

ACTA in the EU

A Practical Analysis



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An ICC initiative

BASCAP

Business Action to Stop
Counterfeiting and Piracy



This report is part of BASCAP and INTA's ongoing support for the Anti-Counterfeiting Trade Agreement (ACTA) and the important role it can play in improving enforcement of IP rights and fighting against global problem of counterfeiting and piracy. The report describes the benefits of ACTA; provides an overview of the function and legal framework of ACTA; and undertakes a practical analysis on several of ACTA's key provisions.

About BASCAP

Counterfeiting and piracy have become a global epidemic, leading to a significant drain on businesses and the global economy, jeopardizing investments in creativity and innovation, undermining recognized brands and creating consumer health and safety risks. A disorder of this magnitude undermines economic development, a sound market economy system and open international trade and investment.

In response, the ICC launched Business Action to Stop Counterfeiting and Piracy (BASCAP), to connect and mobilize businesses across industries, sectors and national borders in the fight against counterfeiting and piracy; amplify the voice and views of business to governments, public and media increasing both awareness and understanding of counterfeiting and piracy activities and the associated economic and social harm; compel government action and the allocation of resources towards strengthened intellectual property rights enforcement; and create a culture change to ensure intellectual property is respected and protected.

Visit BASCAP on the web at: www.iccwbo.org/bascap

About INTA

The International Trademark Association (INTA) is a not-for-profit membership association dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective commerce. The Association was founded in 1878 by 17 merchants and manufacturers who saw a need for an organization "to protect and promote the rights of trademark owners, to secure useful legislation and to give aid and encouragement to all efforts for the advancement and observance of trademark rights."

Today, INTA is made up of more than 5,900 trademark owners, professionals and academics from more than 190 countries. Headquartered in New York City, INTA also has offices in Shanghai, Brussels and Washington DC and representatives in Geneva and Mumbai.

For more information please visit: www.inta.org

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I. Executive Summary

The Anti-Counterfeiting Trade Agreement (ACTA) was negotiated by 37 countries and the EU between 2008-2011, to improve the international framework for fighting counterfeiting and piracy, and increase cooperation in tackling these problems. It has been signed by 31 countries in the EU and elsewhere.

At its heart, ACTA is an agreement that exports the EU standards for enforcement of intellectual property (IP) protection to the rest of the world. It updates the 20-year-old global IP enforcement standards of the World Trade Organization (WTO) in ways consistent with EU law. When put in force, ACTA will help promote EU trade abroad and protect EU companies, products and jobs while maintaining the EU's respect for civil liberties, privacy and other important fundamental rights and freedoms.

This paper describes the benefits of ACTA for improving international trade in the EU's innovative, cultural and branded goods; establishes a fact-based assessment; reviews the need to address the growing problem of large-scale counterfeiting and piracy; and provides an overview of the function and legal framework of ACTA and its alignment with EU laws.

Benefits of ACTA. ACTA helps modernize and level the playing field world-wide with respect to IP enforcement, consistent with EU law.

- ACTA protects EU companies of all sizes abroad, promotes the EU's trade with the world, and supports EU economic growth.
- ACTA protects EU jobs, EU consumers and the economy from commercial-scale counterfeiting and piracy globally.
- ACTA provides a helpful update to international trade rules, given the globalisation of trade in IP-based goods and services.
- ACTA principally addresses physical counterfeiting. It simply makes clear that existing IP enforcement rules that apply in the physical world also apply online.
- ACTA helps countries work together to tackle more effectively commercial-scale IP infringements.

What ACTA provides and why it is in line with the EU *Acquis*. The text of ACTA is structured around general 'initial provisions' that set its international context, several specific enforcement rules, and further best practices and international cooperation mechanisms. Throughout the agreement,

- ACTA updates and improves the international IP enforcement framework consistent with TRIPs; and,
- ACTA codifies EU IP enforcement rules in ways fully compatible with the EU *acquis*.



The Impact of ACTA

ACTA marks an important step forward in bringing international law up to date in the area of intellectual property enforcement. ACTA is fully consistent with the laws of the EU and its Member States. It will encourage the EU's trading partners to implement these EU rules as their own, thereby protecting EU products more effectively abroad, promoting EU trade on a more level playing field world-wide, boosting EU economic growth and protecting EU jobs and European consumers. ACTA expressly includes protection for civil liberties, fair processes, privacy and the other important fundamental rights and values of the EU. As described in this paper, the ratification of ACTA will provide important global support for the EU's innovative, cultural and branded sectors – and the numerous jobs and other economic benefits that they generate.

II. Introduction

The role of ACTA in protecting Europe's intellectual capital, competitiveness, economy and jobs

ACTA is based on one overriding premise – intellectual property (IP) is vital for innovation, creativity and competitiveness. The European Commission and the EU have long recognized the importance of intellectual property for the economy and society. IP—as the ‘intellectual currency’ for valuing and trading inventions, brands and works created by clever and talented people—provides the market-based incentives and rewards for a virtuous circle of innovation and creativity that underpins a constantly improving stream of innovations and creative products. The companies and industries that develop and thrive on the basis of IP represent a substantial part of the jobs, tax revenues, GDP growth and competitiveness of the EU. As the European Commission has recognized:

“Intellectual property protection and enforcement of intellectual property are crucial for the EU's ability to compete in the global economy. Because European competitiveness is built on the innovation and value added to products by high levels of creativity, protection and enforcement of intellectual property go to the heart of the EU's ability to compete in the global economy.”

