OPINION OF EUROPEAN ACADEMICS ON

ANTI-COUNTERFEITING TRADE AGREEMENT

The Signatories of the Opinion

following the adoption of the Anti-Counterfeiting Trade Agreement (ACTA) on 3rd December 2010

recognizing that

(a) the extensive international trade in goods infringing intellectual property rights prejudices the legitimate interests of right holders and thus appropriate enforcement standards as well as international cooperation are needed;

(b) ACTA does not intend to extend the scope of protection of intellectual property rights granted under national laws and contains general provisions committed to balanced enforcement procedures;

(c) the most controversial enforcement measures proposed in the initial stages of the negotiations of ACTA have been narrowed down or abandoned in its final version;

(d) the appropriate balance needs to be effectively ensured between the enforcement of intellectual property rights and the fundamental rights of users such as the right to information and education, the freedom of expression, the right to accessible health care, the right to privacy and protection of personal data, the right to due process as well as other human rights and good governance in general;

(e) the protection and enforcement of intellectual property is one of the means to promote technological and creative innovation and its dissemination to the public; it thus must be seen together and not in conflict with other EU internal and external policies such as the promotion of the information society, the fostering of education, health care and development in third countries, and the promotion of biological and cultural diversity on an international scale;

(f) the Commission repeatedly reassured and the European Parliament welcomed in its Resolution of 24 November 2010 that ACTA is entirely compatible with existing EU law, but in fact this is not clear;

(g) certain controversial provisions were not fully removed from ACTA but are in some cases formulated as non-binding ("may") clauses, which signifies international political incitement to implement these clauses into contracting Party`s law;

(h) ACTA, being plurilateral in its nature, contains numerous provisions requiring higher enforcement standards than those set under existing international agreements; no state shall be put under pressure to adopt standards negotiated in a forum in which it did not participate;

draw the attention to the following points:

I. EU LAW

Contrary to the European Commission's repeated statements and the European Parliament's resolution of 24 November 2010, certain ACTA provisions are not entirely compatible with EU law and will directly or indirectly require additional action on the EU level.

The following is a non-exhaustive list of illustrations that indicate the general tendency of ACTA:

Civil enforcement

1. Injunctions: art. 8.1 ACTA requires Contracting Parties to grant an order against a party to desist from an infringement, and *inter alia*, an order to that party or, where appropriate, to a third party to prevent infringing goods from entering into the channels of commerce. While the wording of art. 8.1 ACTA itself appears to be similar to the corresponding provision of art. 11 Directive 2004/48, it is worth mentioning that art. 12 of Directive 2004/48 gives the Member States an option to order pecuniary compensation to be paid to the injured party *instead* of applying the measures provided for in art. 11 Directive 2004/48, if the conditions specified in art. 12 are met. It seems that this option would be lost or at least called into question if art. 8.1 ACTA were enacted in its present form. It should not be forgotten that the US Supreme Court has recently upheld the traditional equitable four-factor test for injunctions in patent law and rejected an approach which favours automatic injunctive relief1.

2. Damages: art. 9.1 ACTA refers to a set of criteria which specifies the amount of compensatory damages. Some of the factors mentioned at the end of the provision are not provided for in art. 13.1 Directive 2004/48. These factors should not be adopted in European law since they are not appropriate to measure the damage. “The value of the infringed good or service, measured by the market price, [or] the suggested retail price”, as indicated in art. 9.1 ACTA, does not reflect the economic loss suffered by the right holder. Furthermore, according to art. 9.4 ACTA pre-established damages or presumption based damages (especially reasonable royalties) may only be ordered as an alternative to the damages referred to in art. 9.1 (compensatory damages) and art. 9.2 (infringer's profits). In the absence of a clear rule on the alternative application of art. 9.1 or art. 9.2, it may be argued that compensatory damages and infringer's profits may be ordered cumulatively which is not explicitly stated in art. 13 Directive 2004/48. This would raise the amount of damages for the infringement of intellectual property.

3. Other Remedies: for corrective measures, art. 10 ACTA shifts the focus from “disposal outside the channels of commerce” to outright destruction (“except in exceptional circumstances”), while art. 10 Directive 2004/48 provide several options, destruction only being one of them. Also, it may be asked why the caveat of proportionality which exists in art. 10.3 Directive 2004/48 is omitted. In particular, the interests of non-infringing third parties may need to be protected (e.g. property

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eBay Inc v. MercExchange, L.L.C., 547 U.S. 388 (2006).

rights in the infringing goods which may have been acquired by a bona fide consumer; property of third parties in the materials/implements used to create the infringing goods). It is true that art. 6.3 ACTA provides for a general requirement of proportionality, but the same holds true for art. 3 Directive 2004/48, and still there is a specific reference to proportionality in the specific provision on corrective measures.

