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WORKSHOP

**THE
ANTI-COUNTERFEITING
TRADE AGREEMENT
(ACTA)**

INTA

PART III: THE TROUBLE WITH ACTA: AN ANALYSIS OF THE ANTI-COUNTERFEITING TRADE AGREEMENT

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Executive Summary

This report concludes that the Anti-Counterfeiting Trade Agreement's harm greatly exceeds its potential benefits. Given ACTA's corrosive effect on transparency in international negotiations, the damage to international intellectual property institutions, the exclusion of the majority of the developing world from the ambit of the agreement, the potentially dangerous substantive provisions, and the uncertain benefits in countering counterfeiting, there are ample reasons for the public and politicians to reject the agreement in its current form. In doing so, governments would help restore confidence in the global intellectual property system and open the door to a new round of negotiations premised on transparency, inclusion, and evidence-based policy-making.

The report is divided into three parts. Part one analyzes the process-related problems including the lack of transparency during the treaty negotiations, the exclusion of many developing countries from the negotiation process, and the harm caused by ACTA to the effectiveness of multilateral organizations such as the World Trade Organization and the World Intellectual Property Organization.

It argues that the lack of transparency throughout the ACTA process eroded public confidence in the entire agreement with reverberations that are still being felt today. Further, it concludes that all countries and stakeholders benefit from a well-functioning international intellectual property governance model led by WIPO and the WTO. Ratification of ACTA will undermine the authority of those institutions, causing immeasurable harm to the development of global IP norms. The decision to move outside the WIPO and WTP umbrellas and effectively exclude the developing world from participating in the ACTA negotiations has implications that extend far beyond harm to those organizations, as the impact will be felt most acutely by developing countries.

Part two highlights some of the major substantive concerns with ACTA. It identifies four broad areas of concern: the expansion of intellectual property law including the expansion of secondary liability and criminal provisions; the likelihood that permissive provisions will gradually be interpreted as mandatory, a process that is already underway as leading copyright lobby groups urge the U.S. government to include ACTA countries on its piracy watch list for failing to include ACTA-style rules within their domestic legal frameworks; the renegotiation of international intellectual property rights agreements including WTO TRIPS and the WIPO Internet treaties; and the absence of balancing provisions and procedural safeguards.

Part three examines the likely effectiveness of ACTA in its current form. It notes the lack of credible statistical evidence on the size and scope of the counterfeiting problem, the absence of countries reputed to be leading sources of counterfeit product from the ambit of the agreement, and assesses emerging research that concludes that the most effective approach to combating counterfeit products lies in business solutions that more effectively compete in underserved markets.

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Introduction

In October 2007, the United States, the European Union, Japan, Canada, and a handful of other countries simultaneously announced ambitious plans to negotiate a new intellectual property treaty called the Anti-Counterfeiting Trade Agreement (ACTA).¹ While supporters envisioned a quick negotiation process given the common views on the harms associated with counterfeiting and the need for effective legal measures to address those concerns, ACTA quickly became bogged down in substantive disagreement among the negotiating parties and public criticism over the lack of transparency and exclusion of other affected parties.

In late 2010, the ACTA parties reached agreement on a draft text, which was later consolidated in 2011.² In October 2011, the United States, Australia, Canada, Japan, Morocco, New Zealand, Singapore, and South Korea signed the agreement. Many members of the European Union signed in January 2012. Several parties, including Switzerland and Mexico, have yet to sign the agreement.

Treaty obligations typically only take effect upon ratification, meaning ACTA parties now face the question of whether to sign or formally ratify the agreement. The question of signing or ratifying has sparked a global discussion on the merits of ACTA, including the process under which it was negotiated, the impact of its substantive provisions, and its likely effectiveness in combating counterfeiting activities.

This report assesses ACTA on all three issues: process, substance, and effectiveness. It identifies significant concerns on all three issues that should give the public, policy makers, and politicians pause before lining up to support the agreement. Indeed, the analysis that follows concludes that ACTA's harm greatly exceeds its potential benefits. Given ACTA's corrosive effect on transparency in international negotiations, the damage to international intellectual property institutions, the exclusion of the majority of the developing world from the ambit of the agreement, the potentially dangerous substantive provisions, and the uncertain benefits in countering counterfeiting, there are ample reasons for the public and politicians to reject the agreement in its current form. In doing so, governments would help restore confidence in the global intellectual property system and open the door to a new round of negotiations premised on transparency, inclusion, and evidence-based policy-making.

The ACTA analysis report is divided into three parts. Part one analyzes the process-related problems including the lack of transparency during the treaty negotiations, the exclusion of many developing countries from the negotiation process, and the harm caused by ACTA to the effectiveness of multilateral organizations such as the World Trade Organization and the World Intellectual Property Organization.

Part two highlights some of the major substantive concerns with ACTA. Some of the substantive concerns raised during the negotiations have been adequately addressed,³ however, there remain significant concerns with the agreement as concluded. While a complete clause-by-clause analysis is beyond the scope of this report (and would in any event vary from country-to-country), this part identifies four broad areas of concern: the expansion of intellectual property law, the likelihood that permissive provisions will gradually be interpreted as mandatory, the renegotiation of international

¹ Japan, Ministry of Economy, Trade and Industry, Press release, "Regarding the Anti-Counterfeiting Trade Agreement (ACTA)" (23 October 2007), online: <http://www.meti.go.jp/press/20071023001/002_state.pdf>

² Anti-Counterfeiting Trade Agreement, online at <http://www.international.gc.ca/trade-agreements-accords-commerciaux/fo/acta-acrc.aspx?lang=eng&view=d>.

³ Near the conclusion of the ACTA negotiations, I noted that the Internet provisions had been significantly altered from their earlier approach. See, Michael Geist, ACTA Ultra-Lite: The U.S. Cave on the Internet Chapter Complete, (October 6, 2010), online at <<http://www.michaelgeist.ca/content/view/5352/125/>>

intellectual property rights agreements, and the absence of balancing provisions and procedural safeguards.

Part three examines the likely effectiveness of ACTA in its current form. It notes the lack of credible statistical evidence on the size and scope of the counterfeiting problem, the absence of countries reputed to be leading sources of counterfeit product from the ambit of the agreement, and assesses emerging research that concludes that the most effective approach to combating counterfeit products lies in business solutions that more effectively compete in underserved markets.

1. ACTA'S PROCESS PROBLEMS

1.1 Lack of Transparency

ACTA's lack of transparency was a consistent source of concern throughout the negotiation process. In December 2007, before formal negotiations began, the U.S. government asked other participating countries to agree to a confidentiality agreement. The agreement classified all correspondence between ACTA parties as "national security" information on the grounds that it is confidential "foreign government information."⁴

The first few rounds of negotiations were held in secret locations with each participating country offering near-identical cryptic press releases that did little more than fuel public concern about the potential scope of the treaty and the prospect that it might be concluded without public input or review. This highly unusual level of secrecy, particularly for an agreement focused on intellectual property, led not only to an outcry from citizens and civil society groups,⁵ but to a steady stream of parliamentary resolutions⁶ and political demands for transparency⁷ coming from around the globe.