IP produces other widespread benefits for consumers and society at large. IP-based inventions, brands and works help us stay healthy, improve our work, increase our efficiency and effectiveness, express our culture, let us interact with other people, and otherwise improve our quality of life. IP also helps to give all of us in society a wider choice among the products and services that we might want or need, in virtually every area. It improves the overall state of knowledge in society, through disclosure of new inventions and wider dissemination of information and creative expression. It promotes collaboration and competition, by encouraging licensing and the development of different innovative features among products and services so that consumers have more choices and products continue to improve. Small and medium enterprises (SME) benefit as much as large companies from IP that is cost-effective to acquire and enforce in high quality institutions. SMEs that rely on IP of all sorts reported higher growth, income and employment than those that do not – in some cases as much as 20% more.¹

What is at risk?

Intellectual property (IP) protection plays a critical role in driving growth, innovation, development and jobs. Counterfeiting and piracy, which are serious forms of IP theft, are significant problems affecting not only Europe but also the rest of the world. Counterfeit and pirated products crowd out billions in legitimate economic activity and facilitates an “underground economy” that deprives governments of revenues for vital public services, forces higher burdens on tax payers, dislocates hundreds of thousands of legitimate jobs and exposes consumers to dangerous and ineffective products.

¹IDC, Intellectual Property Rights and Competitiveness: Challenges for ICT-Producing SMEs, Study Report No. 08/2008 (Sept. 2008)

Counterfeiting and piracy have a significant impact on virtually every product category. The days when only luxury goods were counterfeited, or when unauthorized music CDs and movie DVDs were sold only on street corners, are long past. Today, counterfeiters are producing fake foods and beverages, pharmaceuticals, electronics and electrical supplies, auto parts and everyday household products. Criminal syndicates have created multi-million dollar networks to produce, transport and sell unauthorized copies of music, video and software. An enormous variety of fake products are being produced and shipped around the world to developing and developed markets at increasing rates.

The European economy is particularly susceptible to IP crime. The EU is a global hub for the creative industries and is home to 25% of global spending on research and development. Its large consumer markets, multiple borders and multiple IP enforcement regimes make it a target for overseas producers of counterfeit products. And while the Internet has brought many positive benefits, increasing broadband penetration and speed has facilitated a substantial uptake in online piracy.

- The European Commission² notes that there has been: *“an amazing upward trend in the number of shipments suspected of violating intellectual property rights (IPR). Customs in 2010 registered around 80,000 cases, a figure that has almost doubled since 2009.”*
- The European Commission also noted that: *“more than 103 million products were detained at the EU external border and that on-line sales caused a spectacular increase of detentions in postal traffic where 60% of the goods detained were medicines”.*
- On the digital piracy side, a recent study by ICC showed that EU losses from piracy will reach as much as 1.2 million jobs and €240 billion in retail revenue by 2015 in the Europe’s film, TV, music and software industries.

As well as harming legitimate businesses, causing lost sales, lower profits and loss of brand trust and value, counterfeiting and piracy also affect consumers and governments. Governments see lower tax revenues and higher spending on welfare, health services and crime prevention. Consumers receive poorer quality products that are unregulated and unsafe. Moreover, as businesses suffer lower income and damaged brands, they may have to cut jobs and reduce investment leading in turn to lower economic growth. Given the enormous financial and economic crisis facing the EU at this time it is critical that governments take swift action to deal with IP crime on a global scale.

From a global perspective, the total worldwide economic value of counterfeit and pirated products is as much as \$650 billion (approximately €500 billion) every year, with more than half of this value accounted for through internationally traded counterfeit and pirated goods. In total, if counterfeiting and piracy continues to grow at current trends, it could be worth up to \$1.77 trillion (approximately €1.36 trillion) by 2015.

²EU report on Customs enforcement of intellectual property rights (2011) showed that border cases involving IPR infringements almost doubled. In his report, Algirdas Šemeta EU Commissioner for Taxation and Customs Union, Commissioner remarked that, *“the battle is far from over.”*

The annual report from the World Customs Organization demonstrates the global nature of the problem, showing that over the last three years, counterfeit and pirated products have been seized in 140 different countries. This global problem requires a global response, and ACTA offers one such important response. ACTA provides for enhanced global co-operation and better enforcement of IP property rights. For European businesses, this will help protect their investments and allow them to compete globally on a level playing field. As noted by MEP David Martin, "ACTA is meant to be about better enforcement of existing copyright and intellectual property rights through international co-operation."

Why ACTA, and why now?

The current international nature of counterfeiting and piracy requires greater coordination between countries. ACTA is not the silver bullet, but it is an important tool that complements the array of international provisions that exist to protect governments and public from counterfeiting and piracy.

For the EU, ACTA becomes an important addition to a long list of legislative, policy and budget allocations already in place to protect Europe from counterfeiting and piracy. These include the EU IPR Enforcement Directive, EU Customs control, the establishment of the EU Observatory on Counterfeiting and Piracy, and the strong IP chapters in the EU's current free trade agreements with third countries.

ACTA supports these efforts because it updates international IP enforcement rules in line with the EU *acquis*, encourages the EU's trading partners to protect EU products, cultural works and brands, and affirms that the EU's own rules are "state of the art" and should be implemented elsewhere. ACTA also offers practical advantages for stemming the flow of counterfeit products, because it promotes co-operation between enforcement authorities all over the world, the adoption of best practices and a better coordination of technical assistance.

