copyright law that is conducive to new and innovative services and technologies should at least allow for the question of fairness to be asked'.²⁴

The principal argument advanced by opponents of a fair use exception is that its introduction will lead to uncertainty, characterised by increased litigation to establish precedent and guidance. We acknowledge these concerns (at least in the short term) in the same way that any new legislation takes time to 'bed down'. However the concept of 'fair' is not new to Australian copyright law, and is certainly not new in the US,²⁵ from which Australian stakeholders may take some guidance. Further, 'fairness' is part of our current fair dealing exceptions, which have themselves from time to time been the subject of litigation.²⁶ On balance we consider that the medium-long term benefits of a flexible and principles-based exception (particularly in a digital context) outweighs any short-term uncertainty.

Matters to be taken into account when considering fair use – *Fairness Factors and Illustrative Purposes*

We support the ALRC's recommendation²⁷ that a fair use exception should include a non-exhaustive list of 'fairness factors' to be considered when deciding if use of a copyright work is a *fair use*. Those fairness factors are:

- the purpose and character of the use;
- the nature of the copyright material used;
- the amount and substantiality of the part used; and
- the effect of the use upon the potential market for, or value of, the copyright material.

²⁴ ALRC Report 122, *Copyright & the Digital Economy* (November 2013), [7.42], p.182 at https://www.alrc.gov.au/sites/default/files/pdfs/publications/final_report_alrc_122_2nd_december_2013_.pdf

²⁵ Fair use has been part of US copyright law since 1976.

²⁶ *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99; *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417; *Thoroughvision Pty Ltd v Sky Channel Pty Ltd* [2005] FCA 1527; *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* (2010) 189 FCR 109; *National Rugby League Investments Pty Limited v Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012)

²⁷ ALRC Copyright Review, Final Report Recommendation 4–1.

An assessment of 'fairness' based on the above factors provides all stakeholders with a framework for considering specific known, and future unknown, ways of using copyright works. It also provides a framework for ensuring that the legitimate interests of copyright owners are not harmed and that the fair use exception is not misconstrued as 'free-riding'. While uses of copyright material may be considered under 'fair use' principles, the fundamental question which remains to be answered is whether use of the relevant copyright material will in fact be 'fair'.

We also support the ALRC's recommendation that a fair use exception should include a non-exhaustive list of 'illustrative uses', or purposes that may qualify as fair uses. Taking into account our existing fair dealing exceptions, we agree that those illustrative purposes should include:

- research or study;
- criticism or review;
- parody or satire;
- reporting news;
- professional advice
- quotation;
- non-commercial private use;
- incidental or technical use;
- library or and archive use;
- education;
- access for people with disability.

In particular, we support non-commercial private uses, and incidental and technical uses as essential to the ongoing efficient and effective operation of the copyright system, particularly in a digital context.

(a) *Non-Commercial Private Use*

The current law relating to copying for private and domestic use (including exceptions relating to format and time shifting) are complex and difficult to understand. They are also out of step with current and likely future customer expectations and practices.

We believe that non-commercial private use of legally acquired content, leveraging new technologies to access the content in a form, or at a time that is convenient for the customer, should be permitted on a broader, but fair, basis.

For example, there is an ever increasing range of digital devices – like smart phones, tablets, webcams, MP3 players, televisions, game consoles and GPS trackers - which enable and encourage customers to access and engage with content when, where and how the customer chooses. Copyright law must foster and stimulate this type of innovation, and must not seek to artificially restrict it. At the same time, it's important that copyright owners' works are legally accessed. The aim is to grow the market for legal digital content, to foster growth of new markets enabled by new technologies - so that everyone has access to more.

The private use of legally acquired content should be permitted, provided that it is 'fair' and non-commercial. The fairness factors will also require consideration of the effect of the use upon the potential market for, or value of, the copyright material' - a distinction must be drawn between a

commercial third party use (that damages the market for the copyright material) and consumer use that doesn't interfere with the copyright owner's market.

(b) *Incidental or technical use*

Incidental or technical uses (such as, caching, indexing, data deduplication, interoperability functions, etc.) should be specifically included as illustrative purposes, to recognise the ordinary operation of communications networks and to provide certainty to network operators.

Network uses relate to the performance and speed of a communications networks. For example, they improve the management of network issues (such as congestion) and the display and delivery of content.

Networks uses may cause multiple copies of works to be made and may be the result of a user action (e.g. when a user enters a search query and the search engine displays a cached version of the result); or the result of a machine action (e.g. an automated process to retrieve and store a webpage in anticipation of a user's access request). They occur nearly everywhere across a network, hardware and software. At a low level, they can take place within microprocessors, memory chips, disk drives, routers, and storage. At a higher level, they may occur in applications on files and other data objects.