Notwithstanding the mounting public outrage, the ACTA participants responded with little more than vague discussions about transparency and inadequate promises to solicit greater public feedback. In November 2009, as a response to demands for more transparency, the ACTA partners released a joint statement claiming that "it is accepted practice during trade negotiations among sovereign states to not share negotiating texts with the public at large, particularly at earlier stages of the negotiation."⁸

Yet a closer examination of similar international IP negotiations reveals that ACTA's opaque approach was not "an accepted practice", but rather was out-of-step with many other global norm-setting exercises. The WTO, WIPO, WHO, UNCITRAL, UNIDROIT, UNCTAD, OECD, Hague Conference on Private

⁴ Eddan Katz and Gwen Hinze, *The Impact of the Anti-Counterfeiting Trade Agreement on the Knowledge Economy: the Accountability of the Office of the U.S. Trade Representative for the Creation of IP Enforcement Norms Through Executive Trade Agreements*, Volume 35 (Fall 2009) *Yale Journal of Int'l Law*.

⁵ See, e.g., CIPPIC, "Re: Anti-Counterfeiting Trade Agreement (ACTA)" (April 30, 2008), online: <http://www.cippic.ca/uploads/CIPPIC_LT_DFAIT-ACTA-30%20April%2008.pdf>; Matt Kuhn, "ACTA means trouble, but don't take our word for it" *Public Knowledge* (June 10, 2010), online: <<http://www.publicknowledge.org/node/3155>>; La Quadrature, "Three Core Reasons for Rejecting ACTA" (March 29, 2010), online: <<http://www.laquadrature.net/en/three-core-reasons-for-rejecting-acta>>.

⁶ European parliament, Press release, "Access to documents: The European parliament demands more transparency" (11 March 2009), online: <http://www.europarl.europa.eu/news/expert/infopress_page/019-51409-068-03-11-902-20090310IPR51408-09-03-2009-2009-false/default_es.htm>

⁷ E.g. Letter from Senator Bernard Sanders and Senator Sherrod Brown to Honorable Ron Kirk (23 November 2009) online: <http://keionline.org/sites/default/files/sanders_brown_acta.pdf>, MP Clare Curran, "ACTA, secrecy, Copyright and delays" (16 December 2009), online: <http://blog.labour.org.nz/index.php/2009/12/16/acta-secrecy-copyright-and-delays/?utm_source=wordtwit&utm_medium=social&utm_campaign=wordtwit>

⁸ ACTA negotiating parties, Press release, "The Anti-Counterfeiting Trade Agreement – Summary of Key Elements Under Discussion" (6 November 2009), online: <http://www.ustr.gov/webfm_send/1479>

International Law, and an assortment of other conventions were all far more open than ACTA. For example, the WIPO Internet treaties, which offer the closest substantive parallel to the ACTA Internet provisions, were by comparison very transparent with full texts made readily available to the public well in advance of the final agreement.⁹

Internal U.S. government documents confirm that European government officials privately acknowledged the transparency problem. For example, a November 2008 U.S. cable released by Wikileaks notes the Italian head of the intellectual property office within the Ministry of Foreign Affairs expressed concern with the lack of transparency and effective consultation:

*The level of confidentiality in these ACTA negotiations has been set at a higher level than is customary for non-security agreements. According to Mazza, it is impossible for member states to conduct necessary consultations with IPR stakeholders and legislatures under this level of confidentiality. He said that before the next round of ACTA discussions, this point will have to be renegotiated.*¹⁰

A year later, a Swedish official who represented the EU Presidency at the ACTA negotiations told U.S. officials:

*the secrecy issue has been very damaging to the negotiating climate in Sweden. All political parties have vocal minorities challenging the steps the government has taken to step up its IPR enforcement. For those groups, the refusal to make ACTA documents public has been an excellent political tool around which to build speculation about the political intent behind the negotiations. If the instrument for example had been negotiated within the World Intellectual Property Organization (WIPO) critics say, WIPO's Secretariat would have made public initial draft proposals. In Johansson's opinion, the secrecy around the negotiations has led to that the legitimacy of the whole process being questioned.*¹¹

The same cable expressed additional concern that the U.S. was providing access to various industry lobby groups, while other countries were unable to consult with their stakeholders. The cable notes:

*European Commission is concerned that the USG [U.S. government] has close consultation with U.S. industry, while the EU does not have the same possibility to share the content under discussion in the negotiations.*¹²

These concerns are unsurprising given that the ACTA negotiations were demonstrably more secretive than comparable past processes. They represented a major shift toward greater secrecy in the negotiation of international treaties on intellectual property, in what appeared to be an attempt to avoid public participation and scrutiny.

A draft version of the ACTA text was only released after years of negotiation in April 2010. Two documents, leaked in early 2010, were instrumental in the release. The first leak involved internal Dutch government documents describing the positions of many ACTA participants on treaty transparency.¹³ Up to that point, a standard evasive response from many governments to transparency criticisms had

⁹ Knowledge Ecology Institute, "ACTA is secret. How transparent are other other global norm setting exercises?" (July 21, 2009), online: <http://www.keionline.org/misc-docs/4/attachment1_transparency_ustr.pdf>; The European Union references the openness of the WIPO process in their ACTA resolution on transparency: European Parliament, *Resolution on the transparency and state of play of the Anti-Counterfeiting Trade Agreement ACTA*, online: <<http://www.europarl.europa.eu/oeil/FindByProcnum.do?lang=en&procnum=RSP/2010/2572>>.

¹⁰ The Guardian, "US embassy cables: Italy, the EU and the Anti-Counterfeit Trading Agreement", (22 December 2010) online: <http://www.guardian.co.uk/world/us-embassy-cables-documents/176810>

¹¹ The Guardian "US embassy cables: Sweden's concerns about Anti-Counterfeit Trading Agreement negotiations", (22 December 2010), online: <http://www.guardian.co.uk/world/us-embassy-cables-documents/236363>.

¹² Id.

¹³ Brenno de Winter, "Dutch internal ACTA documents" (25 Feb 2010), online: <<http://www.bigwobber.nl/2010/02/25/dutch-internal-acta-documents/>>

been to claim that they favoured releasing the ACTA text to the public, but that other unnamed countries did not. Therefore, because there was no consensus, the text could not be released. The Dutch leak succeeded in blowing the issue wide open by identifying which countries posed barriers to transparency.

The second major leak came in March 2010, in the form of a copy of a draft agreement dating from January 2010. Even after this leak, countries maintained their official pretense of treaty secrecy, despite the full, though unconfirmed, draft text, including negotiating positions, being available to anyone with Internet access. Because the text had not been officially released, government officials refused to comment on substantive provisions revealed by the leaked document.

The combined effect of the two leaks was a reversal on the transparency issue several months before the conclusion of the negotiations at the April 2010 round of discussions in New Zealand. Several days after those talks concluded, a draft version of the ACTA text was publicly released. Even though this official release had been purged of references to parties' negotiating positions that were present in the leaked March version, the release quieted much criticism about the lack of transparency.

The commitment to transparency was short-lived, however. Parties were unable to agree to release an updated text at the July 2010 Lucerne round, a pattern that repeated itself a month later at the August 2010 Washington round. European and Swiss officials publicly indicated that they supported releasing an updated text.¹⁴ Given the longstanding support for public release from countries such as Canada, Australia, and New Zealand, it appeared likely that the United States reverted back to its original position favouring secrecy.

