

EU Commission: Comments on the “Opinion of European Academics on Anti-Counterfeiting Trade Agreement”

Editors’ Note:

The “Opinion of European Academics on Anti-Counterfeiting Trade Agreement” (ACTA) of February 11, 2011, was published in 2 JIPITEC 65 (2011). Signed by more than 25 law professors and academics from across Europe who specialize in the field, this opinion addressed the following concern: Although it is uncontested that the infringement of intellectual property rights, especially in the Internet, prejudices the legitimate interests of right holders, it is still very controversial in Europe and abroad whether the enforcement standards of ACTA are balanced.

The European Commission, DG Trade, has now published a document with detailed comments on the Opinion. The comments, which are also available on the website of the European Commission [<http://trade.ec.europa.eu/doclib/html/147853.htm>], are republished here with the kind permission of the European Commission.

Commission Services Working Paper

- 1 In January 2011, a number of academics issued an “Opinion of European Academics on Anti-Counterfeiting Trade Agreement” (“ACTA”), the “Opinion”.
 - 2 We recognise the expertise of those producing and putting their name to the Opinion, and welcome their engagement into a serious, text-based, legal analysis of ACTA. The authors recognise a number of essential features of ACTA. However, at the end of the Opinion, they invite the European institutions, in particular the European Parliament, and the national legislators and governments to withhold consent of ACTA, “...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”.
 - 3 After close examination of the Opinion, we believe that the opinion fails to demonstrate, in a convincing manner, that ACTA is not in line with the relevant Community *acquis* or that it raises legitimate concerns as regards certain fundamental rights.
 - 4 While the Opinion shows that the rules of ACTA are not entirely similar to the corresponding EU law, this does not imply that ACTA is incompatible with EU law.
 - 5 Many of the Opinion’s conclusions appear to be based on the fact that ACTA is written in more general terms than EU legislation, or that the exceptions, procedural guarantees and safeguards in ACTA are less precise, and less specific than those of the relevant EU legislation.
 - 6 However, it is understandable that an international agreement negotiated by parties with different legal traditions will be drafted in more general terms than is the case for EU legislation. Nevertheless, ACTA does, in fact, contain the necessary safeguards to allow its Parties, including the EU, to strike an appropriate balance between all the rights and interests involved. Obviously, not all ACTA parties share exactly the same view on how to put this balance into practice, which is why, rather than setting out every detail, ACTA provides the Parties with the necessary flexibility to establish a balance which takes account of their economic, political and social objectives, as well as their legal traditions.
 - 7 As a result, ACTA is fully compatible with the relevant EU law, even if it is not drafted in exactly the same terms, contains exceptions that are more precise and more specific than ACTA and strikes a more refined balance than the one within ACTA. This means that, when ACTA is adopted by the EU, the relevant EU *acquis* will not have to be modified, and can not be challenged by other parties for failing to meet the standards ACTA sets.
 - 8 Below, you will find out a more detailed analysis illustrating these points.
 - 9 It is for these reasons that the Commission has stated on a number of occasions that ACTA is indeed fully in line with the relevant EU *acquis*. It will neither require changes to that *acquis*, nor lead to different interpretations or implementation of existing EU legislation.
 - 10 Finally, as indicated in the analysis that follows, the assessment made by in Opinion sometimes goes beyond the legal questions of the compatibility of ACTA with EU law to touch on legitimate political questions. These do not, of course, reflect concrete facts nor draw on the legal provisions of the text itself and should be viewed in that light.
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[I. "Preamble"]	
<p>The Signatories of the Opinion following the adoption of the Anti-Counterfeiting Trade Agreement (ACTA) on 3rd December 2010 recognizing that</p> <p>(a) <i>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;</i></p> <p>(b) <i>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;</i></p> <p>(c) <i>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;</i></p> <p>(d) <i>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;</i></p> <p>(e) <i>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;</i></p> <p>(f) <i>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;</i></p>	<p>Reference is made to the statements made by the Commission in replies to written questions from MEPs, and by Trade Commissioner De Gucht in oral statements at the plenary meetings of 9 March 2010, 8 September 2010 and 20 October 2010.</p> <p>Detailed answers are provided in this document, set out in table format for ease of reading.</p> <p>The full text of Commissioner De Gucht's statements in plenary can be found on :</p> <p>9 March 2010: http://www.europarl.europa.eu/sides/getDoc.do?type=PV&reference=20100309&secondRef=ITEM-015&language=EN&ring=P7-RC-2010-0154</p> <p>September 2010: http://trade.ec.europa.eu/doclib/docs/2010/september/tradoc_146465.pdf</p> <p>20 October 2010: http://trade.ec.europa.eu/doclib/docs/2010/october/tradoc_146791.pdf</p> <p>The full set of written parliamentary questions and Commission's replies on ACTA since 2010 can be found on: http://trade.ec.europa.eu/doclib/html/147852.htm</p>

