

## The Anti-Counterfeiting Trade Agreement in the Public Eye

By [Aaron X. Fellmeth](#)

### I. Introduction



The Anti-Counterfeiting Trade Agreement (ACTA) is one of the most controversial intellectual property law treaties negotiated by the United States, despite repeated assurances by the U.S. Trade Representative (USTR) that the treaty will require no changes to existing U.S. statutes. The USTR and European Commission jointly published an official negotiating draft of the ACTA on April 21, 2010.<sup>[1]</sup> This *Insight* discusses the procedural and substantive sources of the controversy and summarizes

the most important provisions of the current ACTA draft.

### II. The ACTA Negotiations

In 2006, Europe, Japan, Switzerland, and the United States began negotiating the ACTA with the declared purpose “to establish international standards for enforcing intellectual property rights in order to fight more efficiently the growing problem of [trademark] counterfeiting and [copyright] piracy.”<sup>[2]</sup> Since 2006, the negotiations have expanded to include Australia, Canada, Jordan, Mexico, Morocco, New Zealand, Singapore, South Korea, and the United Arab Emirates. The United States is already a party to numerous treaties for the protection of intellectual property (IP), including several that deal with counterfeiting and piracy. However, the ACTA will add new, detailed rules on enforcement measures and will create a new architecture for international cooperation in the enforcement of IP rights.

Widespread criticism by academics and civil society has not deterred USTR from negotiating the ACTA in secrecy until very recently. This confidentiality was not especially unusual; the U.S. government normally negotiates treaties without releasing interim drafts to the public.<sup>[3]</sup> However, the ACTA negotiations prompted vehement international criticism from academics,<sup>[4]</sup> nongovernmental organizations,<sup>[5]</sup> and even some EU public officials due in

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part to their perceived effect on consumer rights.<sup>[6]</sup> Eventually, the negotiators faced an adverse resolution in the European Parliament<sup>[7]</sup> and a lawsuit seeking public disclosure of the negotiations in the United States.<sup>[8]</sup> The uproar was further fueled by leaks of some versions of ACTA negotiating drafts in 2009 and early 2010. Amidst deteriorating confidentiality and escalating controversy, the drafts were formally made public on April 21, 2010.

The ACTA negotiations are taking place apart from the ongoing World Trade Organization (WTO) negotiations and without direct participation by the World Intellectual Property Organization (WIPO). While the ACTA expands on the disciplines in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the formal agenda of the Doha Round does not include anti-counterfeiting or anti-piracy enforcement.

Alternatively, measures to prevent and punish counterfeiting and piracy might be considered subjects falling squarely within the mandate of the WIPO, whose organizational mission is to “promote the protection of intellectual property throughout the world through cooperation among States.”<sup>[9]</sup> But the United States has been unable recently to advance WIPO proposals for strengthening international IP protection.<sup>[10]</sup> USTR may not view WIPO as an effective forum for advancing a strongly pro-IP agenda. In contrast, the United States has successfully convinced many of its trading partners, including several developing countries, to adopt “TRIPS-plus” provisions in various bilateral free trade agreements (FTAs). Each U.S. FTA agreement contains a chapter devoted to IP protection with disciplines very similar to those in the ACTA negotiating draft. The United States, EU, and other IP-exporters likely decided that efforts to harmonize IP laws internationally would better succeed if they adopted a treaty among themselves that they could then persuade other governments to join individually, targeting specifically developing countries with persistent piracy and counterfeiting problems.

The decision to conclude an agreement on IP enforcement may have been further spurred by perceived gaps in Part III of the TRIPS Agreement and dissatisfaction with the interpretation of the Agreement’s enforcement provisions by a WTO dispute settlement panel in *China—IPR Enforcement Measures*.<sup>[11]</sup>

### III. Substantive Provisions: Rumor and Reality

USTR early on announced that the agreement would require no change to U.S. law, but would instead spread U.S. IP enforcement practices to other treaty partners along the lines of U.S. FTAs. Nonetheless, rumors persisted that the ACTA would incorporate draconian restrictions on digital content usage by “criminaliz[ing] peer-to-peer file sharing, subject[ing] iPods to border searches and allow[ing] internet service providers [ISPs] to monitor their customers’ communications.”<sup>[12]</sup> Especially common was the suggestion that ISPs would be required to cut off Internet access to any user who had been warned three times not to illegally download copyrighted content from the Internet. Such a “three strikes” law is in effect in France, and the United

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#### ORGANIZATIONS OF NOTE

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Kingdom and other countries in Europe and Asia are considering similar proposals.<sup>[13]</sup> In reality, the ACTA draft does not explicitly adopt this approach.

The ACTA draft text focuses almost entirely on copyright and trademark infringement, especially (though not exclusively) on piracy<sup>[14]</sup> and counterfeiting.<sup>[15]</sup> It deals with patent infringement only peripherally, in a few scattered sections.

