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Mr George Wardle
Ministry of Economic Development
trademarks@med.govt.nz

Ms Jennifer Troup
Ministry of Foreign Affairs and Trade
jennifer.troup@mfat.govt.nz

The Anti-Counterfeiting Trade Agreement: Enforcement Measures in the Digital Environment

Google appreciates the opportunity to provide comments in relation to New Zealand's participation in the negotiation of the Anti-Counterfeiting Trade Agreement (ACTA) and any provisions relating to "enforcement measures in the digital environment."¹

As a provider of online services (see the Annexure for more about Google), we are providing comments particularly in relation to enforcement in the digital environment with a focus on copyright policy.² Our comments canvas issues such as Internet Service Provider (ISP - both Internet access providers and providers of online services) liability for the acts of users; as well as important exceptions and limitations that allow ISPs to operate their technical services.

We would be pleased to elaborate on or discuss any of these comments further with you.

1. Introduction

The possibilities for New Zealand's economic growth and social connectedness, particularly in light of the Government's investment in ultrafast broadband, are exciting. The online environment enables New Zealand citizens to fully engage in the global digital economy and New Zealand businesses are able to more effectively compete on the world stage.

The online environment is also providing a platform for innovative new content services. The Internet is democratising creativity, enabling new business models that benefit content creators, and dramatically expanding legitimate access to content. Google is committed to helping rightsholders (RHs) unlock value in their materials in the online environment.³

¹ Ministry of Economic Development and Ministry of Foreign Affairs and Trade presentation, December 2009, available at <http://www.med.govt.nz/upload/71087/ACTA-presentation.pdf>.

² In the absence of a public text to comment on, we have chosen to limit our focus to copyright here; however, if other substantive aspects of trademark or other intellectual property laws are implicated by ACTA, we would of course also appreciate the opportunity to comment on those as well.

³ For example, YouTube has many thousands of content partners, and we provide ways for copyright holders to monetise and control use of their content. See: <http://www.youtube.com/partners> and



In order for New Zealanders to fully take advantage of the online environment, it is important to establish balanced intellectual property laws. Robust enforcement to protect the interests of RHs is important. Robust exceptions and limitations to protect the interests of technology innovators and citizens are also critical, coequal parts of the copyright framework. While inadequate copyright protections can reduce incentives to create, excessive protections can stifle creativity, choke innovation and impoverish culture.

2. Overarching comments on the ACTA

Google is not opposed to coordinated international action aimed squarely at actual counterfeiting. However, Google believes that the ACTA should not address substantive issues of intellectual property law, because that threatens to sweep far beyond large-scale counterfeiting in ways that harm legitimate activities. We are particularly concerned that the ACTA might undermine the carefully constructed balance in New Zealand's copyright law, putting at risk activities that currently fall within internationally and domestically recognised exceptions and limitations.

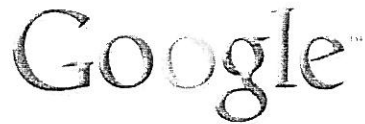
In this submission, we focus on two key points. First, while we commend New Zealand for its continued public consultation over the last two years, we reiterate that a 'behind closed doors' trade agreement remains a flawed process for addressing intellectual property policy issues, including those in the digital environment. Second, we outline a number of core concerns regarding copyright policy that we believe should be considered.

Before addressing these points, we offer a couple of general comments.

Based on public information, we understand that issues of substantive law are under consideration and that one of the goals of the ACTA is "harmonisation" of legal frameworks, including in relation to Internet issues. If trade negotiators pursue this path, it is important to recognise that "harmonisation" is a complex task. It cannot simply mean cutting and pasting a foreign legal concept into a trade agreement and, consequently, domestic law. Without careful and thorough consideration, "harmonisation" threatens to create substantial unintended consequences that may undermine the domestic legal framework. Indeed, given that (many) aspects of other countries' copyright laws are the subject of ongoing litigation and debate, it is unclear what it would mean to "import" those concepts into New Zealand's law.

Moreover, "harmonising" copyright enforcement cannot be done without also addressing relevant limitations on RHs' rights. The two cannot be divided. For example, a third-party copyright liability standard used in one country will have entirely different effects if applied in other countries, if those countries do not share similar safe harbours and other exceptions and limitations on that standard's application. It follows that adopting the third-party liability

http://www.youtube.com/t/content_management. See also our recent blogpost on the 'JK Wedding Entrance Dance' video to see how these tools can directly benefit both rightholders and users.
<http://googleblog.blogspot.com/2009/07/i-now-pronounce-you-monetized-youtube.html>.



standard of another country by itself would not create “harmonisation” at all. Rather, it would create divergences that undermine the balance that is fundamental to copyright.