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<p>(g) <i>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;</i></p>	<p>It is a common practice in international negotiations to have recourse to provisions that are merely voluntary or optional (“parties may”), and not mandatory (“parties shall”). Parties are not obliged to implement such provisions in their domestic law.</p> <p>We would observe that the comment regarding “an international political incitement to implement such clauses” is not a legal comment.</p> <p>ACTA is a catalogue of best practices, which means that these provisions may be considered effective and justified by some parties but will not be applicable in other legal frameworks. This flexibility allows, <i>inter alia</i> to take into account different legal traditions, or even different levels of development of the Parties.</p>
<p>(h) <i>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;</i></p>	<p>ACTA is an international agreement that is binding only on its Parties. It will be open to accession by other countries sharing the same concerns about the enforcement of intellectual property, who may wish to join it in future.</p> <p>We would observe that the comment regarding “pressure” that would be exerted on other States to adopt negotiated standards is not a legal comment. This being said, the Commission has no intention to impose ACTA on third parties who would not wish to join it. In this respect, we refer to the Commission’s reply to EP question E-1654/2011 of March/April 2011.</p>
<p>draw the attention to the following points:</p> <p>I. EU LAW</p> <p>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.</p>	<p>We reiterate the Commission’s statements that ACTA provisions are compatible with existing EU law. ACTA will not require any revision or adaptation of EU law and will not require any Members States to review the measures or instruments by which they implement relevant EU law. The points raised in the Opinion will be addressed one-by-one below.</p>

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<p>The following is a non-exhaustive list of illustrations that indicate the general tendency of ACTA:</p> <p>Civil enforcement</p> <p>1. Injunctions: art.8.1 ACTA requires Contracting Parties to grant an order against a party to desist from an infringement, and <i>inter alia</i>, 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 <i>instead</i> 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.</p>	<p>Article 8.1. of ACTA requires Parties to provide their judicial authorities with the possibility to issue injunctions so as to prevent infringing goods from entering the channels of commerce. Article 12 of Directive 2004/48/EC actually foresees the option of paying pecuniary compensation to the injured party <i>instead</i> of applying the measures provided for in art.11 Directive 2004/48/EC). The possibility to use this “pecuniary compensation” option <u>will</u> remain and will be fully compatible with ACTA (be it with its article 8.1 or with any other provision of ACTA).</p> <p>Article 12 of Directive 2004/48/EC gives the possibility to Member States to give their courts, under narrowly defined conditions, the authority to order alternative measures to the injunctions provided for by article 11 of the Directive. If Member States avail themselves of that option, such alternative measures must, however, be an additional option for national courts and may not replace the power to grant the injunctions provided for by article 11 of the Directive.</p>
<p>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.</p>	<p>There is no conflict between article 9 of ACTA and article 13 of Directive 2004/48/EC. Both provisions refer to ways in which courts can come to the determination of fair damages for the injured party.</p> <p>Article 9 of ACTA provides a detailed list of options for the judicial authorities to establish the damages. During the negotiations of ACTA, the Commission services made sure that article 9 ACTA does not impose on the EU any methods not foreseen in article 13 of Directive 2004/48/EC. Article 9.1 of ACTA requires Parties to give their judicial authorities the power to consider “<i>inter alia, any legitimate measure of value the right holder submits</i>”. This is not in conflict with the approach adopted in article 13 of the Directive (which instructs judicial authorities to take into account all appropriate aspects to set the damages) and does not exclude any of the options available under that article. The examples given in article 9.1 of ACTA and highlighted by the authors of the Opinion are not mandatory for the ACTA Parties (cf. the provision says “<i>may include</i>”).</p> <p>Articles 9.1 and 9.2 of ACTA, indeed enumerate an extensive list of different methods to establish the damages. However, this does not mean that the amounts stipulated in each of these provisions are cumulative and would thus raise the level of applicable damages. This is confirmed by the reference at the end of article 9.2 to the principle that the infringers’ profits may be presumed to be the amount of damages referred to in 9.1.</p> <p>Therefore, no provision in article 9 of ACTA will require the amendment of existing EU legislation or the introduction of new rules or practices.</p>