In fact, U.S. opposition to public release extended to secrecy in the Freedom of Information process. Efforts to obtain information about the agreement through the FOIA process proved largely unsuccessful. For example, a lawsuit brought by the Electronic Frontier Foundation and Public Knowledge in 2008 resulted in the release of 159 pages of information, but 1362 pages were withheld under a national security classification.¹⁵

Opposition to transparency extended to other ACTA participants. In Europe, the European Digital Rights (EDRI) counted numerous instances where access requests were refused. In light of the lack of transparency, in July 2010, the Green group in the European Parliament issued a call for the European Commission to suspend all negotiation on ACTA until a proper agreement was in place for full transparency.¹⁶

In South Korea, IPLEFT, a Korean digital rights activist group founded in 1999, demanded that the South Korean government disclose relevant information about its stance on the negotiation of ACTA in August 2008. The disclosure was denied, and the reason for the denial was that "disclosure would result in a harmful effect on a diplomatic relationship with foreign countries and severe damage to considerable national interests."¹⁷

¹⁴ Monika Ermert, "ACTA Negotiators Vow To Mesh With National-Level Rights; Withhold New Text", *Intellectual Property Watch* (2 July 2010), online: <<http://www.ip-watch.org/weblog/2010/07/02/acta-negotiators-vow-to-mesh-with-national-level-rights-withhold-new-text/>>

¹⁵ Defendant's Motion for Summary Judgment, Elec.

Frontier Found. v. Office of the U.S. Trade Representative, No. 081599 (D.C. Cir. Sept. 17, 2008)

¹⁶ Monica Horten (2009) EU crossed wires over ACTA, <http://www.ip-tegrity.com/index.php/acta/545-eu-gets-wires-crossed-over-acta-transparency> 11 July 2010.

¹⁷ Danny O'Brien, Blogging ACTA Across the Globe: Lessons from Korea, (29 January, 2010), Electronic Frontier Foundation, online at: <https://www.eff.org/deeplinks/2010/01/acta-and-korea>.

No further texts were released until the ACTA negotiations concluded in October 2010. The lack of transparency throughout the ACTA process eroded public confidence in the entire agreement with reverberations that are still being felt today. While ACTA supporters have pointed to secret releases to European Parliament committees, the exclusion of the public from the consultation process has bred enormous distrust in the entire agreement.

The damage created by the lack of transparency extends beyond public distrust of ACTA. The failure to include experts throughout the negotiation process has caused significant damage to the substance of the agreement with numerous legal concerns as a result. Some officials have commented on the desirability of renegotiating some ACTA provisions, yet the process does not envision such an approach. Countries are required to accept the agreement “as is”, meaning the impact of ACTA secrecy will be felt for the foreseeable future.¹⁸

The need for greater transparency during the negotiation process was evident in the response to two public concerns about ACTA that arose as a result of leaked documents. In May 2008, media around the world reported that the agreement – which was at the very early stages of negotiation – could lead to border guard searches of the contents of iPods and other personal devices.¹⁹ As the furor grew, ACTA participants countered the criticism by including a *de minimis* provision (now Article 14) to exempt small consignments and personal luggage.²⁰

A similar series of events occurred in response to concerns that ACTA would require Internet termination policies such as a “three strikes and you’re out” model to alleged infringements. Leaked versions of the ACTA text included a footnote citing “the termination in appropriate circumstances of subscriptions and accounts on the service provider’s system or network of repeat infringers.”²¹ As public concern over Internet termination grew, the reference to termination was removed from the ACTA text in April 2010.²²

While the public concern over these provisions appears to have resulted in changes to the ACTA text, the lack of transparency associated the negotiations meant that these cases constituted the rare instance of public feedback having an impact on the final text. Had the negotiations followed more conventional global norms, it is much more likely that the final text would better account for the remaining substantive concerns.

Given the harm caused by the lack of transparency – both in public confidence in the agreement and in the final substantive text – many have pointed to this issue as sufficient grounds to reject the agreement. In doing so, they argue that parliamentarians would send a strong message that the lack of transparency is a fatal flaw and would help ensure that such secrecy is not repeated in future negotiations.

¹⁸ This was precisely the concern expressed throughout the negotiations. For example, in September 2008, the Center for Democracy and Technology commented on the secrecy, expressing fears that it “raises the dangerous prospect that a final text could be developed and presented as a fully baked, take-it-or-leave-it package, with no meaningful chance for input or debate on specific individual provisions.” Proposed I.P. Trade Agreement Sparks Alarm Due to Lack of Transparency, Center for Democracy & Technology, (September 16, 2008) available at: <https://www.cdt.org/policy/proposed-ip-trade-agreement-sparks-alarm-due-lack-transparency#3>

¹⁹ “Copyright deal could toughen rules governing info on iPods, computers”, Canwest News Service, (26 May 2008) online at <http://www.canada.com/vancouver/story.html?id=ae997868-220b-4dae-bf4f-47f6c96ce5e>.

²⁰ Anti-Counterfeiting Trade Agreement, Article 14.

²¹ David Meyer, “Acta leak shows EU resistance to US proposals”, (24 March 2010), online at <http://www.zdnet.co.uk/news/regulation/2010/03/24/acta-leak-shows-eu-resistance-to-us-proposals-40088430/>.

²² David Kravets, “ACTA Backs Away From 3 Strikes”, Wired, (21 April 2010), online at <http://www.wired.com/threatlevel/2010/04/acta-treaty/>.

1.2 Harm to International Organizations

Canadian officials hosted a public consultation on ACTA in Ottawa in 2009 (without release of the text) during which they stated that there were two primary reasons for the treaty.²³ The first, not surprisingly, was concern over counterfeiting. The second was the perceived stalemate at WIPO, where the growing emphasis on the WIPO Development Agenda and the heightened participation of developing countries and non-governmental organizations have stymied attempts by countries such as the U.S. to push through new treaties with little resistance.

Given the challenge of obtaining multilateral consensus at WIPO, the ACTA participants opted instead for a plurilateral approach that circumvented possible opposition from developing countries such as Brazil, Argentina, India, Russia, or China. There had been prior hints of this – an E.U. FAQ document²⁴ noted that “the membership and priorities of those organizations [G8, WTO, WIPO] simply are not the most conducive” to an ACTA-like initiative – yet the willingness to state publicly what had been only speculated privately sent a shot across the bow for WIPO and the countries that support its commitment to multilateral policy-making.

There is little reason to believe that WIPO could not have served as the forum to advance intellectual property enforcement, which is distinct from the gridlock the organization has faced in developing new norms and treaties. The WIPO General Assembly created the Advisory Committee on Enforcement (ACE) in 2002 with a mandate that includes “coordinating with certain organizations and the private sector to combat counterfeiting and piracy activities; public education; assistance; coordination to undertake national and regional training programs for all relevant stakeholders and exchange of information on enforcement issues through the establishment of an Electronic Forum.”²⁵

While ACTA countries avoided WIPO due to effectiveness concerns, ratifying ACTA would perversely increase the likelihood of gridlock. For those countries participating in ACTA, the successful completion of the plurilateral model will only increase the incentives to by-pass WIPO as a forum for challenging, global issues. For those countries outside of ACTA, the relevance of WIPO will gradually diminish, as achieving consensus on their concerns may prove increasingly difficult.