MEP David Martin has noted: "*I want Parliament to have a facts based discussion and not a debate around myths. This is why I want to have an open debate with all actors concerned.*" This view has been echoed by Neelie Kroes, the EU Commissioner for the Digital Agenda, who stated that: "*It is important for people to understand all the facts. Nothing changes for individual users in the EU.*"³

The aim of this paper is therefore to provide government leaders and others with full and accurate information on which to base their decisions. The paper:

- Describes the benefits of ACTA for improving international trade in the EU's innovative, cultural and branded goods;
- Reviews the need to address the growing problem of commercial-scale counterfeiting and piracy; and
- Provides an overview of the functionality of ACTA and its legal framework – consistent with TRIPs and in line with EU law.

³The Parliament, 9 February 2012: <http://www.theparliament.com/no-cache/latestnews/news-article/newsarticle/veteran-uk-deputy-appointed-rapporteur-on-controversial-acta-dossier/>

III. The Benefits of ACTA

1. ACTA protects EU companies of all sizes abroad and promotes the EU's trade with the world

ACTA is an instrument that fosters international trade. By ensuring that businesses outside the EU compete on fair terms with non-EU companies, ACTA supports EU exports. ACTA does not require that the EU's existing intellectual property enforcement rules be changed. Indeed, the standards for enforcing intellectual property in the EU are already higher than ACTA requires, as explained further below.

However, many countries outside the EU, including countries outside the group of countries that negotiated ACTA, do not ensure a similar level playing field. In many parts of the world, piracy, counterfeiting and unfair competition are not banned or deterred through effective enforcement. If adopted and implemented by countries participating in the trade agreement – and in turn by the EU's broader trading partners, such as the BRIC countries, ACTA will improve the rule of law on intellectual-property matters in such countries. This will give EU companies more incentives, protection and encouragement to export abroad and to invest in international development. This, in turn, induces EU companies to expand their manufacturing facilities and to hire people, prompting a virtuous cycle for EU economic growth.

The link between better intellectual property enforcement abroad and improved international trade is widely recognized. For example, in his January 2012 State of the Union address, U.S. President Obama announced a new Trade Enforcement Unit whose tasks will cover anti-counterfeiting, making it clear that trade is negatively impacted when another country allows movies, music and software to be pirated. The same is true with respect to the EU and its own intellectual-property based companies, products and services. ACTA is an important baseline to be established for the EU's trade partners, in order to encourage and enable EU entrepreneurs to invest and trade abroad on the basis of adequate intellectual property protections in third countries. With ACTA, European creators, innovators and brand holders in a third country will be able to rely on efficient and broadly common enforcement rules, very similar to the ones they have in the EU. Therefore, ACTA will better protect them and so help maintain their competitiveness and jobs. Particularly if ACTA is adopted by a substantial number of the EU's trading partners, ACTA will serve as a trade facilitator.

As the European Parliament in its Nov. 24, 2010, Resolution on ACTA accurately explained, ACTA offers the opportunity to export EU standards for IP enforcement outside the EU, and therefore to create *"a level playing field for our producers"* (point A). In its Resolution, the Parliament recognized *"ACTA as a tool for making the existing standards more effective, thus benefiting EU exports and protecting right-holders when they operate in the global market"* (point 7).

2. ACTA updates international trade rules to reflect the globalisation of trade in IP-based goods and services

The original international-trade rules dealing with intellectual property enforcement were negotiated in the early 1990s as an important part of the WTO's TRIPs. TRIPs was designed to facilitate trade by requiring all WTO trading partners to respect and enforce intellectual property rights in a range of particular ways.

When TRIPs was negotiated nearly twenty years ago, the world economy was much different than it is today. Cross-border trade of manufactured goods and services was mainly conducted between developed economies. Since then, trade with emerging countries such as China, India and Brazil has increased dramatically. With the expanding globalisation of trade, the trade in counterfeited goods and services has also soared. As new problems in the scope and practices of cross-border piracy have appeared, new norms to address it have arisen in the EU and elsewhere in the world since the early 1990s. This globalisation of illicit trade and the emergence of newer norms and practices in the EU and elsewhere have created the need for the EU and several other like-minded countries to update the international trade framework for IP enforcement building on TRIPs. ACTA reflects these new realities in the world – and ensures the EU’s already high standard of protection for intellectual property goes global. The broadly agreed rules should be considered as valuable contribution to the current international standards designed to improve IP enforcement and more effectively combat counterfeiting and piracy around the world.

As a plurilateral instrument, ACTA is not the broader multilateral agreement that the EU had hoped for⁴ – however, it already has broad international support. Initially proposed by the Government of Japan, ACTA has now been signed by 31 countries, including Australia, Austria, Belgium, Bulgaria, Canada, Czech Republic, Denmark, the European Union, Finland, France, Greece, Hungary, Ireland, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Malta, Morocco, New Zealand, Poland, Portugal, Romania, Singapore, Slovenia, Spain, Sweden, the United Kingdom and the United States. While a broader multinational treaty within the existing multinational fora, such as World Intellectual Property Organization (WIPO) or the WTO, was considered, it was judged by the parties not to be feasible. However, as other countries are expected to join over time, ACTA paves the way for a broader consensus among nations on enforcement against counterfeiting and piracy in the new global environment.

