

ACTA: Changing the Standards for International IP Enforcement

Introduction

On April 21, 2009, the United States Trade Representative released a public draft of the Anti-Counterfeiting Trade Agreement (ACTA). This release followed over three years of speculation regarding the mostly-secret negotiations, which began in June 2008 after preliminary talks throughout 2006 and 2007. This paper explores the ways in which the proposed terms of ACTA differ from those of existing international agreements, including the TRIPS Agreement and the WIPO Copyright Treaty.

The primary stated goal of ACTA is to “establish international standards for enforcing intellectual property rights in order to fight more efficiently the growing problem of counterfeiting and piracy.”¹ It follows then, that the most interesting aspects of ACTA would fall in the second chapter: “Legal Framework for Enforcement of Intellectual Property Rights.”² The aspects of ACTA addressed in this paper are limited to those found in this second chapter, and include the liability of intermediaries, the criminal penalties for infringement on a commercial scale, camcording, anti-circumvention, pre-established damages, proportionality, and scope.

I. Intermediaries

One of the most significant aspects of ACTA is its treatment of intermediaries. ACTA requires countries to extend the reach enforcement mechanisms to third parties whose services are used by infringers. ACTA requires countries to provide judicial authorities with the power to issue injunctions against intermediaries where infringement has already occurred³ and where it is imminent.⁴ ACTA also includes provisions targeted at internet service providers (ISPs). ISPs

¹ <http://www.ustr.gov/about-us/press-office/fact-sheets/2009/november/acta-summary-key-elements-under-discussion>.

² Anti Counterfeiting Trade Agreement, Public Predecisional/Deliberative Draft, April 23, 2010, available at http://www.ustr.gov/webfm_send/1883 (hereinafter ACTA).

³ Id. at 4.

⁴ Id. at 8.

are granted immunity from liability, but only so long as they do not have knowledge of the infringement, or if they “act expeditiously” once they do have knowledge⁵. As I will discuss below, this is a significant change compared to the existing international agreement dealing with this topic.

A. Injunctions

Under ACTA, injunctions must be available to order an end to infringement, including the prevention of infringing goods entering the channels of commerce.⁶ Proposed language also states that injunctions shall be available for rights holders against intermediaries whose services are used by a third party to infringe.⁷ That same injunctive power would extend to the grant of interlocutory injunctions against infringers and intermediaries.⁸

TRIPS Article 44 provides that rights holders are to have access to injunctive relief.⁹ The language of this section is almost identical to that in ACTA. Both provide for a judicial authority to have the power to issue an order to cease infringement, and to prevent the entry of infringing goods into the channels of commerce. The difference with ACTA is that it may include a requirement that injunctions be available to rights holders against intermediaries. The expansion of the minimum standard to include injunctions against intermediaries would give rights holders an important tool for stopping infringement in the modern digital world of infringement, where infringers operate over the internet. Enjoining the service provider will give the rights holder a better chance of finding and stopping the infringement. There are possible downsides to providing for injunctions on service providers. The service providers will have to shoulder the cost of complying with those injunctions. Additionally, the rights holders will be able to shift the burden of identifying and notifying the individual infringers onto the service provider.

⁵ Id. at 19-20.

⁶ Id. at 4.

⁷ Id.

⁸ Id. at 8.

⁹ Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Annex 1C, Agreement on Trade-Related Aspects of Intellectual Property, Art. 44, Apr. 15, 1994, 33 I.L.M. 1125, 1215 (1994) (hereinafter TRIPS).

