



**Australian Government**  
**Attorney-General's Department**

**Office of International Law**

09/11662

4 June 2009

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**Advice on whether adopting a suggested legislative model to limit the parallel importation of books would contravene Australia's international legal obligations.**

Thank you for your request for advice of 7 May 2009 regarding the international law implications of a submission received by the Productivity Commission as part of its review of Australia's parallel importation laws.

**Question and our short answer**

**Q.** In the context of a broader review of Australia's parallel importation laws, you ask whether the reform proposal from Readings and Gleebooks would contravene Australia's obligations under the *Australia-United States Free Trade Agreement*<sup>1</sup> ('AUSFTA'), or the *Berne Convention for the Protection of Literary and Artistic Works*<sup>2</sup> ('Berne Convention').

**A.** The proposal appears to fall outside of Article 6 of the *Agreement on Trade-Related Aspects of Intellectual Property Rights*<sup>3</sup> ('TRIPS'), and as such is unlikely to be consistent either with AUSFTA or the Berne Convention

**Background**

2. You have asked us to consider an excerpt from the relevant submission of Readings and Gleebooks; two Australian booksellers. They have proposed five rules which, if implemented, would provide protection for what they characterise as 'Australian versions' of books.

3. The five rules proposed in this submission are as follows:

1. Copyright is established by the publication of an Australian edition of the work (*Australian version means a version a work or a published edition of a work published in Australia by the owner of the copyright in the work or in the published edition of the work pursuant to a contractual arrangement for the publication of copies of the version in Australia.*) Copyright may be established at any time.
2. Until publication of an Australian version, any legal edition of a work may be imported.

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<sup>1</sup> Australia-US Free Trade Agreement [2005] ATS 1.

<sup>2</sup> Berne Convention for the Protection of Literary and Artistic Works, Paris Act [1978] ATS 5.

<sup>3</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights [1995] ATS 38.

3. If the “Australian Version” of a title is unavailable for any reason, any legal edition may be imported until the “Australian Version” is available again.
4. A competing edition of the “Australian Version” may be imported at the request of a customer in a reasonable quantity (multiple copies may be imported for book clubs, libraries etc.)
5. A bookseller may in their catalogues or website list alternative editions; in the case of alternative editions of books with an “Australian Version”, these must not be stocked by a bookseller.

4. The first proposed rule (Rule 1) is a statement of the general copyright principle; that is, when a printed version of a book comes into existence, copyright is established in the publication (assuming a legal right to publish).

5. Rule 2 provides that any overseas editions of a book may be imported until an Australian version is published. We assume also that a ‘legal edition’ of a book means a legitimately published copy.

6. Rule 3 provides an exception to rule 2, whereby an overseas edition of a book may be imported where there is no supply of the Australian version of that book.

7. Rule 4, on our interpretation, provides that where a person wishes to import an overseas version of a book, a bookstore may do so, on their behalf, as long as the quantity imported is ‘reasonable’. Presumably, rules 2 and 3 would still need to be subject to some conditions of publication and availability and rule 4 would not be so open ended as to allow importation of multiple copies for sale (which would render rule 2 pointless).

8. Rule 5 permits booksellers to include overseas versions of Australian books in their catalogues. However, these books may not be held in stock and can only be imported and sold in accordance with rules 2 to 4. We assume the reference to ‘stocking’ in point 5 implies a restriction on the import of those books, rather than a restriction on bookstores physically holding the book in stock.

## Reasons

9. Parallel importation occurs where a good protected by intellectual property rights is legally imported into Australia, after the product has been legitimately placed on the market in another country.<sup>4</sup> Australia’s obligations in relation to goods are set out under the *General Agreement on Tariffs and Trade*<sup>5</sup> (‘GATT’). Article XI of the GATT relevantly provides:

### General elimination of quantitative restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.

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<sup>4</sup> Correa, Carlos *Trade Related Aspects of Intellectual Property Rights* 2007 at 78.

<sup>5</sup> General Agreement on Tariffs and Trade.

10. This general restriction on border measures ‘other than duties, taxes or other charges’ would encompass the proposal to limit imports of ‘foreign-produced’ books. There are a number of exceptions to this provision, in particular Article XX(d), which includes an exception for copyright measures. In the present case, however, there are more specific obligations set out in the TRIPS agreement. The TRIPS Agreement incorporates the Berne Convention and sets out a basic framework for intellectual property rights. Article 6 of TRIPS contains an exception for the exhaustion of intellectual property rights. Article 6 provides:

#### Exhaustion

For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

11. The ‘exhaustion’ of intellectual property rights refers to the expiry of copyright within each country. During the negotiations over this Article, there was considerable discussion concerning whether exhaustion should apply on a national basis (ie. in each country) or an international basis (that is, copyright being exhausted after first publication anywhere in the world).<sup>6</sup>

12. In the end, the Member States could not reach agreement and it was decided that matters of exhaustion would be left to the individual Member States to determine. They could allow parallel importation or not within the general constraints of the TRIPS provisions on ‘National Treatment’ (Article 3) and ‘Most Favoured Nation’ (Article 4). These principles require nations to afford no less favourable treatment in trade of intellectual property to nationals of other member countries than nationals of their own countries,<sup>7</sup> and not to discriminate between their trading partners.

13. Within the context of Article 6 of TRIPS, the national treatment and most favoured nation obligations require foreign persons and Australian persons to be treated alike when it comes to the protection offered them. For example, one could not prevent parallel importation of works authored by Australian persons at the same time as allowing parallel importation of works authored by foreign authors without this being a breach of national treatment. Similarly allowing an Australian publisher to parallel import but not a foreign publisher would also offend national treatment.

14. The proposal also removes the ability of some authors to enjoy exclusive distribution of their works in Australia, where these have not been published in Australia. In affording protection only to books published in Australia, the proposal would undermine a copyright holder’s right to exclusive distribution of books that are imported, but not physically published in Australia. Preference is given to Australian-published books, irrespective of any factor other than their country of publication and this will offend national treatment.

#### AUSFTA

15. Footnote 17-46 to Article 17.4.2 (Intellectual Property Rights) of AUSFTA provides:

Nothing in this Agreement shall affect a Party’s right to determine the conditions, if any, under which the exhaustion of this right applies after the first sale or other transfer of ownership of the

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<sup>6</sup> Gervais, Daniel *The TRIPS Agreement: Drafting History and Analysis* Sweet & Maxwell 1998 at [2.40].

<sup>7</sup> Nuno Pires de Carvalho *The TRIPS regime of trademarks and designs* Kluwer Law International, 2006 at [4.2].

original or a copy of their works, performances, or phonograms with the authorisation of the right holder.

16. The footnote recognises that nothing in AUSFTA presents a Party to that agreement from either allowing or preventing parallel importation. However, AUSFTA does contain more general obligations to accord national treatment. Accordingly, as with Article 6 of TRIPS, a proposal to discriminate in favour of Australian publishers over foreign publishers would offend this principle.

#### The Berne Convention

17. Similar issues arise under the Berne Convention. Article 5(1) of the Berne Convention provides that '[a]uthors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.' Discrimination that was based solely on nationality would not meet the requirements of this article. For example, one could not prevent parallel importation of works authored by Australian persons at the same time as allowing parallel importation of works authored by foreign authors without this being a breach of national treatment.

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