3. ACTA principally addresses counterfeiting and piracy, and makes clear that existing IP enforcement rules that apply in the physical world also apply online

Contrary to criticisms of ACTA’s impact on the Internet, it is important to note that the vast majority of the ACTA treaty deals with the global problem of manufacture and distribution of physical counterfeits. Of the 45 articles of ACTA, 44 make no mention of online piracy – dealing as they do with such practical issues as evidence, damages, seizure and destruction of goods, border measures, and criminal penalties for commercial scale activities, as currently addressed by TRIPs.

ACTA addresses online infringement, but does so through one provision that specifically covers “enforcement of intellectual property rights in the digital environment” (Art. 27), which does not require monitoring, censoring or pursuing individual users, as critics have claimed. Article 27(1) and (2) simply require that the civil and criminal enforcement remedies that are available offline are also “available” for infringing acts which take place “in the digital environment” and “over digital networks”. Thus, for instance, a criminal organization that commits online copyright infringements

⁴The EP resolution of 24 Nov. 2010 on ACTA recognizes that “despite several attempts to achieve a multilateral approach – which remains the main goal in the EU strategy – this could not be pursued because of resistance and opposition from other global players, and whereas the plurilateral agreement therefore seems to be the best way of addressing specific concerns at an international level” (point C). The Resolution also “welcomes the fact that ACTA membership is not exclusive and that additional developing and emerging countries may join, thus promoting widespread IPR protection and enhancing the fight against counterfeiting worldwide; considers that, in the future, ACTA could potentially attain a multilateral level” (point 12).

for profit and money laundering, as recent raids and actions against Megaupload alleged, should be treated in the same way as a group that conspires to pirate copyright materials across borders. Similarly, remedies against online websites selling counterfeit products should be available as they are for physical stores/stands selling counterfeit merchandise.

None of the eight paragraphs of this sole Internet enforcement provision (Art. 27) provides for new enforcement tools. On the contrary, Article 27 emphasizes on three occasions (in paragraphs 2, 3 and 4) that the application of existing remedies should “avoid the creation of barriers to legitimate activity, including electronic commerce” and should “preserve fundamental principles such as freedom of expression, fair process, and privacy”. The need to balance online enforcement with these “fundamental principles” is clearly embedded in the sole Internet provision of ACTA. Notably, ACTA provides for meaningful safeguards here.⁵

With respect to Internet intermediaries in particular, Article 27 recognizes their important role by requiring that ACTA members should not create “barriers” to their “legitimate activity”, i.e. that enforcement measures do not unreasonably affect Internet intermediaries’ freedom to operate their business. This is entirely consistent with current case law such as what the European Court of Justice highlighted in the *Scarlet* decision of 24 Nov. 2011 (C-70/10), that a copyright injunction (involving a filtering system) cannot unreasonably interfere with “the freedom to conduct business enjoyed by operators such as ISPs” (§§ 46 to 49). Similarly, the ACTA requirement that the enforcement procedures, for instance civil proceedings for injunctions, “shall be implemented in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce” (Art. 27(2)) is in line with the Court of Justice’s 16 February 2012 decision concerning a social networking provider, *Netlog* (C-360/10). In that decision, the European Court of Justice considered that the contested filtering system, which would have required the preventive and active observation of the files stored by users on the Netlog platform and which “would involve almost all of the information thus stored and all of the service users of that provider” (§ 37), was not appropriate, given that it would have been unnecessarily costly and complicated and affected the freedom to conduct business enjoyed by operators such as hosting service providers (§§ 46-47). The safeguards on which the Court of Justice relies are incorporated in the text of ACTA. There is therefore no legitimate ground to interpret the Internet provision of ACTA as encouraging intermediaries to carry out a general monitoring of their networks or of their hosting servers.

This sole provision of ACTA addressing Internet activities explains that the existing laws for intellectual property enforcement also apply to Internet activities. This is a natural and unremarkable extension of the TRIPs Agreement. When the TRIPs Agreement was negotiated in the early 1990s, usage of the Internet was not at all widespread. Of course the Internet is a powerful tool that has expanded legitimate commerce well beyond national borders, but it also has contributed to the globalisation of illicit trade. Not only does it permit the illicit cross-border transfer of digital goods, such as ebooks, music or films, it is a vehicle for ordering physical counterfeits that are illicitly distributed and shipped by post and other delivery services. (The 2010 EU Customs statistics on cross-border transfers of counterfeit goods show a steep increase – of more than 300% – of shipments of small consignments of counterfeits, mainly medicines, which are largely ordered online through illegitimate sites.)

⁵Paragraphs 5 to 8 of Art. 27 have not really been criticized, as they clearly incorporate the existing provisions on the protection of technological measures and rights management systems included in Articles 6 and 7 of the 2001/29 InfoSoc Directive.

Given that the Internet was still in its infancy when the TRIPs Agreement was negotiated, the TRIPs Agreement did not contain any provisions dealing specifically with infringing activities carried out via the Internet. Twenty years later, ACTA simply makes clear that the IP enforcement rules, procedures and safeguards that apply to physical counterfeits also apply in the online environment.

4. ACTA helps countries work together to more effectively tackle commercial-scale IP infringements

Cross-border trade in counterfeit and pirated goods is a growing global problem that needs to be addressed on a cooperative basis for best results. National governments must work together to tackle this challenge. ACTA includes robust cooperation mechanisms among ACTA parties to work together in a more collaborative manner (Chapter IV) and establishment of best practices for effective IP rights enforcement (Chapter III). ACTA will establish a comprehensive international framework that will assist the ACTA signatories in their efforts to combat more effectively the proliferation of counterfeiting and piracy. Cooperation in the area of IP enforcement includes sharing of information and cooperation between law enforcement authorities such as customs and other agencies. This can be built on the anti-counterfeiting work that the EU has already undertaken with parties like US and Japan. In the area of best practices, the objective of ACTA is to align enforcement practices amongst the Parties. The adoption of best practices and the better coordination of technical assistance can support the application of the relevant legal tools and improve important aspects of the fight against IP infringements.