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<p>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 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.</p>	<p>The emphasis on the destruction of the pirated and counterfeit materials reflects the consensus among ACTA Parties that it is the most effective solution to deal with this type of illegal products. However, Article 10 of ACTA contains sufficient flexibility to ensure that article 10 of Directive 2004/48/EC is compatible with it.</p> <p>As acknowledged in the Opinion, ACTA contains a “general requirement of proportionality” (Art. 6.3). Proportionality has to be found between the seriousness of the infringements, the interest of third parties and the applicable measures, remedies and penalties. This requirement gives the Parties the necessary flexibility to set an appropriate balance between all interests involved and to calibrate remedies in a proportionate way. This <u>general requirement</u> applies to all parts of ACTA, a fortiori to all sections under Chapter II of ACTA on the “legal framework for enforcement of IPRs”. During the negotiations, it was agreed among the Parties 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.</p> <p>Therefore, no provision in Article 10 of ACTA contradicts or modifies the rules set in Article 10 of Directive 2004/48/EC, which will remain fully applicable in the EU and is compatible with ACTA.</p>
<p>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”⁷². Both the Luxembourg and the Strasbourg³ 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 <i>inaudita altera parte</i> 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”⁷⁴. It is not easy to understand why ACTA provides for provisional measures <i>inaudita altera parte</i>, 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.</p>	<p>For the sake of clarity: “<i>Inaudita altera parte</i> provisional measures” means provisional measures decided by a Judge in the absence of the defending party. Such measures may, in particular, be warranted in case of urgency in order to prevent irreparable harm created by damaging or illegal activities and to secure evidence from being destroyed.</p> <p>These specific <i>inaudita altera parte</i> provisional measures foreseen in Article 12 of ACTA are in line with the corresponding article 9.4 of Directive 2004/48/EC, for the following reasons:</p> <ul style="list-style-type: none"> ▶ Article 6.2 of ACTA foresees general procedural guarantees which apply to the entire Chapter II, including Article 12, and which reads: <p style="margin-left: 20px;"><i>“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”</i>. [Article 6.2]</p> ▶ Nothing in ACTA calls into question the specific safeguards foreseen by EU legislation, <i>inter alia</i> in article 9.4 and 9.5 of Directive 2004/48/EC. These safeguards, or procedural guarantees, therefore remain applicable in the EU. ▶ Finally, Article 1 of ACTA states that nothing in ACTA shall derogate from any obligation of a Party with respect to any other Party under existing agreements, including the TRIPS Agreement. As the guarantees contained in the TRIPS Agreement, namely article 50.4 and 50.6, are echoed, almost verbatim, in articles 9.4 and 9.5 of Directive 2004/48/EC, this is another confirmation that these guarantees remain applicable. <p>Therefore, key safeguards such as the right to be heard and the right to appeal set out in Articles 9.4 and 9.4 of Directive 2004/48/EC will remain applicable in the EU.</p>