4. Provisional Measures: art. 12 ACTA does not make specific reference to the procedural guarantees for the defendant laid down in Directive 2004/48 (arts. 9.4, 9.5 Directive 2004/48). This is unfortunate, as the European Court of Justice has stressed the importance of these provisions "to ensure that a balance is maintained between the competing rights and obligations of the right holder and of the defendant"[2]. Both the Luxembourg and the Strasbourg[3] courts have repeatedly held that the right to be heard occupies an eminent position in the organisation and conduct of a fair legal process. While the specific rules concerning the right to be heard may vary according to the urgency of the matter (and thus allow the adoption of provisional measures *inaudita altera parte* as provided for in art. 12.2 ACTA), "any restriction on the exercise of that right must be duly justified and surrounded by procedural guarantees ensuring that persons concerned by such proceedings actually have the opportunity to challenge the measures adopted in urgency"[4]. It is not easy to understand why ACTA provides for provisional measures *inaudita altera parte*, but does not at the same time take up the procedural guarantees which have been introduced in Directive 2004/48 and which are necessary to ensure that persons concerned by such proceedings have a later opportunity to challenge these measures.

Border measures

5. Definition: ACTA's provision on the scope of the border measures section contains an ambiguity giving rise to potential misuse. Whereas art. 2.1(a) Border Measures Regulation 1383/2003/EC (BMR) specifically narrows the scope of application of border measures for trademark infringements to "counterfeit goods" only, art. 13 ACTA instead allows border measures in the case of "intellectual property rights" in general and thus applies to all kinds of trademark infringements. IP rights are defined in art. 5 (h) ACTA as all categories of IP covered by TRIPS. This suggests an interpretation of art. 13 ACTA that includes not only cases of counterfeiting, but also all other forms of trademark infringements based on mere similarity of signs, risk of confusion and even the protection for well-known trademarks against dilution. This is not only a clear extension of the EU acquis, but presents a particular problem for international trade in generic medicines which could be seized based on allegations of 'ordinary' trademark infringements. For all these reasons, art. 13 ACTA requires re-wording or, at least, a narrow interpretation and implementation. As art. 13 ACTA allows Contracting Parties to exclude certain forms of IP infringements as long as this does not amount to 'unjustifiable discrimination', public health grounds can justify the exclusion of ordinary trademark infringements from the scope of border measures. This would also ensure that ACTA parties live up to their general obligation in art. 6.1 ACTA not to create barriers to legitimate trade.

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[2] ECJ Case C-89/99, [2001] ECR I-5851 para. 38 seq. – Schieving-Nijstad.
[3] ECHR App.-No. 17056/06 para. 78 seq. – Micallef v. Malta.
[4] ECJ Case C-341/04, [2006] ECR I-3813 para. 66 – Eurofood.

Criminal enforcement

6. No EU *acquis* on criminal measures: within the EU legal framework there are currently no provisions on criminal enforcement of intellectual property rights. ACTA, therefore, is by nature outside the EU law and would require additional legislation on the EU level.

7. Scope: art. 23.1 ACTA provides for a broad definition of 'commercial scale' covering all acts carried out on a commercial scale including at least those carried out as commercial activities for direct or indirect economic or commercial advantage. By contrast, in its Position of 25 April 2007, the European Parliament (EP) expressly excluded acts "carried out by private users for personal and not-for-profit purposes"[5]. The EP also declared that "the fair use of a protected work, including such use by reproduction in copies or audio or by any other means, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, does not constitute a criminal offence". ACTA does not reaffirm these safeguards for private users and for limitations and exceptions.

8. Parallel imports: art. 23.2 ACTA prescribes criminal procedures and penalties on the wilful importation and domestic use on a commercial scale of goods infringing trademark rights. The vague language of the article could seem to cover importation and domestic use of products which, although lawfully marketed in the exporting country, have not been authorized in the importing country. Such interpretation would hinder parallel imports in the EU. The EP in art. 1 of its Position suggested that parallel imports should be specifically excluded from the scope of criminal offences. Such exclusion is not reflected in ACTA.

9. Cinematographic works: while according to art. 23.3 ACTA criminal measures for the unauthorized copying of cinematographic works are merely optional, ACTA prompts Contracting Parties to criminalize such an action without the commercial scale assessment and without any assessment of the intention of the defendant. Again, this disregards the exception in relation to fair use and copying for private and not-for-profit purposes repeatedly stressed by the EP.

10. Safeguards: while strengthening criminal enforcement measures, ACTA at the same time does not provide any of the safeguards needed to ensure the balance of interests between parties and guarantee a due process. In comparison, art. 7 of the EP Position of 25 April 2007 required the prohibition of the misuse of criminal procedures and sanctions, especially when they are employed for the enforcement of the requirements of civil law. Such guarantees, for instance, would be of particular importance in *ex officio* proceedings allowed under art. 26 ACTA. Also, art. 8 of the EP Position required that the rights of infringers are duly protected and guaranteed. Meanwhile, art. 25 ACTA authorizes judicial national authorities to issue seizure, forfeiture and destruction orders. However, it does not guarantee the infringer's right to be heard in these procedures.