IV. What ACTA provides and why it is in line with the EU *Acquis*

1. ACTA contains three main sets of provisions:

- Chapter I – Outlines the “initial provisions”, including the relation between ACTA and other treaties, and requirements for the respect of privacy and confidentiality;
- Chapter II – Defines the “legal framework” for enforcing intellectual property rights – this is the longest chapter of ACTA and has been the focus of most of the commentary to date;
- Chapters III to V – Deal with the promotion of best practices for enforcing intellectual property, the need to coordinate the actions of different authorities, and co-operation at the international level.

The provisions of chapter I demonstrate that ACTA is fully aligned with TRIPs and that ACTA incorporates the “principles and objectives” of TRIPs, in which light ACTA’s enforcement provisions must be interpreted.

Chapter II is in essence a codification of existing EU law, and effectively will make a difference only when it is implemented in countries outside the EU. Of course, there are some linguistic differences between the wording used in ACTA and the exact language used in the corresponding provisions of EU law; this is inevitable in any international treaty, given that treaty language must accommodate the approach of all of the negotiating parties with different legal traditions. As described further below, however, the content and meaning of ACTA’s chapter II are fully compatible with the EU *acquis*.

In dealing with the issues of information-sharing, coordination and international co-operation between competent authorities, chapters III to V of ACTA may well make the most difference as to the practical running of cases and co-operation among government agencies worldwide. The opponents to ACTA, however, have not focused their criticisms on those more practice-oriented provisions, and these will thus not be dealt with in further detail here.

2. ACTA updates the IP enforcement framework consistent with TRIPs

In the “initial provisions” of chapter I, ACTA builds on the 20-year-old framework of the multilateral TRIPs Agreement that addresses intellectual property protection and enforcement. ACTA specifically requires that its provisions be interpreted in light of the “principles and objectives” already incorporated in TRIPs. ACTA is thus not an alien body of rules that somehow threaten the state of international and EU law, as some detractors have claimed.

According to Article 1 of ACTA, ACTA does not allow any country to avoid its obligations under TRIPs. Thus, as stated in an analysis by the EP Legal Service, “when interpreting ACTA, the European Court of Justice and national courts are called upon to give precedence to TRIPs should they consider that there is an incompatibility”⁶. ACTA is therefore governed by the existing standards defined in TRIPs. Further, ACTA refers explicitly to the principles of the Doha Declaration on TRIPs and public health (in its preamble, as described above), and incorporates a clear mandate that enforcement measures not create barriers to legitimate trade.

⁶EP Legal Service, Note for the attention of Mr Vital Moreira, SJ-0501/11 - D(2011) 47454, 5/10/2011, p. 2.

Article 2(3), in describing the nature and scope of the obligations ACTA creates, refers to the “objectives and principles set forth in Part I of the TRIPs Agreement, in particular in Article 7 and 8”. Article 7 of TRIPs provides that “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 obligation”. Article 8 of TRIPs refers to various objectives in its two paragraphs: the first paragraph expressly allows the member countries to “adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development” insofar as they do not contradict the TRIPs provisions. The second paragraph of TRIPs Article 8 encourages the adoption of “appropriate measures [...] 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”.

ACTA thus specifically incorporates TRIPs provisions requiring that other legitimate societal interests be respected in the course of intellectual property enforcement, which further demonstrates the continuity between ACTA and TRIPs. It also implies that, in interpreting ACTA’s provisions, judicial and enforcement authorities must respect those “principles and objectives” and take into account the range of other relevant interests. ACTA simply does not force countries to invest heavily in the fight against counterfeiting without regard to other legitimate concerns.

Similarly, Article 2 specifically states that ACTA does not create “any obligation with respect to the distribution of resources as between the enforcement of intellectual property rights and enforcement of law in general”. Countries joining ACTA thus remain completely free, as they allocate their law enforcement resources, to balance the need to fight counterfeiting against other pressing needs. ACTA does not give any priority to the enforcement of intellectual property over other policies. Flexibility thus remains for each country to design enforcement policies and actions in ways best aligned to their overall interests.

3. ACTA codifies EU IP enforcement rules

The European Parliament in its Nov. 24, 2010, Resolution on ACTA has acknowledged that ACTA integrates, and complies with, the EU *acquis*: “ACTA will not change the EU *acquis* in terms of IPR enforcement, because EU law is already considerably more advanced than the current international standards, and that it therefore represents an opportunity to share best practices and guidelines in this area” (point 6).

The Legal Service of the EP has also concluded that “ACTA *prima facie* does not require the Union to adapt its *acquis* in the area of intellectual property rights and their enforcement, including legal acts relating to the digital environment”⁷. On the contrary, the enforcement standards that exist in the EU on civil sanctions or border measures, and the standards for criminal sanctions (which are not part of the EU *acquis* but exist at the national level) are higher than those of ACTA in several respects.

⁷EP Legal Service, Legal Opinion ACTA - Conformity with EU law (and Note for the attention of Mr Klaus-Heiner Lehne), SJ-0661/11 - D(2011) 63060, 8/12/2011, p. 7.