Several draft ACTA provisions would require parties to adopt laws replicating U.S. copyright and trademark law, including procedures and remedies that are unfamiliar to many states (e.g., cease-and-desist orders, punitive or statutory civil damages for IP infringement, and injunctions to prevent infringing goods from being exported).<sup>[16]</sup> Pirated or counterfeit goods and the equipment to manufacture them would be either destroyed or “definitively removed from the channel [sic] of commerce,”<sup>[17]</sup> presumably meaning that they could be donated to charities. Civil damages currently under consideration include the IP owner’s lost profits, disgorgement of the infringer’s profits, or statutory damages. Some negotiators have proposed allowing the IP owner to choose between these measures of damages. Judicial or administrative authorities would also have the right to subpoena information from accused infringers and to order temporary seizures and other provisional measures *inaudita altera parte*. The draft also includes the possibility of an award of costs and attorney’s fees to a prevailing party.

Chapter 2, Section 2 of the draft text requires parties to provide a private right to seek detention of infringing trademarked merchandise, pirated copyright-protected goods, or goods with misleading geographic indications during importation, exportation, or transshipment, upon a *prima facie* showing of infringement. The detention order must last at least one year from the date of application. Goods found to be infringing must be destroyed “except in exceptional circumstances”<sup>[18]</sup> and must not be allowed to enter the channels of commerce or be exported. This provision would strengthen the discretionary remedies in TRIPS Agreement Article 51.<sup>[19]</sup>

Section 3 of Chapter 2 requires each party to adopt criminal penalties for willful trademark infringement (or possibly just counterfeiting, according to different proposals) or copyright piracy taking place either “in the course of trade” or “on a commercial scale” (again, proposals differ). “Commercial scale” is currently defined as not only infringement committed for financial gain, but “significant willful copyright or related rights infringements that have no direct or indirect motivation of financial gain”<sup>[20]</sup> (e.g., uploading copyrighted digital content to the Internet without any expectation of benefit in return).<sup>[21]</sup> The inclusion of this provision would respond to the *China-IPR Enforcement Measures* decision and to longstanding complaints by the copyright industries. Section 3 also stipulates that the law of each party must provide for imprisonment and monetary fines “sufficiently high to provide a deterrent to future acts of infringement.” Various proposals include requiring the criminalization of inciting or aiding and abetting infringing acts; the forfeiture of any “materials and implements” used in criminal infringement; and the forfeiture of any property derived from the profits of criminal

infringement. U.S. law already provides for these penalties.

Draft Chapter 2, Section 4 concludes with the politically sensitive but commercially important “special measures related to technological enforcement of intellectual property in the digital environment.” Neither the TRIPS Agreement nor the so-called WIPO “Internet treaties” —the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (WPPT)—deal in any detail with widespread digital copyright and trademark infringement. The WIPO Copyright Treaty obligates state parties to “provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures” by the copyright owner to protect the copyrighted work from unauthorized reproduction (art. 11). It also requires parties to provide an “adequate and effective legal remedy” for the alteration or removal of digital rights management (DRM) information from copyright-protected works (art. 12). Neither provision expressly requires the adoption of criminal penalties. The WPPT clarifies that copyright owners’ broadcasting, performance, communication, reproduction, and distribution rights for their performances apply in the digital environment to the same extent that they do elsewhere (fns. 6 and 9) without establishing detailed obligations. Neither treaty mentions the Internet directly.

The ACTA draft goes beyond these treaties by expressly requiring that civil and criminal enforcement permit effective action against digital or Internet infringement and include expeditious measures to deter future digital infringement. It also addresses the difficult policy issue of how to balance the need to provide widespread Internet services with content-providers’ desires to hold ISPs responsible for preventing copyright piracy by ISP customers. Under the ACTA draft, states would provide ISPs with a safe harbor from liability, but only when the ISP: (1) has adopted “automatic technical processes” for preventing infringement; (2) “does not select the material” posted on its Web site that is allegedly infringing; and (3) merely links or refers users to a Web site containing infringing material, so long as the ISP has no actual knowledge of the infringement and implements a policy to “address” infringement (which apparently does *not* mean monitoring its users for infringement).<sup>[22]</sup>

This section also will potentially require parties to implement anti-circumvention measures that allow copyright owners to restrict electronic use in ways that surpass those now permitted under the TRIPS Agreement and WIPO Internet treaties. ACTA parties may be obligated to criminalize IP users’ technological measures to circumvent electronic restrictions, including the importation of circumvention devices and technologies (such as decryption software). The current draft also requires ACTA parties to criminalize the removal or alteration of electronic DRM software or other information. Title I of the Digital Millennium Copyright Act (DMCA) already includes similar provisions,<sup>[23]</sup> but these have been interpreted by the U.S. Supreme Court to include a liability exception for the manufacture and sale of electronic devices capable of substantial non-infringing uses.<sup>[24]</sup> The current ACTA draft contains no such qualification. ACTA Chapter 2 is also controversial in light of the possibility that the treaty will be interpreted to require criminalization even of circumvention undertaken in pursuit of a

legitimate right, such as a right to make a backup copy of software or to resell an owned copy of a copyright-protected work. The absence of a “fair use” exception, present in both the TRIPS Agreement and U.S. copyright law, aggravates concerns that the ACTA will allow copyright owners to curtail consumer rights even further.