These type of functions are not static, they will continue to evolve and change over time as technologies and networks develop and the interactions between networks, programs/applications, devices and user requirements grows.

We also support inclusion of a specific Illustrative Purpose relating to cloud computing.

(c) *Cloud Computing*

It is important that Australian copyright law enables the continued development of new technologies such as cloud computing, where a third party does nothing more than provide a digital locker service for its customer (which may be contrasted with the circumstances considered by the Full Federal Court in the *Optus TV Now case*²⁸).

Cloud computing services are an important (and natural) innovation in a digital context. They are an increasingly important and common means for users to receive, store and access content, including copyright material. Content is stored on remote servers and can be accessed through a variety of devices. These type of services also complement the community's interest in sustainable, secure and environmentally sympathetic data storage solutions.

We believe that Australian copyright law should be strengthened so that cloud service providers better understand what business models and technologies will infringe copyright, and copyright owners better understand what is permissible. Lack of certainty may impede the development and delivery of Australian cloud computing services. In particular, we support an express Illustrative Purpose for cloud computing.

If Fair Use is not enacted (new Fair Dealing Exceptions)

In its Final Report, the ALRC suggested that if fair use is not enacted, a new fair dealing provision should be introduced that would consolidate the existing fair dealing exceptions, and include fair dealings for certain new purposes. While Telstra supports the ALRC's fair use proposal, if fair use is not enacted then we would support the ALRC's alternative suggestion, which we believe is preferable to the current rigid exception framework. In particular we would support '*Non-Commercial Private Use*', '*Incidental or Technical Use*' and '*Cloud Computing*' as new purpose fair dealing exceptions.

4.4 Retransmission of Free to Air Broadcasts

²⁸ *National Rugby League Investments Pty Ltd v Singtel Optus* (2012) 201 FCR 147.

We support maintaining the current regulatory framework for retransmission of free-to-air broadcasts - that is, we support retention of the free-use exception for broadcast copyright and retention of the statutory licensing scheme for the underlying rights. In our view the current framework:

- facilitates choice for consumers;
- ensures rights holders are properly remunerated;
- improves access to free-to-air broadcasts, assisting consumers and broadcasters alike; and
- appears to be working – we are not aware of evidence that the current retransmission system is not working, or does not provide adequate remuneration for broadcasters.

Further, we support extending the statutory licensing scheme to retransmission over the Internet. In an era of media convergence, retransmission platforms should be treated in a technology-neutral way. We acknowledge that any such extension of the scheme ought to be implemented in a way which addresses the legitimate concerns of rights holders.

4.5 Safe Harbours

We support removing the reference to ‘Carriage Service Provider’ in the context of the safe harbour scheme and replacing it with a definition of ‘service provider’, being any person who engages in activities defined in sections 116AC to 116AF of the *Copyright Act 1968* (Cth).

Such an amendment recognises that a broad range of entities provide network access and online services, including web hosts, search engines and e-commerce intermediaries. It also provides certainty for the legitimate operations of these type of entities, supports the balance of interests which copyright law seeks to achieve, and aligns Australia’s safe harbour scheme with comparable international schemes. It is also consistent with Australia’s obligations under the Australia-US Free Trade Agreement.

5 Trade Marks

5.1 Effectiveness and Efficiency of the Trade Mark System

We believe that the trade mark system is generally operating effectively, efficiently and flexibly to protect brands and reputation, promote innovation (in branding, advertising and marketing practices) and enable consumers to confidentially differentiate products and services.

There are however two particular areas of trade mark law which we believe are unclear, creating uncertainty and reducing the effectiveness and efficiency of the Australian trade mark system.

Trade Mark Dilution

We are concerned that Australia’s trade mark system is not working effectively and efficiently to protect innovation and investment in ‘well-known’ marks.

In some circumstances, the owners of ‘well-known’ marks appear to be ‘victims’ of their own brand and reputational success, in circumstances where a third party is seeking to use a similar mark. The fame of a mark is being cited as a reason why there is *no* likelihood of confusion between a well-known mark and a competitor mark²⁹. Such an analysis fails to recognise that a mark’s fame is the result of considerable innovation, investment, market goodwill and customer recognition.

