



ISSUE BRIEF

Analysis of the Final Trans-Pacific Partnership Agreement Text on Intellectual Property: Mixed Results¹

On October 5, 2015, the 12 trade ministers of the Trans-Pacific Partnership Agreement (TPP) negotiating parties (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States) announced that they had come to an agreement on the large regional trade agreement that had been under negotiations for the past five years.

While the agreement has been criticized for a number of reasons, it is important to recognize the areas where the agreement has improved from the initial proposals made by the United States in February 2011. Civil society, technology companies, academics, and library associations—including the Association of Research Libraries—have participated throughout the negotiating process to improve the language of the final text and many of these efforts are reflected in the agreement.

Of course, one of the main points of criticism regarding the TPP was the lack of transparency in the negotiating process; substantive debate, criticism, and proposed alternatives may not have been possible without the various leaks of the intellectual property chapter throughout the course of the negotiations. It is worth noting that the agreement was signed by the trade ministers of the 12 negotiating parties in Atlanta, Georgia, without a single official release of any chapter of the TPP. When international agreements are negotiated in multilateral fora such as at the World Intellectual Property Organization (WIPO), the negotiations are much more transparent and stakeholders have the opportunity to view and substantively comment on the proposals, though there were several leaks of the intellectual property chapter over the course of negotiations. USTR released the final text of the entire TPP in November 2015 and the [final text of the intellectual property chapter can be found here](#).

Improvements in the Text

The final text of the TPP saw improvement in several areas, including the removal of certain provisions.

¹ Prepared by Krista L. Cox, director of public policy initiatives, Association of Research Libraries, on October 14, 2015 based on WikiLeaks' release of a [leaked copy of the final agreement's intellectual property chapter](#); updated January 12, 2015 to reflect the language of the official release of the text.

Removal of the Ban on Parallel Importation

The initial leaked proposal by the United States included a ban on parallel importation, granting authors “the right to authorize or prohibit the importation into that Party’s territory of copies of the work, performance or phonogram made without authorization, or made outside the Party’s territory with the authorization of the author, performer, or producer of the phonogram.” This proposal would have prohibited parallel importation, limiting the application of the first-sale doctrine to authorized copies made within the Party’s territory. Thus, a legitimate copy made in another country could not be sold in the United States without the author’s consent.

This proposal was controversial at the time it was introduced as other negotiating parties strongly rely on parallel importation of works. Additionally, during this time a high-profile court case, *Kirtsaeng v. John Wiley & Sons*, involving this very issue was making its way through the court system ultimately ending up before the Supreme Court of the United States. In that case, an individual purchased lawfully made textbooks in Thailand, where they were less expensive, and resold them in the United States.

In March 2013, the Supreme Court ruled that the first-sale doctrine applies to lawful copies regardless of their place of manufacture. This ruling clarified that United States law does indeed allow for parallel importation, thus conflicting with the US proposal. Despite this ruling, it took many months and several negotiating rounds for the United States to remove its language banning parallel importation. Ultimately, though, this prohibition was removed and is not in the final text of the agreement.

Removal of Language on Temporary Reproductions

Another area of controversy surrounding the proposal by the United States tabled in February 2011 centered around language granting authors the right to authorize or prohibit reproductions “in any manner or form, permanent or temporary (including temporary storage in electronic form).” Many criticized the inclusion of temporary reproductions, particularly the clarification that this applied to “temporary storage in electronic form” as potentially prohibiting the temporary copies that are constantly made by a computer to read e-mails, store documents, access content, etc. Reference to “temporary reproductions” and “temporary storage in electronic form” is not in the final text, another helpful improvement in the text.

Removal of the Ban on Formalities

The October 2014 leak of the IP chapter, which reflected the state of negotiations as of May 2014, revealed that parties had agreed to new language banning formalities that did not appear in prior leaks. The Association of Research Libraries [criticized this development](#), noting:

This language could be problematic if the United States, or other TPP parties, wanted to re-introduce formalities for copyright protections granted that go beyond minimum international standards. Register of Copyrights Maria Pallante,

for example, proposed the re-introduction of formalities for the last twenty years of copyright protection in the United States. If adopted, such a proposal would violate the TPP and subject the United States to investor-state dispute settlement, under which a corporation could sue the United States government for failure to comply with the TPP.