The harm to international organization is not limited to WIPO. The World Trade Organization, which features the TRIPS Council, may also find its role in global intellectual property protection issues undermined. According to the minutes of the October and November 2011 TRIPS Council meeting, the representative from Brazil stated:

*The WTO was a multilateral forum, and ACTA was a plurilateral agreement that had been deliberately negotiated outside the WTO. He voiced his delegation's concern regarding plurilateral agreements being advocated in a multilateral forum such as the WTO and shifting focus away from its multilateral nature.*²⁶

The Brazilian comments were supported by Venezuela, which said it “preferred multilateralism and transparency”, while the Zimbabwe delegation expressed concern “that ACTA was a plurilateral

²³ Department of Foreign Affairs, Summary of Discussions - ACTA Roundtable Consultation, April 6, 2009, online at http://www.international.gc.ca/trade-agreements-accords-commerciaux/fo/discussion_summary-resume.aspx?lang=eng&view=d.

²⁴ European Commission, “Q&As on the Anti-Counterfeiting Trade Agreement (ACTA)”, (January 2009) at 3, online: <http://trade.ec.europa.eu/doclib/docs/2009/january/tradoc_142040.pdf>

²⁵ Report on the Twenty Eighth (13th Extraordinary) Session, WIPO General Assembly, WO/GA/28/7 (1 October, 2002) at 114(ii), online: <http://www.wipo.int/edocs/mdocs/govbody/en/wo_ga_28/wo_ga_28_7.pdf>

²⁶ Council for Trade-Related Aspects of Intellectual Property Rights, Minutes of Meeting Held in the Centre William Rappard on 24-25 October and 17 November 2011, IP/C/M/67, 15 February 2012.

agreement that did not embrace all WTO Members.”²⁷ Similarly, the representative from China noted that his country:

*had expressed its concerns regarding ACTA in the past at the TRIPS Council. The legal system to protect IPRs should be comprehensive and well balanced; it needed to protect rights holders as well as the public interest. There had been controversies even in those countries that had participated in ACTA negotiations, including concerns about transparency and inconsistencies with domestic legislation. ACTA should be implemented in a way consistent with WTO rules and the TRIPS Agreement. It was important that protection and enforcement did not contravene the provisions of TRIPS; indeed, Members were required to ensure that matters and procedures to enforce IPRs did not themselves become barriers to legitimate trade, or create distortive effects on legitimate international trade. The additional protection under ACTA could not inappropriately restrict the inbuilt flexibilities and exceptions in the TRIPS Agreement.*²⁸

Many countries voiced concerns over ACTA during the course of the negotiations. These concerns focused both on the exclusion of widely accepted forums for negotiation of intellectual property issues as well as on the substantive effect of the agreement. China and India, along with developing countries such as Peru, Cuba, Bolivia, Ecuador, South Africa and Egypt, expressed concern that ACTA goes “above and beyond what is allowed under the WTO’s TRIPS agreement and do not adequately consider the interests of developing countries.” India acknowledged that TRIPS sets out minimum levels of IP protection, but added that the agreement also establishes certain ceilings on government action – ceiling that these new deals often break”.²⁹ In fact, India considered building an alliance of developing countries opposed to ACTA based on its impact on WIPO and the WTO.³⁰

Some countries even expressed concern that ACTA might eventually supplant WIPO and the WTO as a “third pillar” of global intellectual property protection. ACTA features detailed provisions that create an institutional infrastructure including an ACTA Committee. The ACTA Committee is empowered to review the implementation and operation of the agreement, to consider amendments to the text, and to determine requests to accede to the agreement.³¹ The ACTA Committee is scheduled to meet at least annually and is entitled to establish implementation “best practices.” Moreover, ACTA also provides for technical assistance and capacity building for both ACTA members and non-members.³² The technical assistance may include training and the “development and implementation of national legislation related to the enforcement of intellectual property rights.” These initiatives are very similar to those currently undertaken by WIPO and suggest a potential re-allocation of resources toward ACTA-based technical assistance to avoid duplication.³³

All countries and stakeholders benefit from a well-functioning international intellectual property governance model led by WIPO and the WTO. Ratification of ACTA will undermine the authority of those institutions, causing immeasurable harm to the development of global IP norms.

²⁷ Id.

²⁸ Id.

²⁹ Ahmed Abdel Latif, Acta: Original Expectations and Future Implications, (December 2010) Volume 14 No. 4, International Centre for Trade and Sustainable Development, available at <http://ictsd.org/i/news/bridges/98805/>

³⁰ Economic Times, “India plans front to nip new piracy law” 29 May 2010, online at: http://articles.economictimes.indiatimes.com/2010-05-29/news/27599709_1_patent-acta-anti-counterfeiting-trade-agreement.

³¹ Anti-Counterfeiting Trade Agreement, Chapter V, Institutional Arrangements.

³² Anti-Counterfeiting Trade Agreement, Article 35.

³³ ACTA, Article 35(3) states “each Party shall strive to avoid unnecessary duplication between the activities described in this Article and other international cooperation activities.”

1.3 Harm to Developing World Countries

The decision to move outside the WIPO and WTO umbrellas and effectively exclude the developing world from participating in the ACTA negotiations has implications that extend far beyond harm to those organizations, as the impact will be felt most acutely by developing countries. The exclusion of developing countries was a particular source of concern during the negotiations. For example, in 2009, India publicly attacked ACTA saying that it “was being negotiated in secrecy and with the exclusion of a vast majority of countries, including developing countries and Less Developed Countries.”³⁴

In the short term, developing countries may find that progress on WIPO Development Agenda issues stall as ACTA partners focus on ratifying their treaty and currying support for additional signatories. Given the skepticism surrounding the Development Agenda harbored by some ACTA countries,³⁵ they may be less willing to promote the Development Agenda since their chief global policy priorities now occur outside of WIPO. The Development Agenda has emerged as a critically important policy initiative for the developing world since it offers the promise of focusing global intellectual property policy on the specific needs and concerns of the developing world. Should ACTA derail the WIPO Development Agenda, the effect would be felt throughout Africa, Asia, and Latin America.

The longer-term implications are likely to be even more significant.³⁶ While, at first, it seems odd to conclude an anti-counterfeiting treaty without the participation of the countries most often identified as the sources or targets of counterfeiting activities, ACTA parties are likely to work quickly to establish the treaty as a “global standard.” Non-member countries will face great pressure to adhere to the treaty or to implement its provisions within their domestic laws, particularly as part of bilateral or multilateral trade negotiations. In other words, there will be a concerted effort to transform the plurilateral ACTA agreement into a multilateral one, though only the original negotiating partners will have had input into the content of the treaty.

Should ACTA be ratified, the developing world will face increasing pressure to implement it. Powerful developing countries such as India and China recognized this threat before ACTA was concluded. In June 2010, they formally voiced their concerns at the WTO.³⁷ They identified several issues with ACTA.

First, they submitted that ACTA conflicts with existing international trade law and would create legal uncertainty for countries around the world. Second, they believed that ACTA undermines the balance of rights, obligations, and flexibilities that exist within international law. This applies to both trade issues and intellectual property matters. For example, India is currently working to implement existing international intellectual property treaty provisions within its domestic laws.³⁸ Additional obligations, especially ones as prescriptive as those in ACTA, would create significant new restrictions that could

³⁴ Minutes of Meeting Held In The Centre William Rappard on 27-28 October and 6 November 2009’ Council on Trade-related Aspects of Intellectual Property, IP/C/M/61, 12 February 2010, para. 264.