²⁹ For example MALTESERS/MALTITOS CASE (*Delfi Chocolate Manufacturing S.A. v Mars Australia Pty Ltd [2015] FCA 1065*) the Federal Court found that the strong awareness of the MALTESERS mark meant that consumers would immediately be struck by the *differences* in the marks

It is unclear whether s120(3) of the *Trade Marks Act 1995 (Cth)* (and s18 and s29 of the *Competition and Consumer Act 2010* and the tort of passing off) are providing sufficient protection against the dilution of 'well-known' marks. Australian law is out of step with the EU and the US in this regard, both of which offer strong anti-dilution protection for well-known marks.

Online Use of Trade Marks

Greater clarity is needed with respect to online infringement of Australian trade marks, to ensure the ongoing effective and efficient operation of our trade mark system

It is currently not clear whether certain online uses of trade marks amount to infringement under the *Trade Marks Act 1995*. For example:

- *does use of a trade mark in a competitor's metadata amount to trade mark infringement?*
- *does the use of an Australian trade mark on an overseas website that is able to be accessed in Australia infringe an Australian trade mark?*

5.2 Reduction in Competition

We strongly disagree with the proposition that the registration of some trade marks (such as colours) potentially leads to a reduction in competition, or is an attempt to 'push the boundaries' in an inappropriate manner. The trade mark system includes a number of careful checks and balances to ensure that an owner is entitled to be granted, and continue to retain, registered trade mark rights. For example:

- **Registrability threshold (s41)** - sets out the grounds on which an application for registration of a trade mark must be rejected. The threshold set in s41 is high (it could be argued that it's too high when applied to non-word or logo marks, given the comparatively small number of these marks that have been successfully registered in Australia). If a trade mark is not inherently adapted to distinguish an applicant's goods or services, then the applicant will usually be asked to provide evidence of use of its mark, to demonstrate that the mark is *in fact* capable of distinguishing the applicant's goods or services.
- **Oppositions (Part 5 of the *Trade Marks Act 1995 (Cth)*)** – if a competitor is concerned with the acceptance of a mark, it can oppose the mark's registration, and then lead evidence as to why the applicant is not entitled to exclusive rights.
- **Removal for Non-Use (s92)** – any person may apply to the Registrar of Trade Marks seeking removal of a mark on the grounds that it has not been used as a trade mark with respects to the goods and/or services for which it is registered for a period of 3 years.
- **Honest concurrent use (s44)** – the Registrar may accept a mark for registration on the basis that there has been 'honest concurrent use' of that mark with a mark already on the Trade Marks Register.
- **Trade Mark Infringement (s120)** - requires that a mark must be used '*as a trade mark*'; (i.e. it won't be an infringement of a registered colour mark simply to use the colour, but rather, the colour must be used to distinguish one traders goods or services from those of another).
- **Defences to infringement (s122)** – include good faith use of a person's name, or a place of business, or to indicate kind, quality, quantity, intended purpose, value, geographical origin, or some other characteristic, of goods or services.

A trade mark owner spends time and money promoting its marked goods and services, and establishing a reputation in them. A competitor is free to offer competing goods and services, but will need to come up with its own distinguishing branding, driving further innovation.

5.3 Rectification Proceedings (s87)

In Australia, trade mark rectification proceedings must be brought via a court process. Telstra supports a cheaper and more expedient process, for example, an action before the Trade Marks Office, similar to that available in New Zealand.

6 Institutions involved in the allocation, administration and enforcement of IP

6.1 IP Australia

We generally support IP Australia's administration of industrial property rights (designs, patents, plant breeder's rights and trade marks) including its ongoing efforts to provide online services such as - electronic filing; upgrades to the searching database; a proposal for digital certificates; and the introduction of virtual hearings for trade marks. All of these measures add to the efficiency and effectiveness of the administration on industrial property rights.

IP Australia also performs an important role in providing educational materials to the community about IP generally and the administration of industrial property rights in particular. We appreciate the opportunities afforded by IP Australia to update and consult with the professions, individual filers, business and the broader community on Australia's IP system.

IP Australia's efforts to streamline the administration of industrial rights and to reduce costs are appreciated, however we would caution against artificially 'harmonising' practices in areas where there are clear distinctions, for example between trade marks and patents.

7 Enforcement

We are concerned by the complexity, expense and time delays of IP enforcement in Australia.

7.1 Specialist IP Court

The Federal Court has introduced a number of innovations (such as the recently announced draft Practice Note on the Intellectual Property National Practice Area)³⁰ to more effectively and efficiently streamline IP litigation. We support the Federal Court's efforts in this regard. However, we suggest that these innovations don't yet go far enough to reduce the cost and complexity of some IP proceedings.

Following experiences in recent large patent matters, we believe that Australia's IP system would be significantly enhanced by the establishment of a specialist IP court, similar to the UK IP Enterprise Court ('IPEC'), with specific expertise in IP matters and caps on monetary relief and cost awards.