Indeed, the ACTA provisions largely mirror the intellectual property provisions that were included in the EU-South Korea Free Trade Agreement. By giving its consent on 17 February 2011 to this FTA, coined as “the most ambitious trade agreement the EU has ever negotiated”,⁸ the European Parliament has already implicitly recognized that the ACTA standards for intellectual property enforcement are both consistent with EU law and worth pursuing with third-country trading partners.

As explained above in relation to the sole provision of ACTA dealing with online infringement (Art. 27), ACTA does not provide for new, unknown tools that could pose risks for civil liberties. Indeed, this sole provision on digital enforcement does not refer to such mechanisms as filtering, domain name blocking or “three strikes”/Internet disconnection, nor does it even implicitly encourage participating countries to use such tools. Similarly, with regard to physical counterfeits, ACTA does not require personal or laptop searches of air passengers at borders, or other such measures touching upon civil liberties.

The remainder of this section deals specifically with the most oft-repeated criticisms of the ACTA provisions defining the “legal framework for the enforcement of intellectual property rights” (chap. II).

Criminal measures

With regard to the provisions on criminal sanctions, ACTA integrates *exactly the same threshold* as TRIPs in providing that countries “shall provide for criminal procedures and penalties to be applied at least in cases of *wilful trademark counterfeiting or copyright piracy on a commercial scale*”. Art. 23(1) in ACTA appears in identical terms in TRIPs Art. 61.

Indeed, ACTA’s only variance from the TRIPs provision is that it further provides a definition of “commercial scale” that includes only acts “carried out as commercial activities for direct or indirect economic or commercial advantage” (Art. 23(1)). This clearly limits the scope of required criminal sanctions to commercial and other economically beneficial activities.

This ACTA definition of “commercial scale” is compatible with the interpretation of the corresponding TRIPs requirement by the 2009 WTO panel decision in the case *China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights (China-IPRs)*.⁹ In this decision, the panel considered that “‘commercial’ essentially means engaged in buying and selling, or pertaining to, or bearing on, buying and selling” (para. 7.535). The combination of “commercial” and “scale” indicates “a relative magnitude or extent (of those) engaged in buying and selling”. For the panel, the benchmark to assess “commercial scale” “would be the magnitude or extent at which engagement in commerce, or activities pertaining to or bearing on commerce, are typically or usually carried on, in other words, the magnitude or extent of typical or usual commercial activity” (para. 7.545). This interpretation refers to the notion of (usual) “commercial activity” as a benchmark. The panel decision concluded that “counterfeiting or piracy ‘on a commercial scale’ refers to counterfeiting or piracy carried on at the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market” (para. 7.577). This is precisely the rule that the ACTA provision encapsulates. Personal, low-level activities with no commercial or economic benefit simply are not included.

⁸See the EP press release: <http://www.europarl.europa.eu/news/en/pressroom/content/20110216IPR13769/html/EU-South-Korea-free-trade-agreement-passes-final-hurdle-in-Parliament>.

⁹WT/DS362/R, 26/01/2009.

On other issues, such as camcording, ACTA follows the recommendation of the European Parliament, in its Nov. 24, 2010, Resolution on ACTA (point 10), that countries should remain free to impose criminal penalties for the unauthorized copying of cinematographic works from a performance in a motion picture exhibition facility. The word “may” is used expressly in such a rule on camcording included in Art. 23(3) of ACTA.

The inclusion of criminal measures in ACTA does not require that the EU, rather than the Member States, must itself introduce criminal enforcement measures. ACTA has been concluded as a mixed agreement, and the criminal enforcement section falls under the competence of the Member States¹⁰. While the EU *acquis* itself does not yet include criminal IP enforcement and sanctions, the national laws have included criminal sanctions for the most serious commercial-scale intellectual property infringements for a long time in all EU Member States – in some cases since the 19th century. It is simply not correct to claim that the ACTA provisions for criminal sanctions with respect to intellectual property infringements is not aligned with the state of the law in Europe. Most Member States have been in compliance with the TRIPs standards for criminal measures – which are fully consistent with ACTA – for nearly twenty years.

Civil remedies

A systematic comparison between the EU Enforcement Directive 2004/48 and the ACTA provisions on civil enforcement (section 2 of chapter II, Arts. 7 to 12 ACTA) leads to the conclusion that the rules of ACTA are compatible with existing EU law. As confirmed by the Legal Service of the European Parliament, “*there does not seem to be, prima facie, provisions which are conflicting with existing EU acquis or which require the introduction of new EU legislative acts or amendment of existing ones*”¹¹.

Compared to the EU *acquis*, ACTA’s provisions even appear rather modest, contrary to what the opponents to ACTA are claiming.

Right of information

ACTA provides for measures that are above the TRIPs standard. For instance, Article 11 of ACTA strengthens the TRIPs right of information in favour of right holders and judicial authorities. While this remained optional under TRIPs Article 47 (“Members may provide...”), Article 11 of ACTA makes it compulsory. Article 11 also expands the list of information that might be requested. This is in line with the objective of ACTA to provide for a higher international standard for enforcing intellectual property than TRIPs required twenty years ago.

¹⁰EP Legal Service, Legal Opinion ACTA, SJ-0501/11 - D(2011) 47454, 5/10/2011, p. 7 (§ 29-30).

¹¹EP Legal Service, Legal Opinion ACTA, SJ-0501/11 - D(2011) 47454, 5/10/2011, p. 15 (§ 57).