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<p>Border measures</p> <p>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 <i>acquis</i>, 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 rewording 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.</p>	<p>During the ACTA negotiations, the Commission services insisted on a broad definition of trademark infringements in Section 3 on Border Measures, in order to keep the necessary flexibility in view of the ongoing review of the applicable EU legislation* (Regulation 1383/2003).</p> <p>However, as correctly pointed out in the Opinion, article 13 ACTA was drafted in a way that allows the Parties to exclude certain forms of IP infringements from border measures. In the EU, this is the case for forms of trademark infringements other than counterfeiting (as well as for topographies of semiconductor products, utility models or products containing or manufactured using a third parties' undisclosed information, without consent). There is, <u>therefore</u>, no extension of the EU <i>acquis</i> and ACTA does not trigger any obligation to modify Regulation 1383/2003.</p> <p>During the negotiations, the Commission services were particularly cautious to ensure that neither the border enforcement provisions nor any other ACTA provision will target legitimate trade in medicines either directly or indirectly. In particular, as stated in the Commission's written answers to EP Written Declaration 12/2010, to EP Resolution of 10/03/2010, to questions by Members of the European Parliament (<i>inter alia</i> P-9346/2010, P-9026/10EN, P-5214/10EN, P-0683/10EN and E- 4292/10EN) and in Commissioner De Gucht's presentations to the European Parliament plenary of 9 March, of 8 September 2010 and of 20 October 2010, it is not the Commission's intention to use enforcement measures (be it at the border or in civil or penal litigation) to hinder the legitimate trade in generic medicines.</p> <p>The Opinion authors consider that, in one particular instance, ACTA could represent a danger for the international trade of generics, (i.e. the risk that generic medicines could be seized based on allegations of 'ordinary' trademark infringements).</p> <p>We consider that there is no such risk for the following reasons:</p> <ul style="list-style-type: none"> ▶ as pointed out in the Opinion, article 13 ACTA contains a level of flexibility that allows the parties to exclude certain forms of IP infringements, namely on the basis of public health grounds; ▶ ACTA contains specific safeguards to ensure that its implementation would not hinder access to medicines (see next paragraph); ▶ the example mentioned in the Opinion appears to imply that the practice of using infringing trademarks (with mere "ordinary" infringements) is generalised among the industries producing generics. As far as we are aware, this is not the case: legitimate generic producers use their own trademarks, and have no reason or interest whatsoever to engage in trademark infringement. ▶ In any event, defining and determining whether a trademark infringement exists on the basis of similarity to protected trademarks or other reasons, is a matter of the substantive protection of a trademark in each ACTA party and of assessing this in accordance with the respective legal orders of the Parties. These matters are neither addressed nor modified by ACTA. <p>In this respect, we recall that the Commission has carefully considered and addressed, in the context of ACTA, concerns regarding access to medicines in developing countries in the following manner:</p>

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	<ul style="list-style-type: none"> ▶ ACTA contains an express reference to Doha Declaration on TRIPS and Public Health and incorporates the objectives and principles of articles 7 and 8 TRIPS, which refer, <i>inter alia</i>, to the safeguard of public health; ▶ Patent infringements are expressly <u>not</u> covered by <u>penal</u> enforcement provisions in ACTA, nor by <u>border</u> measures in ACTA; ▶ ACTA leaves it <u>optional</u> for signatories to apply the <u>civil</u> remedies section to patents (« ... may ... »). <p>Therefore, these measures, which include several layers of safeguards, should allay the concerns of those who fear that ACTA could adversely affect access to medicines in developing countries.</p>
<p>Criminal enforcement</p> <p>6. No EU <i>acquis</i> 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.</p>	<p>There is indeed no EU <i>acquis</i> on criminal measures.</p> <p>However, the Criminal Enforcement provisions of ACTA do not require additional legislation at EU level. A similar situation arises from the TRIPS Agreement, which has been in force since <u>1996</u>. The TRIPS Agreement also contains criminal enforcement provisions that bind EU Member States which had to comply, in their national laws, with TRIPS. In that case, no EU legislation was necessary to implement these aspects of the TRIPS Agreement concerning criminal sanctions.</p> <p>ACTA therefore does not require additional EU legislation.</p>
<p>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”.</p> <p>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.</p>	<p>We observe that the positions taken by the European Parliament in the context framework of discussions on a proposal for a Directive which was <u>not</u> adopted does <u>not</u> belong to the EU <i>acquis</i>. The comment set out in this regard in the Opinion seems therefore more of political nature than of a legal nature.</p> <p>Furthermore, Directive 2004/48/EC stipulates in its recital (14) that “Acts carried out on a commercial scale are those carried out for direct or indirect economic or commercial advantage...”. This definition is rather close to the definition used in ACTA, which focuses on commercial activities for an economic or commercial advantage, which is the opposite of a personal activity by a private user without profit motivations. Indeed, said recital also clarifies that “...this would normally exclude acts carried out by end-consumers acting in good faith.”</p> <p>Regarding the point made on fair use, the Commission fully agrees on the need to guarantee fair use of a protected work as declared by the EP. However, the Commission points out that the activities mentioned in the EP position are considered in the EU as <u>legitimate “exceptions”</u> and therefore do not fall under the scope of the criminal enforcement provisions of ACTA, since this applies only to certain <u>illegal activities</u> (piracy and counterfeiting), practiced wilfully and on a commercial scale. In fact, these exceptions are totally outside the scope of ACTA, which, as an enforcement agreement, only applies to infringing activities, not to legal ones.</p>