However, the August 2015 leak, reflecting the state of negotiations as of May 2015, as well as the final text show that the text banning formalities was ultimately removed. The removal of this language was a welcome improvement, preserving the ability to re-introduce formalities for protections granted under the TPP that go beyond minimum international standards set by the Berne Convention or Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).

Improvements on Technological Protection Measures

The initial proposal by the United States on technological protection measures (TPMs) included detailed language, including a closed-list set of limitations and exceptions to the anti-circumvention rules that do not permit the breaking of “digital locks.” In addition to the very limited set of exceptions, the proposal would have allowed countries to use a three-year rulemaking process, modeled after the Digital Millennium Copyright Act (DMCA) 1201 rulemaking process, to create additional limitations and exceptions subject to a “substantial evidence” burden. This proposal would not have permitted new permanent limitations and exceptions to the anti-circumvention rules and was heavily criticized, particularly as certain events, such as the refusal by the Register of Copyrights to renew an exemption in 2012 to allow for the unlocking of cell phones, highlighted the absurdity of the process.

The 2014 leak and the final text of the agreement reveal that parties have removed the closed list of limitations and exceptions as well as the rulemaking process. Instead, the text allows parties to provide for limitations and exceptions and to use legislative, regulatory, or administrative processes to create exceptions. This language would permit the creation of new permanent limitations and exceptions.

Furthermore, while the language in Article 18.68.3 still provides that a violation of the anti-circumvention rules “is independent of any infringement that might occur under the Party’s law on copyright and related rights,” this text could be mitigated by helpful footnote 84 that reads, “A Party may provide that the obligations described in paragraph (ii) with respect to manufacturing, importation, and distribution apply only in cases in which those activities are undertaken for sale or rental, or where such activities prejudice the interests of the right holder of the copyright or related right.”

The fact that the initial US proposal in 2011 made circumvention a “separate and independent cause of action” was controversial and makes little sense. Establishing that circumvention is independent of any copyright infringement negatively impacts legitimate, non-infringing circumvention. However, the footnote that appears in the final text could mitigate the harm of this provision because circumvention for legitimate purposes would not prejudice the interests of the right holder.

Inclusion and Improvements on Text on Limitations and Exceptions

The initial proposal by the United States included placeholder text for limitations and exceptions on copyright. The United States introduced a proposal on limitations and exceptions in July 2012. While the proposal was a welcome one, including language referencing balance for purposes such as “criticism, comment, news reporting teaching, scholarship and research,” which had never been in any prior United States free trade agreement, there were also criticisms of the proposal that noted that this new paragraph was “subject to and consistent with” the three-step test. (The three-step test requires that limitations and exceptions: 1) are confined to certain special cases, 2) do not conflict with the normal exploitation of the work, and 3) do not unreasonably prejudice the legitimate interests of the right holder). Critics pointed out that some specific limitations and exceptions, such as the quotation right under the Berne Convention, are not subject to the three-step test.

Ultimately, the language regarding limitations and exceptions was improved and clarification was included that the text on the three-step test did not reduce or extend the scope of limitations and exceptions under international agreements including TRIPS, the Berne Convention, and the WIPO Internet Treaties.

The text of the US proposal also improved with respect to the fact that the list of “legitimate purposes” now specifically references “other similar purposes” as well as “access to published works for persons who are blind, visually impaired, or otherwise print disabled.” The final text of Article 18.66 also includes a specific footnote recognizing the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled and acknowledges that some Parties facilitate the availability of accessible format works beyond the requirements of the Marrakesh Treaty.

Finally, while the language on limitations and exceptions could have been stronger with language mandating that parties achieve a balance or foster a balance, rather than the agreed to language that “Each Party shall endeavor to achieve an appropriate balance in its copyright and related rights system,” the inclusion of the language in the final text is still a success. The United States has now recognized in a free trade agreement the importance of balance in the copyright system. Furthermore, the United States has stated that this language provides “an obligation for Parties to continuously seek to achieve balance in copyright systems,” because the language requires Parties to “endeavor to achieve” balance. The words “shall endeavor” do create a mandatory obligation for parties to seek this balance.