B. Service Provider Liability

ACTA deals with the issues surrounding digital infringement at length in the section titled “Special Measures Related to Technological Enforcement of Intellectual Property in the Digital Environment.”¹⁰ This section begins by recognizing that much of the infringement on the internet involves a third party.¹¹ In most cases, there is at least an Information Service Provider (ISP) involved in the transmission of the infringing good.¹² The text states that countries must provide for third party liability, but there are divergent proposals about how that third party liability should be limited in the case of ISPs.¹³

One proposed option states that ISPs should have limited liability where the infringement occurs through an automated technical process, not directed or initiated by the ISP, and consists of the provider referring or linking users to an online location.¹⁴ The limitations on liability are only to be available under this option if the ISP does not have actual knowledge of the infringement and is not aware of facts or circumstances from which infringing activity is apparent.¹⁵

The second option for limiting liability would require ISPs to act expeditiously (and possibly take appropriate measures) to remove or disable access to infringing material or infringing activity when they have actual notice of the infringement.¹⁶ While the “take appropriate measures” language may suggest otherwise, provisional language later in this section indicates that this notice-and-takedown type of system is not intended to impose a general monitoring requirement on ISPs.¹⁷

¹⁰ ACTA, *supra* note 2, 18-20.

¹¹ *Id.* at 19-20.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.* at 20.

¹⁶ ACTA, *supra* note 2, 20-21.

¹⁷ *Id.* at 21.

The U.S., in the Digital Millennium Copyright Act (DMCA), provided immunity to ISPs for the infringement of their customers, given that the ISP do not have actual knowledge, do not have constructive knowledge, and that the ISP “acts expeditiously” to remove or disable access to infringing content once it does have knowledge.¹⁸ This approach, though adopted in some countries¹⁹, has been rejected by others. Consequently, there has been no consensus in international agreements on this topic.

The current draft of ACTA reflects the tension between the two approaches, with language that would only require actual knowledge, as well as language that would require affirmative action on the part of the ISPs. If the language requiring affirmative action survives, this would go farther than even the existing U.S. approach. If the notice and takedown language survives, then all countries will be required to adopt the approach the U.S. currently takes with the DMCA.

II. Criminal Penalties for Commercial Scale

Under ACTA’s Criminal Enforcement section, countries are required to provide criminal procedures and penalties “at least” in cases of willful trademark counterfeiting and copyright piracy on a commercial scale.²⁰ While this language is identical to the corresponding provision in TRIPS, ACTA goes a step further; providing a definition for “willful copyright or related rights piracy on a commercial scale” which is not only absent in TRIPS, but which is potentially at odds with the way that term has been interpreted by the World Trade Organization.

ACTA’s definition includes “significant willful copyright or related rights infringements that have no direct or indirect motivation of financial gain” and “willful copyright infringement that does have a financial motive.”²¹

¹⁸ 17 U.S.C. § 512(c)(1)(A)(i)-(iii).

¹⁹ See the E.U. E-Commerce Directive, Para. 46 (“In order to benefit from a limitation of liability, the provider of an information society service, consisting of the storage of information, upon obtaining actual knowledge or awareness of illegal activities has to act expeditiously to remove or to disable access to the information concerned.”)

²⁰ ACTA, *supra* note 2, 15.

²¹ *Id.*

TRIPS Article 61 defines the minimum requirements for criminal procedures and penalties.²² Under this article, criminal penalties are to be available, at least, in cases of willful trademark counterfeiting or copyright piracy on a commercial scale.²³ The panel in the recent U.S./China dispute about criminal penalties found that “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.”²⁴ In so finding, the panel rejected the U.S. contention that “commercial scale” extends to those who infringe in order to make a financial return, and those whose infringement, regardless of purpose, is of a sufficient extent or magnitude to reach a “commercial scale.”²⁵

The definition in ACTA, while not in direct conflict with TRIPS Art. 61, would fall much closer to the interpretation of “commercial scale” put forward by the U.S. than the “typical or usual commercial activity” formulation adopted by the panel. If adopted, the ACTA definition would mean that any infringement for profit, regardless of the scale, could be subject to criminal penalties. This directly circumvents the finding of the WTO panel that interpreted TRIPS Art. 61 to require a commercially significant quantity²⁶, and would represent a victory for the U.S. in having its definition adopted.

III. Camcording

ACTA’s Criminal Enforcement section also includes a provision that requires countries to provide criminal procedures and penalties against persons who makes a copy of, or transmits, a motion picture or other audiovisual work from a public exhibition of that work.²⁷ This provision has no corresponding provision in TRIPS, and represents an entirely new requirement placed on participating countries.