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<p>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.</p>	<p>The criminal enforcement provisions of ACTA only apply to <u>counterfeiting</u> and <u>piracy</u> activities (the so-called “fake” goods, as opposed to goods lawfully marketed in the exporting country). Illegal parallel trade consists of the <i>unauthorised</i> import of <u>legitimate</u> goods, not of counterfeit or pirated ones. An express exclusion was therefore redundant.</p> <p>Therefore, parallel imports will not be hindered by ACTA.</p>
<p>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.</p>	<p>The so-called “camcording” criminal provisions are not to be found in many EU Member States’ legislations. Therefore, EU negotiators ensured that they are merely optional, as correctly pointed out in the Opinion, in order to reflect and respect the EU diversity.</p> <p>Regarding the second part of the statement, as already noted above, legally protected exceptions are not covered by the scope of ACTA (which only applies to certain illegal activities, which is not the case for legitimate exceptions). Consequently, fair use and private copy exceptions will not be affected by ACTA’s “camcording” provisions.</p>
<p>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.</p>	<p>As mentioned above, the ACTA Parties opted for a general provision on safeguards and procedural guarantees in Article 6.2, which is applicable to the entire Chapter II on criminal enforcement.</p> <p>This being said, nothing in ACTA repeals, reduces or otherwise modifies the specific safeguards foreseen in the legislations of the Parties. In the case of criminal enforcement, in the absence of existing EU legislation on the matter, this applies to all the safeguards foreseen in the laws of the EU Member States.</p> <p>Therefore, these safeguards (including the right to be heard) will remain fully applicable in the EU.</p>

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II. INTERNATIONAL LAW	
<p>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.</p> <p>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:</p>	<p>We share the statement that ACTA introduces enforcement standards higher than those existing under current international law. This is precisely the purpose of ACTA: increasing the quality of enforcement.</p> <p>The statement concerning the lack of balance is, however, incorrect. ACTA contains the necessary safeguards to allow its Parties to strike an appropriate balance between all rights and interests involved. Obviously, not all ACTA parties share exactly the same view on how to set this balance in practice, which is why, rather than prescribing in detail how to set the balance, ACTA provides the Parties with the necessary flexibility to establish this balance, in line with their economic, political and social objectives, as well as with their legal traditions. That will mean improved international standards of Intellectual Property Rights enforcement, while fully respecting the rights of citizens and the concerns of important stakeholders such as consumers or internet providers.</p> <p>Some examples of ACTA provisions ensuring this balance are:</p> <ul style="list-style-type: none"> ▶ the reference in the Preamble and in article 13 to the need to avoid creating barriers to legitimate trade; ▶ the reference in the Preamble to the need to balance the rights and interests of the relevant right holders, service providers, and users; ▶ the reference in the Preamble to the principles set forth in the Doha Declaration on the TRIPS Agreement and Public Health; ▶ Article 1 which ensures the full compliance with the TRIPS Agreement, including the TRIPS system of safeguards and guarantees which remains fully binding to all the ACTA Parties and, obviously, to any third countries members of the WTO; ▶ Article 2.3 integrating the objectives and principles of articles 7 and 8 TRIPS (promotion of technical innovation and transfer of technology in a manner conducive to social and economic welfare, the protection of health and nutrition, the promotion of public interest in key sectors, etc.); ▶ article 4, ensuring the respect for privacy and confidential information; ▶ article 6.2 and 6.3 ensuring the necessary procedural safeguards and the principle of proportionality; ▶ article 27.2 to 27.4, specifically ensuring the preservation of fundamental principles such as freedom of expression, fair process and privacy on matters relating to the internet. <p>Therefore, safeguards existing under international law are not eliminated, but rather preserved.</p>