³⁵ Ren Bucholz, WIPO: Trying to Bury the Development Agenda, June 27, 2005, online at <https://www.eff.org/deeplinks/2005/06/wipo-trying-bury-development-agenda>

³⁶ For a detailed analysis of the ACTA impact on the developing world, see, Rens, Andrew. 2010 Collateral Damage: The Impact of ACTA and Enforcement Agenda on the World’s Poorest People. PIJIP Research Paper no.5. American University Washington College of Law, Washington DC.

³⁷ WTO, Press release, “Council debates anti-counterfeiting talks, patents on life” (8 and 9 June 2010), online: http://www.wto.org/english/news_e/news10_e/trip_08jun10_e.htm

³⁸ In 2010, both countries tabled draft copyright reform bills. *India, The copyright (amendment) bill, 2010 a bill to further amend the Copyright Act 1957*, Bill No. XXIV of 2010, online: <http://prsindia.org/uploads/media/Copyright%20Act/Copyright%20Bill%202010.pdf>; *Canada, Bill C-32, An Act to amend the Copyright Act*, 3rd Sess., 40th Parl., 2010 (as read at first reading 2 June 2010), online: <http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=4580265&file=4>

have an immediate domestic impact, and jeopardize progress being made to comply with existing international law.

Third, the governments were uncomfortable with the prospect that ACTA could force them to allocate resources toward intellectual property enforcement ahead of other important policy concerns. While safeguarding intellectual property is important, many developing countries can ill-afford to pull scarce law enforcement personnel away from investigating violent crime, in order to track down purveyors of fake handbags or DVDs. Resource allocation remains a major issue with fears of prioritizing the enforcement of intellectual property over other intellectual property objectives such as development or education.

As noted above, ACTA contemplates initiatives to influence developing world intellectual property laws. These include the development and implementation of national legislation related to the enforcement of IP rights, training official on IP enforcement, and “coordinated operations conducted at the regional and multilateral levels.”³⁹ Given their exclusion from the negotiations, the developing country concerns with ACTA are well justified as the agreement establishes a framework that is ultimately designed to influence their legal frameworks. The agreement threatens to create a growing divide between the developed and developing world on international intellectual property policy that could hurt IP rights holders worldwide.

1.4 Constitutional Concerns With Implementation

Since completion of the ACTA negotiations in October 2010, questions have mounted over the constitutionality of implementation in several member countries. While some ACTA participants (such as Canada) will require legal reforms should they decide to ratify the agreement, others have suggested that implementation is possible without further reforms or review.

For example, U.S. Senator Ron Wyden and some U.S. legal scholars have raised constitutionality questions in the United States. Wyden wrote to U.S. President Barack Obama in October 2011 to take issue with the U.S. Trade Representatives’ position that ACTA is a “sole executive agreement” which can be entered into and implemented without the legislative branch’s involvement. Wyden wrote:

It may be possible for the U.S. to implement ACTA or any other trade agreement, once validly entered, without legislation if the agreement requires no change in U.S. law. But regardless of whether the agreement requires changes in U.S. law...the executive branch lacks constitutional authority to enter a binding international agreement covering issues delegated by the Constitution to Congress’ authority, absent congressional approval.”⁴⁰

Senator Wyden also states that there are only three constitutional mechanisms binding the U.S. to international agreements:

1. By invocation of the Treaty Clause of the Constitution and submitting the agreement to a two-thirds vote of the Senate, or
2. Through a “congressional-executive agreement” in which the agreement is approved of beforehand or after the fact by a majority of both houses of Congress, or
3. As a “sole executive agreement” governing matters delegated by Article II of the Constitution to the sole province of the President

³⁹ Anti-Counterfeiting Trade Agreement, Article 35.

⁴⁰ <http://wyden.senate.gov/newsroom/press/release/?id=12a5b1cb-ccb8-4e14-bb84-a11b35b4ec53>

Wyden argues that ACTA does not qualify under any of these mechanisms.⁴¹

The European Parliament is no doubt aware of implementation questions in Europe as well with questions regarding the full compatibility of ACTA with the EU *Acquis communautaire*. For example, in January 2011, leading European experts released an analysis that concluded that ACTA “exceeds the current EU *acquis*, and the Commission was not fully correct in its statements to the European Parliament.”⁴²

Implementation concerns have also been raised in other countries. While the Australia Department of Foreign Affairs and Trade has adopted the position that ACTA will not require any changes to domestic Australian law,⁴³ the DFAT position has been the subject of significant criticism. For example, Professor Kimberlee Weatherall⁴⁴ and Professor Matthew Rimmer⁴⁵ identify numerous concerns in their submissions to the Joint Standing Committee on Treaties Inquiry into the Anti-Counterfeiting Trade Agreement. Moreover, Alphapharm, Australia’s leading supplier of prescription medicines to the Government-subsidized Pharmaceutical Benefits Scheme (PBS), has concluded that legislative changes are needed in order to comply with ACTA.⁴⁶

The constitutional uncertainties may raise questions about the legitimacy of the agreement within domestic laws. At a minimum, these questions should be definitively and authoritatively answered before any ratification or implementation occurs. Moreover, the insistence that ACTA does not alter domestic laws (as suggested by proponents in the U.S., E.U., and Australia) raises doubts about the value of the treaty itself and the willingness of supporters to subject it to appropriate review and scrutiny. If the agreement creates no new laws, its utility in addressing counterfeiting concerns is thrown into question since it is apparently geared toward countries that have not participated in the ACTA negotiation process and have rejected its exclusionary approach. On the other hand, if ACTA necessitates domestic reforms, it should be subject to a full review by elected officials. In either case, the agreement should not be ratified in its current form using approval processes that circumvent conventional scrutiny and oversight.

2 SUBSTANTIVE CONCERNS WITH ACTA

In a speech to the European Parliament in September 2010, Commissioner of Trade Karel de Gucht assured Members of the European Parliament that “ACTA is only about enforcement of existing intellectual property rights. It will not include provisions modifying substantive intellectual property law.”⁴⁷ Yet despite the assurances, the final agreement represents a shift in intellectual property law that extends beyond mere enforcement.

⁴¹ Id.

⁴² Douwe Korff and Ian Brown, Opinion on the compatibility of the Anti-Counterfeiting Trade Agreement (ACTA) with the European Convention on Human Rights & the EU Charter of Fundamental Rights, The Greens and European Free Alliance, available at: http://www.greens-efa.eu/fileadmin/dam/Documents/Studies/ACTA_fundamental_rights_assessment.pdf

⁴³ <http://www.dfat.gov.au/trade/acta/>.

⁴⁴ Kimberlee G. Weatherall. "Submission to the Joint Standing Committee on Treaties Inquiry into the Anti-Counterfeiting Trade Agreement" 2012

Online at: <http://works.bepress.com/kimweatherall/26>

⁴⁵ Matthew Rimmer, "A Submission to the Joint Standing Committee on Treaties on the Anti-Counterfeiting Trade Agreement 2011 (#ACTA)" Online at <http://works.bepress.com/matthew_rimmer/109/>

⁴⁶ Alphapharm Submission on the Anti-Counterfeiting Trade Agreement (ACTA), November 21, 2011, online at <<http://t.co/ICizrXNJ>>

⁴⁷ Karel de Gucht, "Speaking Points: State of play of negotiations on the Anti-Counterfeiting Trade Agreement (ACTA)", 8 September 2010, online at http://trade.ec.europa.eu/doclib/docs/2010/september/tradoc_146465.pdf.