²² TRIPS, Art. 61, *supra* note 9, 1220.

²³ *Id.*

²⁴ Panel Report, China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights, WT/DS362/R, 355 (Jan. 26, 2009).

²⁵ *Id.* at 294.

²⁶ *Id.* at 355.

²⁷ ACTA, *supra* note 2, 15-16.

IV. Anti-Circumvention

ACTA includes a provisional requirement that countries provide civil remedies for the circumvention of effective technological measures used by authors, performers or producers of phonograms to restrict unauthorized access to their respective works.²⁸ The provisional language also calls for criminal penalties when such conduct is willful.²⁹ The criminal penalties in this section also apply to services, devices and products that are “primarily designed or produced for the purpose of circumventing,” or that only have a “limited commercially significant purpose other than circumventing.”³⁰ Punishment for breaking circumvention under ACTA does not require the subsequent infringement of any copyright: the circumvention alone is intended to be prohibited.³¹

Unlike ISP liability, anti-circumvention has been addressed in an international agreement. The WIPO Copyright Treaty, Article 11, states:

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.³²

The proposed language of ACTA would go significantly further, with no allowance for circumvention where authorized by the author or permitted by law, and including criminal penalties for parties who manufacture, import, or circulate a technology, service, device, or product that is primarily designed or produced for the purpose of circumventing an effective

²⁸ Id. at 22.

²⁹ Id.

³⁰ Id at 22-23.

³¹ Id. at 23.

³² WIPO Copyright Treaty, Art. 11.

technological measure.³³ This provision would also include those items that have only a “limited commercially significant purpose or use other than circumventing an effective technological measure.”³⁴

This broader approach is the one taken by the U.S. in the DMCA, and its successful inclusion in ACTA would be a victory for the U.S., who tried unsuccessfully to have a similar provision included in the WIPO Copyright Treaty.³⁵ Considering this provision and the ISP liability provision together, it is clear that adoption of this proposed language would require the participating countries to adopt the U.S. approach to digital infringement.

V. Pre-Established Damages

ACTA changes the minimum requirements placed on countries with regards to pre-established damages. Whereas the provision of these types of damages is optional under TRIPS, it is mandatory under ACTA. Damages available to rights holders under ACTA include compensatory damages, profits of the infringer attributable to the infringement, and potentially a form of “pre-established” damages.³⁶ This last form of damages would apply to works, phonograms, and performances protected by copyright, and potentially to cases of trademark counterfeiting.³⁷ This section also includes two different proposed ways of awarding court costs and attorney’s fees.³⁸

Article 45 of TRIPS requires member countries to allow for compensatory damage awards.³⁹ This article also requires judicial authority to provide attorney’s fees where appropriate.⁴⁰ Lastly, this article allows, but does not require, the award of profits or pre-

³³ ACTA, supra note 2, 22-23.

³⁴ Id.

³⁵ Pamela Samuelson, Towards More Sensible Anti-circumvention Regulations.

³⁶ ACTA, supra note 2, 5-6.

³⁷ Id. at 6.

³⁸ Id. at 6-7.

³⁹ TRIPS Art. 45, supra note 9, 1215.

⁴⁰ Id.

established damages where the infringement is done without knowledge or reason to know.⁴¹

ACTA mirrors this section in its provision for compensatory damages, profits, and pre-established damages.⁴² However, the pre-established damage system in ACTA could be made mandatory.⁴³ As of now, there are two proposed sets of wording: one which reads “shall” and one which reads “may.”⁴⁴ If the “shall” language survives, countries will be required to provide for these pre-established damages, where as they were merely permitted to do so under TRIPS. The increased prevalence of pre-established damages will make it easier for rights holders to recover in cases, like those of digital infringement, where actual damages are difficult to prove.

VI. Proportionality

In two separate sections, ACTA steps back from the requirement that judicial authorities take proportionality into account when providing a remedy to a rights holder. The requirements, present in TRIPS, that judicial authorities take other things into consideration when considering destruction of infringing goods and sharing information, may either be removed or made optional under ACTA.