3. Process and Transparency

Google notes and appreciates that the New Zealand Government is continuing to press for greater transparency in the ACTA negotiation process. Google strongly encourages the New Zealand Government to continue this effort, including pressing for the publication of, and meaningful consultation on, draft text to ensure full public consultation. As the New Zealand Government has identified, consultation with stakeholders is of utmost importance, particularly where the resulting agreement could potentially impact upon the daily business operations and private activities of many New Zealand citizens.

As the New Zealand Government points out, the ACTA may address issues that relate to innovation, productivity and economic prosperity, and of relevance are individuals’ civil rights, freedoms and liberties.⁴ New Zealand’s copyright law has an impact throughout society and the economy – not only on content creators, but also on citizens and technology innovators.

Given the significant impact that the ACTA could have, transparency is essential. The text of any proposals should be made public before any agreement is reached. The lack of openness in the ACTA negotiation process has severely impeded the public’s ability to offer constructive comments on the initiative, and to assess whether the ACTA represents good public policy.

Google appreciates that, before any concluded ACTA would be adopted locally, New Zealand would conduct a National Interest Analysis and that a Select Committee would consider the ACTA. However, we are concerned that the failure to have transparency before the ACTA text is concluded will render these steps ineffective. The ACTA text will at that stage be presented as a “take it or leave it” proposition, with no opportunity to seek amendments that are in New Zealand’s national interests. The proposed text of the ACTA should, therefore, be openly debated *before* the ACTA negotiations are concluded: transparency after the fact is illusory.

4. Core concerns regarding Internet issues

As stated above, Google believes that the ACTA should not address substantive issues of intellectual property law. That said, based on public information, we recognise that such issues, including in the “digital environment,” are under discussion, and we appreciate that the New Zealand Government has solicited input to inform its negotiating position.

On this basis, we outline below a number of potential concerns. Of course, our comments are based on only a limited understanding of the substance of the ACTA. In preparing this submission we have relied on the issues presented in New Zealand’s December 2009 briefing, as well as sources like the “European Union’s Comments to the US Proposal” (hereafter, “EU

⁴ Ministry of Economic Development and Ministry of Foreign Affairs and Trade presentation, December 2009.



comments”) document,⁵ which is not an officially-released document yet appears to be a reputable source. Google acknowledges that such sources may not be reliable reports of the detail of the ACTA negotiation process or the scope of the current negotiations. However, in the absence of available official statements, Google has decided to comment on these issues and would be pleased to be informed that any concerns raised in this submission are either not relevant to, or have already been addressed in the ACTA negotiations.

Third-party liability and online safe harbours

Google does not believe that third-party liability should be addressed in the ACTA, as the issue is outside the scope of an anti-counterfeiting, enforcement trade agreement. The request for comments suggests that third-party liability in the “digital environment” is under consideration in the ACTA, and, if the ACTA negotiations do wade into this area, Google submits that the New Zealand Government should ensure that it presses for a balanced approach.

First, the ACTA should not undermine New Zealand’s existing regime of limitations, exceptions, and safe harbours, including with respect to the Internet. New Zealand’s copyright law recognises the importance of limiting third-party liability and providing safe harbours for online intermediaries.⁶ These aspects of the law have been established as a result of careful consideration and extensive public consultation.

Limitations on third-party liability are essential to ensuring that New Zealand remains a place where online innovation, creativity and free expression can thrive. It is not an exaggeration to say that nearly all online innovation has relied on the existence of the safe harbours and appropriate limitations and exceptions to copyright in order to come into existence. If ISPs – including hosting platforms, search engines, and other online platform operators - faced potential liability whenever a user wrongfully exploited their services to infringe copyright, that would be unjust and impractical, and it would essentially give RHs a veto over innovation.

Second, if the ACTA does address third-party liability, it must also provide robust safeguards (including limitations, exceptions and safe harbours) for ISPs and others in relation to infringements by those using their services or products. Liability standards must not be considered separately from relevant limitations and exceptions.

In addition, any provisions for notice-and-takedown should be appropriately balanced and take into account the interests of all stakeholders. While many legal systems provide RHs ways to request the takedown of allegedly infringing material, checks and balances are necessary to protect lawful uses of copyright materials and to prevent abuse of the takedown process.⁷

⁵ <http://blog.die-linke.de/digitalelinke/wp-content/uploads/674b-09.pdf>.

⁶ Copyright Act 1994, sections 92B, 92C, 92D and 92E.