Chapter 3 provides for international IP enforcement cooperation, including through information sharing, technical assistance, training, the development of tools to measure the effect of anti-counterfeiting and anti-hacking measures, and joint enforcement operations. Chapter 4 commits the parties to developing domestic IP enforcement expertise, collecting information on infringement, and facilitating joint action by domestic enforcement authorities such as customs agencies and criminal enforcement agencies. Finally, Chapter 4 commits the parties to public awareness campaigns regarding “the detrimental effects of intellectual property infringement.”

Chapter 5 would create an “oversight” or “steering” committee comprised of one delegate from each party, with a rotating secretariat. The committee’s general mission will be to supervise the implementation of the agreement; to coordinate its further elaboration; and to assist in negotiating the settlement of disputes. All negotiating parties appear to agree that committee decisions will be made solely by consensus of those present at the meeting concerned. The secretariat will assist the committee and perform various administrative functions.

#### **IV. ACTA Prospects**

Because the ACTA draft is a negotiating text, some details of the final treaty remain uncertain. However, it can be predicted with some confidence that the terms of the ultimate agreement will not depart greatly from the current negotiating draft text. The U.S. Chamber of Commerce and other representatives of IP owners favor the treaty, while public interest groups view it as empowering copyright owners to further abridge free speech rights and traditional consumer prerogatives. President Obama has endorsed aggressive international IP enforcement.<sup>[25]</sup> The ninth round of negotiations is being held in Geneva in June 2010, and USTR expects to have a finished treaty in hand by the end of the year. It has shown no intent to solicit or heed divergent opinions on the scope or content of ACTA.

Although ACTA may have the effect of restricting consumer rights, that is clearly not its primary purpose, which is to provide leverage and assistance in the struggle to reduce persistent piracy and counterfeiting. The success of ACTA in fulfilling expectations of stronger international copyright and trademark enforcement depend greatly on whether China and other major sources of counterfeiting and piracy can be persuaded to adopt the agreement. USTR estimates that some 80% of IP-infringing goods seized at U.S. borders come from Chinese exporters<sup>[26]</sup> and, as noted, some ACTA provisions were adopted specifically to fill perceived gaps in the TRIPS Agreement. Without China’s ultimate cooperation, ACTA will have at most a limited effect on global copyright piracy and trademark counterfeiting.

## About the Author

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## Endnotes

[1] Anti-Counterfeiting Trade Agreement, Public Predecisional/Deliberative Draft dated Apr. 2010, *available at* [http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc\\_146029.pdf](http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146029.pdf).

[2] ACTA – *Summary of Key Elements Under Discussion*, OFF. OF THE U.S. TRADE REP., Nov. 6, 2009, *at* <http://www.ustr.gov/about-us/press-office/fact-sheets/2009/november/acta-summary-key-elements-under-discussion>.

[3] The government has sometimes released negotiating drafts to the public (e.g., for the Free Trade Agreement of the Americas; the WIPO Treaty for Improved Access for Blind, Visually Impaired, and other Reading Disabled Persons; and the U.S. model bilateral investment and taxation treaties).

[4] *E.g.*, Jack Goldsmith & Lawrence Lessig, *Anti-Counterfeiting Agreement Raises Constitutional Concerns*, WASH. POST, Mar. 26, 2010.

[5] Numerous NGOs opposed the secrecy of the negotiations, including Knowledge Ecology International, Public Knowledge, the Electronic Frontier Foundation, Global Trade Watch, IP Left (South Korea), the Australian Digital Alliance, the Canadian Library Association, Consumers Union of Japan, the National Consumer Council (U.K.), and *Médecins sans Frontières*.

[6] See Paul Meller, *EU Data Protection Chief Slams Secret ACTA Talks*, BUSINESSWEEK, Feb. 22, 2010, *available at* [http://www.businessweek.com/technology/content/feb2010/tc20100222\\_165816.htm](http://www.businessweek.com/technology/content/feb2010/tc20100222_165816.htm).

[7] Eur. Parl. Res. on the Transparency & State of Play of the ACTA Negot., EUR. PARL. DOC. P7\_TA(2010)0058 (Mar. 10, 2010), <http://www.europarl.europa.eu/>.