A. Destruction of Goods

The Other Remedies section of ACTA deals primarily with the destruction of infringing goods and the materials and implements used to create those goods.⁴⁵ This section contains proposed language which would call for proportionality between the seriousness of the infringement and the remedies ordered, as well as the interests of third parties.⁴⁶

Article 46 of TRIPS is nearly identical to the proposed language in ACTA, so there is unlikely to be any changes required with regards to laws pertaining to the destruction of

⁴¹ Id.

⁴² ACTA, supra note 2, 6.

⁴³ Id.

⁴⁴ Id.

⁴⁵ Id. at 7.

⁴⁶ Id.

infringing goods.⁴⁷ One potential difference would be if the (now provisional) language in ACTA about proportionality did not make it in to the final draft. However, the application of proportionality and the consideration of third party interests is mandatory under TRIPS, so even if this language is excluded from ACTA, any countries bound by TRIPS would still be required to apply this kind of analysis to decisions regarding destruction of goods.

B. Information Sharing

The Information Sharing section of ACTA provides that countries shall give judicial authorities the power, if requested by the rights holder, to order the infringer to disclose information about persons, means of production, or distribution channels involved in the infringement.⁴⁸ There is proposed language at the beginning and end of this section that would explicitly limit this requirement so that it does not prejudice other statutory provisions dealing with privacy or privileges.⁴⁹

Article 47 of TRIPS says that countries may give judicial authorities the power, unless it is out of proportion to the seriousness of the infringement, to order the infringer to provide information about third parties involved in the infringement.⁵⁰ ACTA takes the basic idea of this provision and makes it mandatory.⁵¹ ACTA also does not include any mention of ordering the production of this information only when it is not out of proportion to the seriousness of infringement.⁵² ACTA does say that judicial authorities need only consider “justified” requests by the rights holder, but does not include any mention of proportionality.⁵³

The removal of consideration of third party interests and proportionality with regard to the seriousness of infringement again strengthen the ability of the rights holder to enforce their intellectual property rights. While this is the stated goal of ACTA, and will undoubtedly be seen

⁴⁷ TRIPS Art. 46, supra note 9, 1215.

⁴⁸ ACTA, supra note 2, 7-8.

⁴⁹ Id.

⁵⁰ TRIPS Art. 47, supra note 9, 1216.

⁵¹ ACTA, supra note 2, 8.

⁵² Id.

⁵³ Id.

as a positive step by rights holders, it also takes away some of the balance between competing interests that was built into TRIPS, and therefore changes the playing field (for better or worse) with regards to intellectual property protection.

VII. Scope

There are several sections of ACTA which currently contain provisional language that could significantly expand the scope of the agreement. Most of the accepted language in the ACTA text refers only to infringement of trademarks and copyrights. There is, however, provisional language that would expand the scope of the agreement to include infringement of all Intellectual Property Rights. This provisional language can be found in the sections regarding injunctions⁵⁴, provisional measures⁵⁵, destruction of infringing goods⁵⁶, and border measures⁵⁷. While TRIPS currently deals with trademarks, copyrights, and patents, the inclusion of patents in ACTA would substantially expand the scope of an agreement that is intended to confront “the growing problem of counterfeiting and piracy.”⁵⁸

Conclusion

ACTA represents a substantial enhancement of the ability of rights holders to enforce their intellectual property rights. This fits well with the stated goal of the agreement. This enhancement, however, may come at the expense of some of the balance that was built into existing international agreements, and will definitely represent a big win for the interests in the United States which had been previously unsuccessful in exporting our approach to third party liability and anti-circumvention.

⁵⁴ ACTA, supra note 2, 4.

⁵⁵ Id. at 8.

⁵⁶ Id. at 17.

⁵⁷ Id. at 9.

⁵⁸ <http://www.ustr.gov/about-us/press-office/fact-sheets/2009/november/acta-summary-key-elements-under-discussion>.