In February 2012, the European Commission announced plans to refer ACTA to the European Court of Justice to assess whether the agreement is “incompatible - in any way - with the EU’s fundamental rights and freedoms, such as freedom of expression and information or data protection and the right to property in case of intellectual property.”⁴⁸ While compatibility with fundamental rights and freedoms is obviously a pre-requisite for any agreement, it is not a sufficient criteria for approval. Indeed, a more detailed substantive analysis is needed to develop an informed view on the merits of the agreement.

A clause-by-clause analysis is beyond the scope of this report. However, the report identifies four broad areas of substantive concern: the expansion of intellectual property law, the likelihood that permissive provisions will gradually be interpreted as mandatory, the renegotiation of international intellectual property rights agreements, and the absence of balancing provisions and procedural safeguards.

2.1 The Expansion of Intellectual Property Law

ACTA raises several concerns with respect to the expansion of international intellectual property laws. The emphasis on secondary liability, which potentially holds third parties liable for the infringing actions of others, represents a significant shift in international intellectual property law. While many countries have codified secondary liability principles within their domestic laws, there are relatively few provisions aimed at secondary liability at international law. Within ACTA, Article 8 on Injunctions applies to both infringers and third parties as does Article 12 on Provisional Measures, which can be applied to third parties. Both Article 8 and Article 12 apply in a civil enforcement context. There are concerns these provisions could be used to target active ingredient suppliers of generic medicines.⁴⁹

ACTA also extends secondary liability to its criminal provisions. Articles 23(4) and 24 on Criminal Offences requires parties to add “aiding and abetting” to their laws. Aiding and abetting is designed specifically to target third parties, rather than primary infringers.

The Internet provisions within ACTA also target third parties. Article 27(2) provides that “each Party’s enforcement procedures shall apply to infringement of copyright or related rights over digital networks, which may include the unlawful use of means of widespread distribution for infringing purposes.”⁵⁰ In other words, the potential liability extends beyond those infringing to those who are seen to facilitate infringing activity. In fact, the provision could be applied to peer-to-peer networks, blogging platforms, and other technologies that facilitate the dissemination of content.

In addition to secondary liability concerns, ACTA significantly broadens the reach of criminal provisions in copyright and trademark cases. For example, Article 23(1) provides:

*Each Party shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright or related rights piracy on a commercial scale. For the purposes of this Section, acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.*⁵¹

This provision creates considerable uncertainty as “commercial scale” is undefined (other than the reference to commercial activities for direct or indirect economic or commercial advantage). Given the requirement on parties to include the provision within their domestic criminal laws, Article 23(1) is far

⁴⁸ Statement by Commissioner Karel De Gucht on ACTA (22 February 2012), online at: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=778>.

⁴⁹ Sean Flynn and Bijan Madhani, “ACTA and Access to Medicines”, online at <http://rfc.act-on-acta.eu/access-to-medicines>.

⁵⁰ Anti-Counterfeiting Trade Agreement, Article 27(2).

⁵¹ Anti-Counterfeiting Trade Agreement, Article 23(1).

too vague and open to interpretation. The provision does not feature any safeguards and should have been limited to clearly commercial activities.

ACTA also expands intellectual property law with respect to border measures provisions. Article 13, which provides for “effective border enforcement of intellectual property rights” applies to all forms of intellectual property rights. This extends the law found in many countries that limit such rules to counterfeit goods only. This is particularly problematic given the wide powers granted to officials in Article 19, which enables “competent authorities” to reach determination on whether suspect goods infringe an intellectual property right. Article 19 does not require any court oversight or provide for an appeal process.

2.2 Mandatory vs. Permissive Provisions

In an attempt to resolve ongoing conflicts over several substantive areas, the ACTA negotiators agreed to make many provisions permissive rather than mandatory. Supporters frequently point to the non-mandatory nature of several contentious provisions as evidence that there is little reason for concern with the substantive elements of ACTA. The permissive approach may be a useful mechanism to achieve consensus, but it provides cold comfort to those concerned with the long-term implications of the agreement. The experience with other treaties indicates that flexible, permissive language is gradually transformed into mandatory, best-practice language.

Many of ACTA’s most contentious areas feature permissive language stipulating that parties “may” include certain provisions but are not required to do so. Notable examples include:

- Article 9 (3) on Damages, which grants parties three options for implementing damages provisions similar to those found in the U.S. as statutory damages
- Article 10 (3) on Other Remedies, which states that parties “may provide for the remedies described in this Article to be carried out at the infringer’s expense”
- Article 14(2) on Small Consignments and Personal Luggage, which states that parties “may exclude from the application of this Section small quantities of goods of a non-commercial nature contained in travellers’ personal luggage.”
- Article 16(2) on Border Measures, which states that parties “may adopt or maintain procedures with respect to suspect in-transit goods or in other situations where the goods are under customs control”
- Article 22 on Disclosure of Information, which states that parties “may authorize its competent authorities to provide a right holder with information about specific shipments of goods, including the description and quantity of the goods, to assist in the detection of infringing goods”
- Article 23(3) on Criminal Offences, which states that parties “may provide criminal procedures and penalties in appropriate cases for the unauthorized copying of cinematographic works from a performance in a motion picture exhibition facility generally open to the public.”
- Article 27(4) on Enforcement in the Digital Environment, which states that parties “may provide, in accordance with its laws and regulations, its competent authorities with the authority to order an online service provider to disclose expeditiously to a right holder information sufficient to identify a subscriber whose account was allegedly used for infringement”

The net effect of these provisions is to open the door to statutory damages, detention of in-transit goods, disclosure of information to rights holders, creation of criminal provisions for unauthorized camcording, and a requirement that Internet providers disclose information about their subscribers.

While it is true that ACTA parties will not be required to implement these provisions in order to be compliant with the agreement, there will be considerable pressure to reinterpret these provisions as mandatory rather than permissive. The International Intellectual Property Alliance, whose members include Association of American Publishers, Business Software Alliance, Entertainment Software Association, Independent Film & Television Alliance, Motion Picture Association of America, National Music Publishers' Association, and Recording Industry Association of America, recently filed a submission with the U.S. government recommending that several ACTA parties be placed on the U.S. Special 301 list for providing inadequate intellectual property protections due in part to the failure to include these provisions within their domestic legislation.⁵²

For example, the IIPA cited Greece for failing to provide for mandatory disclosure of personal information by Internet providers, noting "there has been no progress in the past year to amend Article 4 of the Data Protection Law (Law 2225/1994) to require ISPs to disclose the identity of users suspected of copyright infringement."⁵³ The IIPA also took issue with Switzerland's failure to include anti-camcording provisions within their domestic law.⁵⁴

Mexico was cited for the decline of in-transit seizures, with the IIPA noting that the Attorney General "halted its seizure of in-transit containers, claiming a lack of authority. It is expected that this may be corrected in 2012 with a new "protocol" between PGR and Customs officials."⁵⁵ Canada was also targeted for its border measures provisions, with the IIPA arguing that it should "make legislative, regulatory or administrative changes necessary to empower customs officials to make ex officio seizures of counterfeit and pirate product at the border without a court order."⁵⁶

The IIPA recommended new search powers in Romania, arguing "the law should be amended to provide that the mere verification of the existence of software installed on computers should not require such a search warrant."⁵⁷ Spain⁵⁸ and Latvia⁵⁹ were also cited for needing stronger criminal provisions including the availability of larger damages awards.