Inclusion of this language signals that the Office of the United States Trade Representative (USTR) has responded to criticisms that the United States proposals only export rights for rightholders and not our balanced system which includes limitations and exceptions. This language should be included in future trade agreements and USTR should seek to improve upon it in the future by strengthening the language requiring parties to achieve a balance or foster a balance. Despite the fact that

the language could have been stronger, its inclusion in the final text still reveals a mandatory obligation for parties and represents a positive development.

Remedies Allow for Judicial Discretion

The final language regarding enforcement also shows areas where the text has improved from the initial proposal by the United States.

For example Article 18.71.5 of the final text includes language that replicates text from the Anti-Counterfeiting Trade Agreement (ACTA) requiring parties to take proportionality into account. The text reads, “In implementing the provisions of [the enforcement] Section in its intellectual property system, each Party shall take into account the need for proportionality between the seriousness of the intellectual property infringement, and the applicable remedies and penalties, as well as the interests of third parties.” This language on proportionality is a welcome inclusion and would ultimately allow domestic laws to provide judicial authorities discretion in ordering remedies.

Additionally, while the initial US proposal would have required judges to consider certain measures of damages (“in determining damages for infringement of intellectual property rights, its judicial authorities shall consider, *inter alia*, the value of the infringed good or service, measured by the suggested retail price or other legitimate measure of value submitted by the right holder”) the final language provides judicial authorities the discretion to consider these measures of damages. The final text of Article 18.74.4 provides that “judicial authorities shall have the authority to consider...” and this added language “have the authority” changes the text from a mandatory obligation that judges consider these measures of damages to providing them the discretion to do so. This addition is an improvement and consistent with current United States law, which permits judicial discretion.

Other provisions in the text on remedies include similar language, providing that judicial authorities “shall have the authority” to impose certain remedies, but do not actually require that authorities order these remedies. While some have criticized the TPP as prohibiting the Copyright Office’s proposal on orphan works (which is a highly flawed proposal, as analyzed [on the ARL Policy Notes blog](#) and [by the Library Copyright Alliance](#)), the actual text of the TPP permits considerable discretion and does not actually require authorities to order damages in a particular amount.

General Provisions

As noted in ARL’s [analysis of the August 2015 leak](#), language on general provisions reveal considerable positive developments. Article 18.2 of the final text includes language provides that the objectives of the agreement are as follows:

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of

technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

The principles, detailed under Article 18.3, specifically reference the public interest and address the need to prevent abuse of intellectual property by right holders:

1. A Party may, in formulating or amending its laws and regulations, adopt measures necessary to protect health and nutrition, and to promote the public interest in sectors of vital importance to their socioeconomics and technological development, provided that such measures are consistent with the provisions of this Chapter.
2. Appropriate measures, provided that they are consistent with the provisions of this Chapter, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

The final text also includes Article 18.4, “Understandings in respect of this Chapter,” which reads as follows:

Having regard to the underlying public policy objectives of national systems, the Parties recognize the need to:

- promote innovation and creativity;
- facilitate the diffusion of information, knowledge, technology, culture and the arts; and
- foster competition and open and efficient markets;

through their intellectual property systems, while respecting the principles of transparency and due process, and taking into account the interests of relevant stakeholders, including right holders, service providers, users and the public

The August 2015 leaked text, reflecting the negotiating text as of May 2015, also included language proposed by Chile and Canada “acknowledging the importance of preserving the public domain.” This text was, however, opposed by the United States and Japan and ultimately not included in the agreement. It is extremely unfortunate that the United States and Japan would oppose inclusion of such text.

However, in the section on “Cooperation” the text from the August 2015 leak remains in the final text, with Article 18.15 recognizing the importance of the public domain:

1. The Parties recognize the importance of a rich and accessible public domain.
2. The Parties also acknowledge the importance of information materials, such as publicly accessible databases of registered intellectual property rights that

assist in the identification of subject matter that has fallen into the public domain.

While it is disappointing that the United States and Japan opposed the inclusion of a reference to the public domain in the general provisions, the fact that the importance of the public domain is recognized on the section regarding cooperation is still welcome language.

Areas for Improvement in Future Agreement

Flexibility on ISP Liability

The final language of the agreement does provide for some flexibilities with respect to Internet Service Providers (ISP). While the text, contained in Section J, is modeled off the DMCA and provides for safe harbors for ISPs implementing a notice-and-takedown system, an annex specifically preserves Canada's notice-and-notice system. Annex 18-E (Annex to Section J) provides that the notice-and-takedown safe harbors do not apply to a Party that has implemented a notice-and-notice system instead.