The IPEC has a number of unique attributes which enables speedier and cheaper enforcement of IP. For example, the IPEC:

- comprises only specialist IP judges;
- hears all IP infringement claims (patents, designs, trade marks and copyright) and revocation claims where those are linked to an infringement claim subject to the following caps:

³⁰ <http://www.fedcourt.gov.au/law-and-practice/national-court-framework/practice-notes-consultation>

- has the power to award up to £500,000 on damages, but otherwise the full range of court orders (injunctions, declarations and the like) are available;
- has the power to award costs up to a £50,000 cap (this is hardly ever reached, with costs usually in the range of £30,000 to £40,000);
- only allows for a maximum of two days for hearings;
- includes active case management by judges³¹;
- has been used by both small and large corporations and individuals; and
- Trade mark and patent attorneys have standing to appear.

A specialised IP court in Australia would attract practitioners and judges with IP expertise. It would also represent a significant improvement on current IP enforcement.

7.2 Appointed Person

We support the introduction of an ‘Appointed Person’ to hear certain appeals from Trade Mark/Patent/Design Office decisions, similar to the provisions that currently operate in the UK.³²

Under this process, an appeal from certain decisions (e.g. refusal to register a trade mark, or an opposition), is available either to the relevant Court, or to the Appointed Person, at the option of the parties. The Appointed Person would be a senior lawyer (e.g. an experienced IP barrister) who is an expert in IP law and their decision would be final.

While there are pros and cons with such a scheme (e.g. in the UK the decision of an Appointed Person is final and cannot be appealed), such a scheme would provide a quick and cheaper appeal option, as an alternative to a Federal Court appeal.

7.3 Oppositions

We support a review of the current scales of costs for opposition proceedings (particularly trade mark and patent oppositions). The current scales of costs are very low and out of proportion with the standard of evidence required to support or defend oppositions.

7.4 The Role Expected of ISPs

We refer to our general comments in section 4.3 above and also to our detailed submission to the Attorney General’s Department Discussion Paper ‘*Online Copyright Infringement*’, September 2014³³.

³¹ Parties must attend the first hearing with details of their case, and the Appointed Person will issue directions as to number of witness statements, number of witnesses to be cross examined. There are strict deadlines for filing evidence, submissions and the like.

³³ Telstra’s submission to the Attorney General’s Department Discussion Paper, ‘*Online Copyright Infringement*’, September 2014 - <http://www.ag.gov.au/Consultations/Documents/OnlineCopyrightInfringement/OnlineCopyrightInfringement-TelstraResponse.pdf>

We acknowledge that online copyright infringement is a serious issue and that all ISPs have a role to play in assisting rights holders to enforce their copyright. The challenge lies in finding a workable solution that is fair, respects consumer rights and privacy, balances the interests of all stakeholders and is cost effective.

We do not, however, believe that ISPs should be responsible for the costs associated with that enforcement. An IP rights holder must bear the cost of enforcing its own property rights. A general principle of IP enforcement across copyright, patents, trade marks, designs, etc. is that the IP owner bears the costs of enforcing their rights. The costs of any enforcement process may be recoverable from an infringer, following a successful enforcement action. A rights holder is the sole beneficiary of an enforcement action by way of a reduction in infringement and an uplift in its royalty revenues.

Telstra aims to ensure that our customer's rights are respected and protected, including privacy and natural justice. It is not the role of ISPs, in the absence of a decision by a Court or appropriate independent forum, to decide IP disputes between our customers and third parties, or to unilaterally impose sanctions.

8 International Obligations

8.1 Harmonised IP Protection

International obligations require Australia to maintain a prescribed level of IP rights protection. Harmonised IP protection facilitates global trade, and IP owners are reluctant to invest in jurisdictions that do not provide adequate protection or respect IP rights.

Refer to our comments in section [2.1](#) on incentives offered by some of Australia's trading partners to attract R&D and IP investment. Telstra strongly supports Australia offering similar incentives to ensure that we remain competitive in the global innovation and IP marketplace.

8.2 International Agreements relating to IP

As discussed above in section [2.5](#), we are concerned with the lack of transparency and meaningful consultation (with knowledge of the text) in the negotiation of IP Chapters in international agreements. Recent examples include the Anti-Counterfeiting Trade Agreement (ACTA) – the text of which was released very late to Australian stakeholders, just prior to final agreement - and the Trans-Pacific Partnership Agreement (TPPA) – the text was not released to Australian stakeholders until after final agreement.