⁷ For example, through counternotices, as well as claims against senders of takedown notices who knowingly materially misrepresent that material is infringing. For a discussion and examples of erroneous takedowns, see, e.g., Jennifer Urban and Laura Quilter, ‘Efficient Process or “Chilling Effects”? Takedown Notices Under Section 512 of the Digital Millennium Copyright Act’, http://mylaw.usc.edu/documents/512Rep-ExecSum_out.pdf, May 2006; Marjorie Heins and Laura Quilter, ‘Intellectual Property and Free Speech in the Online World: How Educational



In the absence of draft text, it is unclear what the ACTA's impact may be. The EU Comments suggest that the ACTA might require standards of "contributory copyright liability" and "inducement liability." Such broad, vague terminology threatens to create new, sweeping liability under New Zealand's law.

New Zealand's request for comments states that the "ACTA is NOT About: Setting new intellectual property rights standards,"⁸ and we agree that this is a sensible line that should not be crossed.

However, in the event that these issues are in fact discussed, we believe it is essential to bear in mind that, as the EU Comments point out, there is no settled definition of these standards at an international level. It appears from the EU Comments that the terms may be based on US law, but that does not provide a clear guide either - because these standards are the subject of ongoing litigation and considerable debate in the US, it is difficult to discern what their impact would be on New Zealand. For example, the inducement theory of liability was only recognised directly by the US Supreme Court in the 2005 *Grokster* case.⁹ The import of the decision under US law remains unclear, as does its relationship to US statutory law. Thus, it is a mystery how such concepts could be clearly implemented through a trade agreement.

Also, if the ACTA intends to include these concepts from US law, it is unclear whether the ACTA would also include limitations and exceptions to these doctrines, and, if so, how those limitations and exceptions would be incorporated into New Zealand's law. For example, in the US, the Supreme Court established in *Sony v Universal* that "the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses."¹⁰ So, would a concept of "contributory liability" in the ACTA also encompass this limitation from US law? How would it apply to the Internet?

These are just some of the complexities and possible pitfalls that would come from addressing third-party liability in the ACTA and attempting to import foreign concepts into a trade agreement and consequently local law. It is important that New Zealand considers such issues and how they would affect the carefully achieved balance in its existing legal framework.

Institutions and Other Online Service Providers Are Coping with Cease and Desist Letters and Takedown Notices," <http://fepproject.org/policyreports/quilterheinsreport.pdf>, January 2007; "Letter to Google and YouTube from McCain/Palin 2008 campaign regarding takedown of political speech on YouTube," <http://www.eff.org/files/McCain%20YouTube%20copyright%20letter%2010.13.08.pdf>, October 13, 2008; "Viacom: Fair use is what we say it is", *Wired Blog Network*, <http://www.webmonkey.com/blog/Viacom: Fair Use Is What We Say It Is>, August 31, 2007; "Boy dupes YouTube to delete videos", *The Sydney Morning Herald*, April 14, 2007.

⁸ Ministry of Economic Development and Ministry of Foreign Affairs and Trade presentation, December 2009 (emphasis in original).

⁹ *MGM Studios, Inc. v. Grokster, Ltd.* 545 U.S. 913 (2005).

¹⁰ *Sony Corp of America v Universal City Studios Inc* 464 US 417, at 442 (1984).



Termination of Internet Access and Section 92A

Google commends the public, consultative process that the New Zealand Government has undertaken in deciding how to implement Section 92A and the proposed requirements for an Internet access provider's response to allegations of infringement through peer to peer file sharing.

This consultation process has led to important improvements in the process aimed at taking into account users' rights and due process. It has also highlighted that this is a delicate, complicated issue, with important interests at stake.

As such, it would be counterproductive for the ACTA to address this issue. This issue is better suited to open, consultative processes by individual countries, rather than a closed doors trade negotiation. In New Zealand's case, such a consultation is already underway, and that process should not be undermined by the ACTA.

If the ACTA were to address similar issues, we would ask New Zealand to consider the comments that we submitted for the Section 92A review in August 2009. As we said in those comments, Google believes that any remedy for infringement must be carefully considered and found to be proportionate to a proven act of infringement. In fact this was central to the findings of the court in the recent Australian decision in *iiNet*.¹¹

It is important to consider the possible chilling effect that overly-severe penalties can have on legitimate activities. In this context, the problem is compounded by the fact that there are numerous examples internationally of improper use and inaccuracy of copyright notices by RHs.¹²

Technology Mandates

Google submits that the ACTA should not encourage the imposition of technology mandates, such as the mandatory filtering of Internet access or services. In this regard, we appreciate the New Zealand Government's assurance that the ACTA is not about "enforcement agencies or ISPs filtering Internet traffic".¹³ These issues should not be included in the ACTA, whether cast explicitly as mandates or as encouragement for "voluntary" commitments.