Unfortunately, this flexibility will only be permitted for Canada and not for the other negotiating parties. The language under the annex requires the system to be in place "as from the date of agreement in principle of this Agreement," which occurred when the trade ministers announced the agreement on August 5, 2015. Canada was the only country at that time to have a notice-and-notice system in place.

However, Annex 18-F (Annex to Section J) provides that as an alternative to implementing the article on ISP, parties may instead implement Article 17.11.23 of the US-Chile free trade agreement. Chile's system involves notice-and-takedown, but involves a judicial order before takedowns are required. Countries may therefore choose between implementing the language in the TPP or the language of the US-Chile trade agreement.

Unfortunate Extension of Copyright Term

Copyright Term Extension

One of the biggest areas of criticism that remains in the final agreement is that the parties settled on a copyright term of life plus seventy years, or seventy years for corporate works. The 2011 proposal by the United States would have set copyright term as the life of the author plus seventy years, or ninety-five (or up to one-hundred twenty years if unpublished) years for corporate works. While countries did not accept the US proposals on corporate works, they did agree to the term of life plus seventy years. Some countries with pre-existing free trade agreements with the United States (Australia, Chile, Peru, and Singapore) already had obligations to provide for a period of life plus seventy years and Mexico had an even longer term, which it proposed, of life of the author plus one hundred years.

However, it is highly unfortunate that the other countries ultimately agreed to extend copyright term, given the lack of justification for excessively long terms. The Hargreaves report commissioned by the United Kingdom, for example, points out that economic evidence does not support copyright term extensions. Maria Pallante, Register of Copyrights, noted that a Copyright Office study questioned “whether copyright term should be extended to benefit remote heirs or assignees, ‘long after the purpose of the protection has been achieved.’” Despite the lack of policy justification for these terms and the fact that copyright term extension damages the public domain and increases the orphan works problem, the final text of the agreement reveals that countries must provide for copyright terms that go far beyond the minimum international standards.

After the trade ministers announced an agreement had been reached, [New Zealand released a fact sheet](#) on the TPP. This fact sheet estimated that the copyright term extension would cause “significant cost” to New Zealand: “This cost – in terms of foregone savings on books, films, music and other works – increases gradually over 20 years and averages around \$55 million a year over the very long term.”

Article 18.10.2, however, does provide that countries that are required to implement copyright term extension do not need to restore protection to subject matter that has fallen into the public domain in its territory as of the date of entry into force of the agreement. The extension will therefore apply only to those works that are still under protection as of the date the agreement enters into force for that country (which will depend on each country’s domestic process for approving the final agreement).

While the United States will not require changes to its domestic laws with respect to copyright term, it is unfortunate that this term is being imposed on other countries when it far exceeds international standards. Brunei, Canada, Japan, Malaysia, New Zealand and Vietnam will all be required to increase the copyright terms in their countries. Furthermore, it would be extremely difficult for the United States to revisit this term and reduce copyright term in the United States, even though evidence justifies and supports shorter terms, as the TPP would need to be re-negotiated with all TPP parties.

Conclusion

While there are still areas where the TPP should be criticized and several areas where the language of the TPP could have been better, the final text reveals significant improvements from the text initially proposed by the United States. It is possible that some of these proposals resulted from stakeholder engagement, including criticisms of prior texts and proposals, which was only made possible through leaks. These improvements and changes in the text over the course of the five years of negotiations reveal the importance of transparency in negotiations.

The TPP will still need to be approved by the domestic procedures set forth by each of the parties. In the United States, Congress will vote under the “[fast track](#)” procedures it set when it granted the President trade promotion authority. Congress will be able to

approve or reject the agreement in a straight up-down vote, meaning that it cannot amend the agreement. Due to the timing set forth under fast track procedures, a vote in the United States will not occur until 2016. In Canada, a vote will not take place on the TPP until after the nation concludes its upcoming elections on October 19 and the new Parliament is in place.

Whether or not Congress approves the agreement, the final text of the TPP will likely provide the starting point for future negotiations. The Office of the US Trade Representative has used past agreements, particularly the most recently concluded free trade agreements, as a template for future agreements. The gains made with respect to supporting a balanced copyright system should serve as a basis for additional improvements in the future.