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[5] Position of the European Parliament adopted at first reading on 25 April 2007 with a view to the adoption of Directive 2007/.../EC of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights (EP-PE_TC1-COD(2005)0127).

II. INTERNATIONAL LAW

As recognized and welcomed by both the European Commission and the European Parliament, ACTA introduces enforcement standards higher than those existing under current international law. However, certain ACTA provisions do not ensure a balance between the interests of different parties, since they either eliminate safeguards existing under international law or, after strengthening enforcement measures, fail to introduce corresponding safeguarding measures.

Most issues discussed above in relation to EU law are also of concern at the level of international law and go beyond TRIPS. The following points are pertinent only for the international law level. The list contains the most important provisions where the balance of interest is lacking and is meant to be illustrative and non- exhaustive:

Civil enforcement

11. Right of information: art. 11 ACTA strengthens the right of information as already found in art. 47 TRIPS. First, under ACTA it becomes compulsory (voluntary under art. 47 TRIPS). Second, the list of information that might be requested is expanded and the right may be directed both against infringers or alleged infringers (only against infringers under art. 47 TRIPS). Meanwhile, the proportionality requirement, as available under art. 47 TRIPS (and art. 8.1 EU Directive 2004/48), has been eliminated. Also, ACTA contains no effective provision against misuse of acquired information (e.g. comparable to art. 8.3(c) EU Directive 2004/48).

Border Measures

12. Scope: while TRIPS requires border measures only against the importation of counterfeit trademark goods or pirated copyright goods, ACTA parties have to provide border enforcement against imports and exports of goods infringing *any* IP right covered in TRIPS – except patent rights and test data which are excluded by virtue of fn. 6 ACTA. However, these exemptions as such do not offer sufficient safeguards for the international trade in generic drugs. Extending border measures to goods suspected of 'ordinary' trademark infringement can create barriers to global trade – in particular if applied to generics in transit. ACTA parties hence must take their general obligation, under Article 6.1, "*to avoid the creation of barriers to legitimate trade*" seriously and establish systems which safeguard international trade and public health.

13. Safeguards: ACTA eliminates the following safeguards available under TRIPS. First, art. 56 TRIPS contains a mandatory requirement that customs must have "*authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods"*. ACTA, however, has no directly equivalent provision for compensation in cases of wrongful detentions. Further, art. 18 ACTA widens the options for right holders to provide securities, while it does not include the (mandatory) option for the goods owner/importer to provide a security under art. 53.2 TRIPS. Instead, it contains a limited allowance for the latter to provide securities to obtain possession of the goods "*in exceptional circumstances*" (art. 18, 4th sentence ACTA). Finally, art. 55 TRIPS contains mandatory limits to the duration of the initial detention of goods suspected of infringement within which proceedings leading to a decision on the merits of the case have to be initiated or the goods released. Again,

ACTA does not contain an equivalent rule – art. 19 ACTA merely demands the initiation of infringement proceedings "*within a reasonable period*".

Criminal enforcement

14. Definition of "commercial scale": art. 23 ACTA defines acts carried out on a "commercial scale" as "commercial activities for direct or indirect economic or commercial advantage". It is doubtful if this is compatible with a more flexible market/product-based interpretation of commercial scale adopted by the WTO Panel, which 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"6.

Digital chapter

15. Technological measures: arts. 27.5-6 ACTA require stronger protection of technological measures than set under art. 11 WIPO Copyright Treaty and art. 18 WIPO Performances and Phonograms Treaty (no similar provisions exist in TRIPS). In particular, ACTA provides a broad definition of technological measures (no definition under WIPO Treaties), it prohibits both acts of circumvention as well as preparatory acts, and covers technological measures having dual (both legal and illegal) functions. Although art. 27.8 ACTA allows preservation of exceptions and limitations, it does not provide any mechanisms to ensure their exercise and enforcement.

16. Disclosure of subscribers' data: art. 27.4 ACTA regulates disclosure of subscriber´s data and is broader than the (non-mandatory) right of information under art. 47 TRIPS. Most importantly, whereas ACTA poses a duty to disclose subscribers' data both on infringing and non-infringing intermediaries, art. 47 TRIPS refers only to an infringer. Also, ACTA mentions that fundamental principles "such as freedom of expression, fair process, and privacy" shall be preserved. However, it does not provide more specific provisions on how these rights should be effectively ensured (compare with detail provisions on privacy in EU Directives 95/46/EC, 2002/58/EC, and 2006/24/EC).

China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights (China – IPRs), WT/DS362/R, 09/0240, 26/01/2009.

Taking above into account,

the Signatories of the Opinion invite the European institutions, in particular the European Parliament, and the national legislators and governments,

to carefully consider the above mentioned points and, as long as significant deviations from the EU *acquis* or serious concerns on fundamental rights, data protection, and a fair balance of interests are not properly addressed, to withhold consent.

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For further information and to sign the Opinion see http://www.iri.uni-hannover.de/acta-1668.html.