

# Submission to the Intellectual Property & Competition Review Committee with Reference to the Interim Report Released April 2000

I make the following submissions (page references are to the printed version of the Interim Report):

1. (Page 8) It is true that neither TRIPs nor the 1996 WIPO Copyright and Performances and Phonograms Treaties directly address the issue of parallel importation. However, the Berne Convention *does* address the issue for films in Article 14:

"Authors of literary or artistic works shall have the exclusive right of authorising ... the cinematographic adaptation and reproduction of these works, and the distribution of the works thus adapted or reproduced ...".

Clearly any proposed reform of parallel imports in relation to the motion picture and video games industries needs to take account of Australia's obligations under the Berne Convention generally and Article 14 in particular.

2. (Page 12) It is said in relation to the USA that in the *Quality King* case the US Supreme Court distinguished copyright in things associated with goods (eg labels and packages) from those of the goods themselves (eg compact discs or books).

This is incorrect. The US Supreme Court in applying the "first sale" doctrine made no such distinction. There is nothing in the Court's judgment or in the concurring judgment of Ginsberg J which justifies any such limitation on the ramifications of the decision:

"The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution. As we have recognised, the codification of that doctrine in section 109(a) makes it clear that the doctrine applies only to copies that are 'lawfully made' under this title ..." (*Quality King v L'Anza* (1998 40 IPR 307 @ 315).

The key limitation on the otherwise potentially wide-ranging consequence of this decision is that it appears to apply only to goods lawfully made in the US which are then exported and subsequently reimported, ie. goods to "round trip" (see judgment of Ginsberg J.).

However, there is no justification for the conclusion in the Interim Report that the *Quality King* decision applies only to copyright in subsidiary materials attached to products, nor does it mean that the situation in the USA is similar to that in Australia for copyright in subsidiary materials attached to products.

3. (Page 12) In describing the position in the European Union, it is said that there are no European Court of Justice cases outside the realm of trade marks at this stage, but that such round trip cases are surely commercially insignificant the position remains that copyright *can* be used to block parallel imports (but not *reimports*) into the USA.

"... [i]t is possible that the community exhaustion rule will be adopted for all forms of intellectual property."

This is misleading. The European Court of Justice has confirmed the community-wide exhaustion principle in relation to both goods and indeed services. (Llewelyn, "Parallel Imports & Intellectual Property Law in the European Union: Recent Developments" (1999) 10 AIPJ 57 @ 59).

It is correct that the issue of international (as opposed to community-wide) exhaustion has **not** been clearly decided, and that though some European member states have applied the principle of international exhaustion so that the first sale anywhere in the world by the right-owner or with their consent exhausts the national rights associated with that product, others allow for infringement actions in such a case (Llewelyn, op.cit.)

The European Commission proposes to eliminate differences between member states as to the exhaustion of the distribution right is that that right should be exhausted within the EU with the first sale or other transfer of ownership within the EU of their original of works or tangible copies of works by the right holder or with their consent (ie "community exhaustion") ("Copyright & Related Rights in the Information Society – Proposal for Directive/Background" 10 December 1997, [http://europa.eu.int/comm/internal\\_market/en/intprop/intprop/1100.htm](http://europa.eu.int/comm/internal_market/en/intprop/intprop/1100.htm)).