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<p>Civil enforcement</p> <p>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).</p>	<p>All ACTA parties agreed on the importance of providing a right of information to its right-holders regarding the infringement of their rights. However, as explained above, ACTA does not eliminate any guarantees or safeguards provided under the national laws of its signatories, including the requirement of proportionality or measures against the misuse of acquired information.</p> <p>The general requirement of proportionality of article 6.2 ACTA applies also to the provisions of article 11 of ACTA concerning the right of information. Furthermore, the Opinion omits the very detailed and wide ranging provisions on privacy and disclosure of information stipulated in article 4 ACTA (which are expressly referred to in article 11), several of which are equivalent to those contained in article 8.3 of Directive 2004/48/EC.</p> <p>The reference to “alleged infringers” in article 11 ACTA is destined to foresee the frequent situations where such information regarding persons involved in the infringements, the means of production or channels of distribution, is sought by Courts in the context of an on-going procedure, at a stage where the infringer has not yet been condemned.</p> <p>In this particular case, the Opinion does not make reference to article 8.1 of Directive 2004/48/EC, which extends the right of information to a considerably broader level than ACTA, since it applies not only to infringers but also to <u>any other person</u> who was found in possession or using the infringing goods, providing services used in infringing activities or was indicated as being involved in the production, manufacture or distribution of the goods or the provision of the services. This is one example where the EU <i>acquis</i> is considerably more demanding than ACTA.</p>
<p>Border Measures</p> <p>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.</p>	<p>Please see comments on paragraph 5. above.</p>

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<p>13. Safeguards: ACTA eliminates the following safeguards available under TRIPS. First, art.56 TRIPS contains a mandatory requirement that customs must have “<i>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</i>”. ACTA, however, has no directly equivalent provision for compensation in cases of wrongful detentions.</p> <p>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 “<i>in exceptional circumstances</i>” (art. 18, 4th sentence ACTA).</p> <p>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 “<i>within a reasonable period</i>”.</p>	<p>ACTA does not eliminate any safeguards available under TRIPS (cfr. article 1 ACTA). Therefore, the TRIPS safeguards (articles 55 and 56) will remain binding and applicable to all ACTA Parties.</p> <p>Furthermore, the general provision concerning the principles of fairness, equity and proportionality of article 6 ACTA equally implies basic safeguards such as compensation for undue injury.</p> <p>Regarding article 18 ACTA, it is fully in line with article 53.2 TRIPS, which foresees very detailed and narrowly defined circumstances for the possibility of the owner of the goods to provide securities to obtain possession of the goods. Note that the option mentioned in the Opinion for the goods owner/importer to provide a security under art. Article 53.2 (which remains fully applicable) applies <u>only</u> to patents, undisclosed information, designs and layout-designs and that the first two are <u>excluded</u> from the scope of application of ACTA’s customs enforcement section.</p> <p>As regards the comment on Article 55 TRIPS, this provision sets the mandatory limits to the duration of the <u>initial detention</u> of goods suspected of infringement (i.e. the time between the suspension of the goods and the initiation of the proceeding leading to a decision on the merits of the case. As mentioned in the first paragraph, this provision will remain applicable. We wish to note that the Opinion refers to Article 19 ACTA, but that this Article 19 concerns a very different time period: the time for a [judicial] authority <u>to take a decision on the merits of a case</u>, which must take place “<i>within a reasonable period</i>”.</p>
<p>Criminal enforcement</p> <p>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 and/or jurisprudence of the Parties. commercial scale adopted by the WTO Panel,</p> <p>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”⁵.</p>	<p>All 37 members of the WTO, which negotiated ACTA are confident that the definition of “commercial scale” as well as the remainder of the agreement are fully in line with their WTO rights and obligations, including with any applicable jurisprudence.</p> <p>We are not in a position to provide any substantial comment on the doubts mentioned in the Opinion as these are not spelled out. One can only note that both definitions are based on the concept of “commercial activity”, which can be subsequently further interpreted by the domestic legislation and/or jurisprudence of the Parties.</p>