In other words, while ACTA states that implementation of these provisions is optional, leading copyright lobby groups are already urging the U.S. government to include ACTA countries on its piracy watch list for failing to include the rules within their domestic legal frameworks.

There is ample precedent for this approach with other international intellectual property agreements. The WIPO Internet Treaties, which are the source of technological protection measures found in some domestic laws and at Article 27 of ACTA, provide a good illustration of the gradual transition away from flexibility.⁶⁰ The treaties were concluded at a Diplomatic Conference in December 1996, which featured debate in both the Main Committee and within the Plenary on the anti-circumvention provisions.

The starting point for the Diplomatic Conference was the U.S.-backed "Basic Proposal" that provided:

⁵² International Intellectual Property Alliance, 2012 Special 301 Report, Online at http://www.iipa.com/2012_SPEC301_TOC.htm.

⁵³ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301GREECE.PDF>.

⁵⁴ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301SWITZERLAND.PDF>.

⁵⁵ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301MEXICO.PDF>.

⁵⁶ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301CANADA.PDF>.

⁵⁷ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301ROMANIA.PDF>.

⁵⁸ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301SPAIN.PDF>.

⁵⁹ Id. Online at <http://www.iipa.com/rbc/2012/2012SPEC301LATVIA.PDF>.

⁶⁰ *The Case for Flexibility in Implementing the WIPO Internet Treaties: An Examination of the Anti-Circumvention Requirements*, in *From "Radical Extremism" to "Balanced Copyright": Canadian Copyright and the Digital Agenda*, (M. Geist, ed.) (Toronto, Irwin Law) 204-46 (2010)

(1) Contracting Parties shall make unlawful the importation, manufacture or distribution of protection-defeating devices, or the offer or performance of any service having the same effect, by any person knowing or having reasonable grounds to know that the device or service will be used for, or in the course of, the exercise of rights provided under this Treaty that is not authorized by the rightholder or the law.

(2) Contracting Parties shall provide for appropriate and effective remedies against the unlawful acts referred to in paragraph (1).

The record indicates that there were *no* unqualified endorsements of the Basic Proposal's provisions on Technological Measures in the Summary Minutes of the Plenary. Given the opposition at the Diplomatic Conference and in the months leading up to it at the Committee of Experts, it should come as no surprise that the Basic Proposal – the only document that required prohibitions against trafficking in circumvention devices – did not achieve consensus support.

The compromise position was to adopt the far more ambiguous “to provide adequate legal protection and effective legal remedies” standard. Not only does this language not explicitly require a ban on the distribution or manufacture of circumvention devices, it does not specifically target both access and copy controls. In fact, the record makes it readily apparent that the intent of the negotiating parties was to provide flexibility to avoid such an outcome. Countries were free to implement stricter anti-circumvention provisions consistent with the Basic Proposal (as the U.S. ultimately did), but consensus was reached on the basis of leaving the specific implementation to individual countries with far more flexible mandatory requirements.

In the years since the conclusion of the WIPO Internet Treaties, the U.S. has worked tirelessly to shift the flexible language found in the treaties toward the more restrictive approach that was rejected during the negotiations. As discussed further below, ACTA contains anti-circumvention provisions that extend beyond the requirements within the WIPO Internet Treaties.

The experience with the WIPO Internet Treaties is likely to be replicated with ACTA as permissive language provides a false sense of security to those concerned with the potential of the agreement to foster dramatic changes to domestic laws. Given the current efforts of groups such as the IIPA, it is readily apparent that the shift from permissive to mandatory is already underway. In fact, ACTA Article 36(3)(c) envisions the establishment of implementation “best practices” by the ACTA Committee that seems likely to be used to strongly encourage the adoption of permissive provisions into national law.

2.3 Re-negotiating International Intellectual Property Agreements

As discussed above, ACTA parties expressly excluded many developing world countries from the negotiations and engineered a forum far removed from the more open, consensus driven environment found at the WTO and WIPO. The approach is particularly problematic given that ACTA features many provisions that alter international agreements developed at the WTO and WIPO.

The substantive changes to the WTO TRIPS agreement are particularly notable. ACTA Article 8(1) on injunctions provides that

Each Party shall provide that, in civil judicial proceedings concerning the enforcement of intellectual property rights, its judicial authorities have the authority to issue an order against a party to desist from an infringement, and inter alia, an order to that party or, where appropriate, to a third party over whom the

*relevant judicial authority exercises jurisdiction, to prevent goods that involve the infringement of an intellectual property right from entering into the channels of commerce.*⁶¹

By contrast, the WTO TRIPS requires that member countries have authority to prevent intellectual property infringing “imported” goods from “the channels of commerce in their jurisdiction.”⁶² The provision is therefore limited to goods entering the market of the country applying the procedure but does not apply to exports or in-transit goods.

ACTA Article 9 on damages expands the TRIPS provision by specifying measures of damages that each member’s authorities “shall consider.” Moreover, the three potential statutory damages approaches (referred to above) removes the internal safeguard from the TRIPS requirement on restitution of profits that such awards only be in “appropriate cases.”⁶³

ACTA also expands the right to information for rights holders well beyond those found in TRIPS. ACTA Article 11 makes provision of certain information mandatory, whereas the corresponding TRIPS provision (Article 47) is optional. The ACTA provision expands the list of information that can be requested and applies to both infringers and alleged infringers, whereas TRIPS applies only to infringers. Most importantly, the TRIPS provision on proportionality has been removed from ACTA. ACTA also does not include a provision against misuse of the information obtained under Article 11. There are concerns the information disclosure provisions could be used to obtain details on distribution chains of generic pharmaceutical companies.⁶⁴

ACTA Article 18 on Security or Equivalent Assurance also expands the TRIPS provisions. TRIPS Article 56 contains a mandatory requirement that customs officials must have “authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods.” ACTA, however, has no directly equivalent provision for compensation in cases of wrongful detentions. Moreover, TRIPS Article 55 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 must be initiated or the goods released. ACTA does not have a directly equivalent provision.

ACTA Article 27 on the disclosure of subscriber information is also broader than TRIPS Article 47. For example, ACTA creates a duty to disclose for both infringing and non-infringing intermediaries, whereas TRIPS references only an infringer.

ACTA’s expansion of international intellectual property law is not limited to the TRIPS agreement. The anti-circumvention provisions found in the WIPO Internet Treaties are also extended beyond the current treaty requirements. The WIPO Internet Treaties require:

*“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.”*⁶⁵

⁶¹ Anti-Counterfeiting Trade Agreement, Article 8(1).

⁶² TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement], Article 44(1).

⁶³ Id. Article 45(1).

⁶⁴ Flynn, *supra*.

⁶⁵ *World Copyright Treaty*, art. 11.