Maintaining the Courts' Discretion, and Statutory Damages

Google believes that the ACTA should not encompass general matters of civil procedure. Courts should maintain their existing discretion, including with respect to the assessment of damages appropriate to a particular case of infringement. Google submits that it is imperative that RHs

¹¹ *Roadshow Films Pty Ltd & Ors v iiNet Limited (no.3)* [2010] FCA 24 at pp 121, 131 and 191 available at <http://www.austlii.edu.au/au/cases/cth/FCA/2010/24.html>

¹² See supra FN 7.

¹³ Ministry of Economic Development and Ministry of Foreign Affairs and Trade presentation, December 2009.

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should be required to prove loss, in order to recover damages, just as any other litigant must do (or appropriately establish remedies such as an account of profits). The New Zealand Government seems to appreciate this point, stating that the ACTA is not about “Lowering evidentiary standards.”¹⁴

Existing New Zealand copyright law does not have a provision for allowing copyright holders to seek “statutory damages” per infringed work, regardless of any finding of actual harm or benefit to the defendant. Google would be very concerned about moves towards the introduction of a statutory damages regime into New Zealand law and the removal of judges’ discretion. Given that copyright law is complex and contains many grey areas, the mere threat of disproportionate penalties can significantly hamper legitimate activity.

As a recent scholarly paper on the US statutory damages system explains:

“The United States is an outlier in the global copyright community in giving plaintiffs in copyright cases the ability to elect, at any time before final judgment, to receive an award of statutory damages, which can be granted in any amount between \$750 and \$150,000 per infringed work....

Awards of statutory damages are frequently arbitrary, inconsistent, unprincipled, and sometimes grossly excessive....

In the modern world in which the average person in her day-to-day life interacts with many copyrighted works in a way that may implicate copyright law, the dangers posed by the lack of meaningful constraints on statutory damage awards are acute.”¹⁵

As the article also points out, statutory damages are particularly problematic as applied to third-party liability and digital technologies, such as portable music players or online media hosting platforms. In those instances, the number of copyrighted works involved might be significantly large, and thus the potential damages can reach many billions of dollars. The harm here is not only to the well-intentioned technology providers who are actually sued - by hanging the threat of ruinous damages over every technology developer’s head, statutory damages can create a chilling effect on innovation.

These problems would be further exacerbated if the ACTA were to include statutory damages without also addressing relevant limitations and exceptions. In the US, statutory damages are counterbalanced by various limitations, including fair use. These limitations do not remedy the flaws in the US statutory damages scheme, but, if they were absent, it would threaten to cause even greater harm.

¹⁴ Ministry of Economic Development and Ministry of Foreign Affairs and Trade presentation, December 2009.

¹⁵ Pam Samuelson and Tara Wheatland, “Statutory Damages in Copyright Law: A Remedy in Need of Reform,” *William & Mary Law Review*, Vol. 51, p. 439, 2009, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1375604.



Technological Protection Measures

New Zealand has in place carefully constructed laws in relation to technological protection measures (TPMs). Appropriately, New Zealand's law focuses on devices or services that circumvent TPMs, if the circumvention is tied to actual acts of copyright infringement.

Based on the EU Comments, it appears that the ACTA may require prohibition of circumvention of access control TPMs, without regard to whether such circumvention is related to infringement in any way. Since such prohibitions are not connected to preventing infringement, they should not be addressed in ACTA. Moreover, anti-circumvention laws related to access control TPMs are often used in ways that hinder competition and innovation, as well as undermine the lawful use of content.¹⁶

5. Conclusion

Google commends the New Zealand Government for its commitment to open consultation on the ACTA.

We would be pleased to discuss any of the issues raised in this submission with you further, and respond to any queries you may have.

Kind regards

Ishtar Vij
Public Policy and Government Affairs
Google Australia and New Zealand

¹⁶ For example, the U.S. Digital Millennium Copyright Act's provisions related to access controls have been used in a number of instances to stifle legitimate activity. See EFF, "Unintended Consequences: Seven Years Under the DMCA," available at <http://www.eff.org/wp/unintended-consequences-seven-years-under-dmca>.



ANNEXURE

About Google

Google initially became familiar to most Internet users as the provider of the Google search engine and subsequently as the provider of email, instant messaging and specialised search and information services, including Google News, Google Maps and Google Finance. Google is also the provider of the well known YouTube service, a platform for people to watch and share original videos through a web experience, which includes video content from New Zealand users featured on youtube.co.nz.

Google's breakthrough technology and continued innovation serve its mission of 'organising the world's information and making it universally accessible and useful'. Google's business model has focused on what is known as the 'long tail' of the Internet – the millions of individuals and small businesses that cater to niche interests and markets. Google's services endeavour to democratise the means of accessing, creating and communicating information across local, national and global boundaries.

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