At the same time, the ACTA standard on the right of information remains *below* the EU standard set by the IPR Enforcement Directive. ACTA's right of information is less robust than its European counterpart defined in Article 8 of the Enforcement Directive. For instance, Article 11 of ACTA allows judicial authorities "to order the infringer" (or the "alleged infringer"¹²) to provide relevant information to the right holder or to judicial authorities. Article 8(1) of the Enforcement Directive goes well beyond this in allowing such an order to be addressed not only to the infringer but to "any other person" who contributed to the infringement (such as a person found in possession of the infringing goods on a commercial scale, or found to be using the infringing services on a commercial scale).

With regard to ACTA's right of information (and with regard to Art. 10 of ACTA on "other measures"), some opinions claim that the safeguard of proportionality has been omitted. This overlooks the fact that Article 6(2) of ACTA already provides a general requirement of proportionality (see above), which applies to all the provisions on civil remedies. According to the European Commission (DG Trade), it was agreed among the negotiating countries that making additional references to the proportionality principle in other provisions of ACTA was not only unnecessary but could also raise questions as to the applicability of the general requirement whenever a specific reference was lacking.¹³

Injunctions

It is important that injunctions should be available, not automatically, but only where appropriate. Both ACTA and the Enforcement Directive mandate that the arsenal of enforcement measures include injunctions: The same wording (Member States "shall") is used in Article 8(1) of ACTA and Article 11 of the Enforcement Directive. Both ACTA and the Enforcement Directive leave it for judicial authorities, however, to decide whether injunctions should be granted in a particular situation (consistent with Article 11 of the Enforcement Directive, "the judicial authorities may issue...", Art. 8(1) of ACTA says that the law should provide that the "judicial authorities have the authority to issue...").

Article 12 of the Enforcement Directive provides that "in appropriate cases, [...] the competent judicial authorities may order pecuniary compensation to be paid to the injured party instead of applying" corrective measures and injunctions. Article 8(2) of ACTA provides a similar safeguarding clause: "where these remedies [i.e. the remedies of the "civil enforcement" section, including injunctions] are inconsistent with a Party's law, declaratory judgments and adequate compensation shall be available". Under ACTA, therefore, Member States retain the option to order pecuniary compensation instead of applying injunctions.¹⁴

¹²The reference to "alleged infringer" is meant to address the frequent cannot where the information is sought by courts in the context of an on-going procedure, at a stage where the infringer has not yet been condemned, and thus cannot be considered as an infringer. Article 8 of the IP Enforcement Directive is not crystal-clear, but it can be read as allowing judicial authorities to order some information in the framework of judicial proceedings before the final decision on the infringement is issued.

¹³Commission Services Working Paper, Comments on the "Opinion of European Academics on ACTA", 27/04/2011, p. 8.

¹⁴On this, it is thus difficult to follow the Opinion of European Academics on ACTA (see reference above). The study commissioned by European Parliament, DG for external policies of the Union also concludes that "nothing in ACTA forbids the provision of authority for judicial authorities to order pecuniary compensation as an alternative" (Study – The Anti-Counterfeiting Trade Agreement (ACTA): An Assessment, June 2011, p. 26).

Damages

The European Parliament's Legal Service has recognized that *"both ACTA and the Directive 2004/48/EC provide that an infringer who, knowingly or with reasonable grounds to know, engaged in an infringing activity, has to pay the right holder damages appropriate to the actual prejudice suffered"*.¹⁵ By requiring that compensatory damages be available, ACTA is in line with the EU's IPR Enforcement Directive. In intellectual property infringement cases, the courts of the EU Member States commonly grant compensatory damages, i.e. damages which intend to compensate for the prejudice suffered by the intellectual property owner. ACTA specifically requires that the contracting parties should provide for the possibility of the right holder to receive damages *"to compensate for the injury the right holder has suffered as a result of the intellectual property infringement"* (Art. 9(1)). Similarly, Article 13 of the Enforcement Directive requires the infringer *"to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement"*. The compensatory approach for assessing damages is thus guaranteed in both ACTA and the EU Enforcement Directive.

In listing the set of criteria to assess the amount of compensatory damages, Article 9(1) of ACTA provides that the judicial authorities *"shall have the authority to consider, inter alia, any legitimate measure of value the right holder submits, which may include lost profits, the value of the infringed goods or services measured by the market price, or the suggested retail price"*. Article 13(1) of the Enforcement Directive provides that judicial authorities *"shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement; or (b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question"*. In both provisions, there is a similar compulsory aspect: judicial authorities *"shall"* take into account *"any legitimate measure of value"* / *"all appropriate aspects"*. In both provisions, the list of such measures of value (or appropriate aspects) to be used in assessing damages is illustrative (*"which may include"* in the ACTA text; *"such as"* in the Enforcement Directive text). The examples of factors that can be used in calculating compensation found in Article 9 ACTA are thus not mandatory for the ACTA parties.

The *"measures of value"* / *"appropriate aspects"* enumerated in ACTA and the Enforcement Directive do differ slightly (for example, the Enforcement Directive does not refer to *"the value of the infringed goods or services measured by the market price"*), but that does not mean that the damages to be assessed on the basis of the ACTA provision would necessarily be higher than if assessed on the basis of the Enforcement Directive. Indeed, the contrary might be true in certain instances. For instance, Article 13(a) of the Enforcement Directive allows for the granting of damages that take into account *"the moral prejudice caused to the rightholder by the infringement"*, while ACTA does not refer to this moral prejudice. In reality, no conclusion as to the level of damage can be derived from the fact that the lists of optional parameters for assessing damages differ slightly: In both ACTA and the Enforcement Directive, judicial authorities have broad latitude as to the parameters they use, while being solely obliged to take into account *"any legitimate measure of value"* / *"all appropriate aspects"*.