[8] In September 2008, two NGOs sued the USTR to obtain disclosure of the negotiating draft under the Freedom of Information Act, but the groups withdrew the suit after President Obama classified all ACTA negotiating documents. See *Panelists Question Transparency of ACTA Negotiations, Effect on U.S. Law*, 79 PAT., TRADEMARK & COPYRIGHT J. 266 (2010).

[9] Convention Establishing the World Intellectual Property Organization art. 3, July 14, 1967, at [http://www.wipo.int/treaties/en/convention/trtdocs\\_wo029.html#P68\\_3059](http://www.wipo.int/treaties/en/convention/trtdocs_wo029.html#P68_3059).

[10] These include blocked proposals for a new Patent Cooperation Treaty and a Substantive Patent Law Treaty that would harmonize patent protection internationally.

[11] Panel Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R (Jan. 26, 2009) (adopted Mar. 20, 2009). To oversimplify somewhat, the United States complained that China had failed to observe its TRIPS Agreement obligations by (1) refusing to criminally prosecute copyright pirates caught with less than 20,000 to 50,000 yuan (about US\$ 3000 to US\$ 7300) worth of pirated goods, and (2) failing to destroy infringing imports and exports seized by Chinese customs at the border.

[12] David Kravets, *Anti-Counterfeiting Trade Agreement: Fact or Fiction?*, WIRED.COM, Sept. 15, 2008, <http://www.wired.com/threatlevel/2008/09/international-i/>.

[13] See generally Jeremy de Beer & Christopher D. Clemmer, *Global Trends in Online Copyright Enforcement: A Non-Neutral Role for Network Intermediaries?*, 49 JURIMETRICS J. 375 (2009).

[14] Copyright piracy is defined in the draft to mean the production or sale of copies of copyrighted works “made without the consent of the right holder in the country of production and that are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country” in which enforcement is invoked. See *Anti-Counterfeiting Trade Agreement: Consolidated Text Prepared for Public Release n.26, Apr. 2010, available at http://www.ustr.gov/webfm\_send/1883* [hereinafter ACTA Draft].

[15] The draft defines counterfeit goods to mean “any goods, including packaging, bearing without authorization a trademark that is identical to the trademark validly registered in respect of such goods, or that cannot be distinguished in its essential aspects from such a trademark, and that thereby infringes the rights of the owner of the trademark in question under the law of the country” in which enforcement is invoked. *Id.* n.25.

[16] The TRIPS Agreement already requires remedies for the importation of unlicensed, infringing goods. See Agreement on Trade-Related Aspects of Intellectual Property Rights art. 51 (Apr. 14, 1994), *available at* [http://www.wto.org/english/tratop\\_e/t\)agm0\\_e.htm](http://www.wto.org/english/tratop_e/t)agm0_e.htm).

[17] ACTA Draft art. 2.3(1).

[18] *Id.*

[19] This section is generally consistent with U.S. border measures under Section 337 of the 1930 Tariff Act. 19 U.S.C. § 1337. Section 337 provides U.S. copyright, trademark, and other IP owners with an administrative remedy to halt infringing imports at the border for the protection of a “domestic industry.” The ACTA draft text does not include a domestic industry requirement, but its provisions would be satisfied through the U.S. Customs & Border Protection recordation procedure (see 19 C.F.R. pt. 133).

[20] ACTA Draft art. 2.14.

[21] The 1976 Copyright Act already subjects such copying to criminal penalties. See 17 U.S.C. § 506; *see also* 18 U.S.C. § 2319.

[22] This provision bears a strong resemblance to Title II of the U.S. Digital Millennium Copyright Act (DMCA). Pub. L. No. 105-304, tit. II, 112 Stat. 2860 (Oct. 28, 1998) (codified at 17 U.S.C. § 512). Although framed as an “exemption” from liability, this provision may be interpreted to require ISPs to assist copyright owners in enforcing their IP rights whenever the ISP is informed of an alleged infringement on their Web site in order to avoid becoming embroiled in expensive and distracting infringement litigation.

[23] *Id.* tit. I (codified at 17 U.S.C. §§ 1201-05).

[24] See *Sony Corp. of Am. v. Univ. City Studios Inc.*, 464 U.S. 417 (1984).

[25] White House News Release: *Remarks by the President at the Export-Import Bank’s Annual Conference*, Mar. 11, 2010, *available at* <http://www.whitehouse.gov/the-press-office/remarks-president-export-import-banks-annual-conference>.

[26] Off. of the U.S. Trade Rep., *2010 Special 301 Rep.* at 19 (Apr. 30, 2010), *available at* [http://www.ustr.gov/webfm\\_send/1906](http://www.ustr.gov/webfm_send/1906).