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<p>Digital chapter</p> <p>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.</p>	<p>The provisions on technological measures of ACTA reflect the EU <i>acquis</i> in this area, in particular Directive 2001/29. That Directive implements the obligations in Article 11 of the WIPO Copyright Treaty and Article 18 of the WIPO Performances and Phonograms Treaty, but also goes beyond both Treaties. This is another example where the <i>acquis</i> goes beyond existing international treaties.</p> <p>The chapter on digital environment is one of the most important contributions of ACTA. The common ground found between ACTA Parties on definitions of key concepts such as technical measures is a major element of this positive contribution.</p> <p>The Opinion reflects concerns on the lack of a mechanism to ensure the exercise and enforcement of exceptions and limitations. These are not justified for the following reasons:</p> <p>In its digital chapter ACTA defines key orientations and principles, in an area where the Parties have different national legislations with no common basis. This is in contrast with the other chapters of ACTA, where the domestic laws of all the Parties had as a common denominator the minimum standards of TRIPS (not all the ACTA Parties have ratified the WIPO internet treaties and they have widely different systems of exceptions and limitations). This is why ACTA opted for making a very precise reference to the compliance between the rules set in article 27.5 to 7 ACTA and “... <i>the rights, limitations, exceptions, or defences to copyright or related rights infringement under a Party’s law.</i>”.</p>
<p>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.</p> <p>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).</p>	<p>We wish to note that:</p> <ul style="list-style-type: none"> ▶ the ACTA provision on the disclosure of subscribers’ data (art.27.4 ACTA) is optional, like Art.47 TRIPS; ▶ these two provisions deal with quite different matters: article 27.4 ACTA addresses the question of the role of internet service providers, a concept that is absent from TRIPS. Indeed, TRIPS was negotiated in the early 1990s, well before the expansion of internet and the introduction of concepts such as that of intermediary service providers. ▶ provisions equivalent to article 27.4 ACTA, allowing for such intermediary service providers to be requested to provide information exist in the EU⁹ (and the US, Japan and many ACTA Parties) for more than 10 years and have been transposed, and applied in EU Member States. <p>It is not correct to state that ACTA lacks specific provisions about the preservation of fundamental principles “<i>such as freedom of expression, fair process, and privacy</i>”. As an international agreement, ACTA does define the key orientations and principles, in particular in an area where the Parties have different national legislations lacking a common basis, contrary to the other chapters of ACTA where the domestic laws of all the Parties had as a common denominator the minimum standards of TRIPS. However, ACTA opted to leave it to the domestic laws of each Party, to ensure how these key principles would be implemented, instead of trying to harmonise detailed implementing rules that expand well beyond the scope of IPR enforcement. As the Opinion points out, in the EU alone, these fundamental principles are ensured by several Directives, but also by different Constitutional provisions, which were not realistically possible to transpose into ACTA.</p>

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<p>Taking above into account,</p> <p>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 <i>acquis</i> or serious concerns on fundamental rights, data protection, and a fair balance of interests are not properly addressed, to withhold consent.</p>	<p>As demonstrated above, ACTA does not introduce any deviations, significant or not, from the EU <i>Acquis</i>.</p> <p>ACTA also fully respects fundamental rights and data protection, as explained in detail above.</p> <p>Finally, we wish to refer to the positions adopted by the European Commission in its written answers to questions by Members of the European Parliament (<i>inter alia</i> P-9346/2010, P- 9026/10EN, P-5214/10EN, P-0683/10EN and E-4292/10EN) and in Commissioner De Gucht's presentations to the European Parliament plenary of 8 September 2010 and 20 October 2010 confirming that ACTA ensures a fair balance of interests between right-holders and other parties concerned by the enforcement of intellectual property rights.</p> <p>ACTA has been negotiated in full coordination with and – as regards the criminal chapter – with the participation of the competent authorities of all Member States.</p> <p>The Commission has also kept the European Parliament fully informed at all stages of the evolution of those negotiations. In addition to providing the negotiating documents, Commissioner De Gucht has participated in three plenary debates. The Commission has formally replied to several dozens of written and oral questions, to two Recommendations and one Declaration of the European Parliament. Commission services have provided several dedicated briefings to interested Members of the European Parliament on all aspects of the negotiations after the various negotiating rounds.</p> <p>One can therefore conclude that ACTA has been extensively debated, in a manner that should enable competent institutions to provide their informed consent to ACTA.</p> <p>The Commission services remain fully available to provide any additional clarification.</p>

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

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.

5 China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights (China – IPRs).

* In September 2008 the Council, responding to a Commission Communication concerning a strategy for Industrial Property Rights, invited the Commission and the Member States to review Council Regulation (EC) 1383/2003 of 22 July 2003. One of the key areas of this review has to do with IPR infringements not covered by the current legislation, *inter alia*, trademark infringements other than counterfeit products. Public consultation available at: http://ec.europa.eu/taxation_customs/common/consultations/customs/ipr_2010_03_en.htm

◊ Article 15.2 of Directive 2000/31 or article 8 of Directive 2004/48