¹⁵EP Legal Service, Legal Opinion ACTA, SJ-0501/11 - D(2011) 47454, 5/10/2011, p. 6 (§ 25).

Provisional remedies

The Opinion of European Academics on ACTA claims that, with regard to provisional measures, Article 12 in ACTA “does not make specific reference to the procedural guarantees for the defendant laid down in Directive 2004/48 (Art. 9(4) and 9(5))”. Article 9(4) provides for the possibility to review a decision granting a provisional measure “with a view to deciding [...] whether those measures shall be modified, revoked or confirmed”. Article 9(5) provides that the provisional measures “cease to have effect” “if the applicant does not institute, within a reasonable period, proceedings leading to a decision on the merits”. True, the text of Article 12 in ACTA does not contain the same language here as the IPR Enforcement Directive, but that does not mean that ACTA does not respect such procedural guarantees or that ACTA does not adequately balance the right of the plaintiff to obtain a provisional remedy with the right of the defendant to be heard. First, Article 12(5) of ACTA clearly recognizes that the defendant can appeal (Art. 12(5) refers to cases “where the provisional measures are revoked”). Second, ACTA cannot derogate from any obligation of a Member State resulting from the TRIPs Agreement (see ACTA Art. 1); the Legal Service of the European Parliament has rightly emphasized that the courts should therefore “give precedence to TRIPs should they consider there is an incompatibility”.¹⁶ Article 50 of TRIPs thus remains fully applicable, in particular Article 50(4) which, using exactly the same wording as Article 9(4) of the Enforcement Directive, provides that “a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed”. Similarly, with regard to the requirement to initiate proceedings leading to a decision on the merits within a certain period of time after the provisional measure, the rule of TRIPs Article 50(6), transposed in Article 9(5) of the Enforcement Directive, is not set aside by ACTA. Here again, there is no deviation from the EU *acquis* and from the TRIPs standard.

In addition, ACTA more generally confirms, in the “General obligations” section of chapter II, that the procedural rights of defendants should be respected (see Art. 6(2): “Procedures adopted, maintained, or applied to implement the provisions of this Chapter shall be fair and equitable, and shall provide for the rights of all participants subject to such procedures to be appropriately protected.”). The analysis of ACTA in the light of TRIPs and the TRIPs-compliant provisions of the Enforcement Directive demonstrates that the procedural guarantees for the defendant are preserved.

¹⁶EP Legal Service, Legal Opinion ACTA, SJ-0501/11 - D(2011) 47454, 5/10/2011, p. 15 (§ 57).

Border measures

ACTA's provisions on border measures (defined in Art. 13 to 22), while compatible with TRIPs, have a broader scope than the border measures referred to in TRIPs Articles 51 to 60. TRIPs Article 51 only creates the obligation to have border measures with regard to *"the importation of counterfeit trademark or pirated copyright goods"*. As stressed in the EP Resolution of 24 Nov. 2010 on ACTA, with regard to *"the scope of compulsory border measures, ACTA goes beyond the scope of TRIPs and therefore affords right-holders better protection"* (point E of the Resolution). Indeed, ACTA Article 13 has been designed so as to allow the countries joining ACTA to maintain some flexibility as to the type of rights and infringements for which border controls should be available. According to Footnote 6 to ACTA's Article 13 (*"Scope of border measures"*), *"the Parties agree that patents and protection of undisclosed information do not fall within the scope of this Section"*.

This means simply that the parties to ACTA are not obliged to provide border measures in the case of patent infringement or trade secret violations. However, the parties to ACTA may apply border measures more broadly, for example to goods infringing a patent. This is what the EU Customs Regulation 1383/2003 also provides. According to the EU *acquis*, border measures equally apply in case of an infringement of a patent, a supplementary protection certificate, a plant variety right, a designation of origin, etc., as provided by Article 2(1)(c) of EU Customs Regulation 1383/2003. Article 13 of ACTA also leaves the possibility for parties to include forms of trademark infringement other than counterfeiting. Border measures thus could be made available in trademark cases where there is no double identity of goods and signs, for example. The on-going revision of the 2003 Customs Regulation includes a discussion about the possible extension of the EU *acquis* to new types of intellectual property infringements¹⁷ – as to which ACTA is silent. In short, ACTA allows but does not mandate any extension of Customs rules beyond the EU *acquis*. It remains for the European Parliament and the Council to decide whether additional types of intellectual property infringement should be incorporated in the future Customs Regulation.

¹⁷See the Articles 1 and 2 of the draft Proposal for a Regulation of the European Parliament and of the Council concerning Customs enforcement of intellectual property rights (COM(2011) 285).



V. Conclusion

ACTA marks an important step forward in bringing international law up to date in the area of intellectual property enforcement. Its provisions – fully consistent with the EU and its Member States’ laws – will encourage the EU’s trading partners to implement these EU rules as their own, thereby protecting EU products more effectively abroad, promoting EU trade on a more level playing field world-wide, boosting EU economic growth and protecting EU jobs and European consumers. ACTA expressly includes protection for civil liberties, fair processes, privacy and the other important fundamental rights and values of the EU. As described in this paper, the ratification of ACTA will provide important global support for the EU’s innovative, cultural and branded sectors – and the numerous jobs and other economic benefits that they generate.