As discussed above, this compromise language has been implemented in many different ways by contracting parties. ACTA uses the same language at Article 27(5), but then expands the obligation at Article 27(6) by providing:

In order to provide the adequate legal protection and effective legal remedies referred to in paragraph 5, each Party shall provide protection at least against:

(a) *to the extent provided by its law:*

(i) *the unauthorized circumvention of an effective technological measure carried out knowingly or with reasonable grounds to know; and*

(ii) *the offering to the public by marketing of a device or product, including computer programs, or a service, as a means of circumventing an effective technological measure; and*

(b) *the manufacture, importation, or distribution of a device or product, including computer programs, or provision of a service that:*

(i) *is primarily designed or produced for the purpose of circumventing an effective technological measure; or*

(ii) *has only a limited commercially significant purpose other than circumventing an effective technological measure.*⁶⁶

The effective renegotiation of international intellectual property agreements is deeply problematic, particularly since the ACTA negotiations expressly excluded many affected parties. Given the likelihood of bilateral pressure to conform to the ACTA provisions, the more appropriate venue to reconsider WTO or WIPO requirements are within those organizations, not within the ACTA framework.

2.4 Absence of Balancing Provisions and Procedural Safeguards

Unlike comparable international intellectual property agreements that have identified the need for balance and proportionality, with the exception of several general provisions at the start of the agreement, ACTA is almost single-minded in its focus on increasing enforcement powers. As discussed above, ACTA Article 9 removes safeguards from the damages provision, ACTA Article 11 on the provision on information removes the proportionality provision found in the TRIPS equivalent, and ACTA Article 18 does not include rules for compensation in cases of wrongful detentions.

The missing balancing provisions and procedural safeguards do not end there. ACTA Article 12(2) provides for “provisional measures *inaudita altera parte* where appropriate.” The provision does not include specific safeguards or procedural guarantees.

ACTA Article 26 on Ex Officio Criminal Enforcement strengthens criminal enforcement powers but does not build in procedural safeguards to ensure due process. FFII notes that in 2007 the European Parliament adopted the following amendment during its review of IPRED2:⁶⁷

Member States shall ensure that, through criminal, civil and procedural measures, the misuse of threats of criminal sanctions is prohibited and made subject to penalties. Member States shall prohibit procedural misuse, especially where criminal measures are employed for the enforcement of the requirements of civil law.

A similar provision is not contained in ACTA.

⁶⁶ Anti-Counterfeiting Trade Agreement, Article 27(6).

⁶⁷ FFII, Copyright Criminal measures in ACTA, (8 October 2010), online at <http://acta.ffii.org/wordpress/?p=34>.

3 LIKELY EFFECTIVENESS OF ACTA

Parts one and two examined the procedural and substantive concerns with ACTA. This part focuses on the likely effectiveness of the agreement in addressing counterfeiting concerns. It concludes that there are several reasons to doubt that ACTA as currently drafted would make a significant contribution to the fight against counterfeiting.

3.1 A Counterfeiting Agreement Without the Counterfeiters

While ACTA supporters may have believed that an agreement could best be achieved by bringing together a “coalition of the willing”, by limiting ACTA to predominantly developed world countries that are not typically associated with being major sources of counterfeit product, the agreement is seemingly designed to fail. The U.S. and E.U. have consistently pointed to countries such as China, Pakistan, Russia, the Ukraine, and Indonesia as major sources of counterfeit product.⁶⁸ Since none of these countries are included in the agreement, the substantive criminal, civil, and Internet provisions will have very little impact on counterfeiting in those countries. The border measures provisions may theoretically assist to keep counterfeit goods out of ACTA countries, though it seems unlikely to have a major impact.

The decision to exclude major sources of counterfeiting represents one of ACTA’s biggest flaws. Addressing ongoing global counterfeiting concerns necessitates an inclusive dialogue that brings together developed and developing world countries. The decision to exclude many countries vital to an effective anti-counterfeiting strategy undermines the agreement’s likely effectiveness and points to the need for ACTA partners to re-engage on this issue with a global invitation to address counterfeiting concerns, ideally within an existing multilateral framework.

3.2 An Agreement Without Change?

Supporters of ACTA have insisted that the agreement does not alter domestic laws (as suggested by proponents in the U.S., E.U., and Australia). Although part two of this report questions this premise, if accurate it raises doubts about the effectiveness of the treaty itself. If the agreement creates no new laws in the majority of participating countries, its utility in addressing counterfeiting concerns is thrown into question since it is apparently geared toward countries that have not participated in the ACTA negotiation process and have rejected its exclusionary approach. The likely effectiveness of ACTA depends at least in part on crafting rules to combat counterfeiting activities. However, given the reluctance to actually change domestic laws within most negotiating countries, the agreement seems unlikely to have a measurable positive impact.

While there is ongoing disagreement over ACTA’s impact on domestic law – some argue that it will not change existing rules, while others (this author included) believe that ACTA could require domestic changes – both interpretations hurt the case for ratification. If ACTA does not change domestic rules, it is far less likely to contribute positively to the battle against counterfeiting. If it does require domestic change, ratification of the agreement raises constitutional and procedural questions as well as substantive concerns about the likely changes.

3.3 Lack of Evidence-Based Anti-Counterfeiting Provisions

The preamble to ACTA begins by noting:

⁶⁸ USTR, 2011 Special 301 Report, online at http://www.ustr.gov/webfm_send/2841.

*that the proliferation of counterfeit and pirated goods, as well as of services that distribute infringing material, undermines legitimate trade and sustainable development of the world economy, causes significant financial losses for right holders and for legitimate businesses, and, in some cases, provides a source of revenue for organized crime and otherwise poses risks to the public*⁶⁹

This preamble provides a useful context for ACTA, yet it contains several assumptions about financial losses due to counterfeiting, the role of organized crime, and public risks that are the subject of considerable debate. Multiple studies have called into question these assumptions, making it difficult to conclude that the agreement will be effective, since too little is known about the scope and source of the problem.

For example, in a 2008 briefing report for the European Parliament Professor Duncan Matthews noted:

There are concerns that statements about levels of counterfeiting and piracy are based either on customs seizures, with the actual quantities of infringing goods in free circulation in any particular market largely unknown, or on estimated losses derived from industry surveys. Industry estimates of levels of counterfeit and piracy are considered to exhibit an upward bias, with the difficulty in estimating levels of actual counterfeiting and piracy exacerbated by the failure to use the definition of the terms as set down in the TRIPS Agreement.⁷⁰

In 2010, the U.S. Government Accountability Office examined many counterfeiting claims and concluded that commonly cited estimates are unreliable and cannot be substantiated to a data source.⁷¹ The U.S. GAO was required by the U.S. Congress to try to quantify the impact of counterfeit and pirated goods. While concluding that counterfeiting exists and is a problem, the GAO could not find reliable data. Its review of commonly cited claims:

Three commonly cited estimates of U.S. industry losses due to counterfeiting have been sourced to U.S. agencies, but cannot be substantiated or traced back to an underlying data source or methodology. First, a number of industry, media, and government publications have cited an FBI estimate that U.S. businesses lose \$200-\$250 billion to counterfeiting on an annual basis. This estimate was contained in a 2002 FBI press release, but FBI officials told us that it has no record of source data or methodology for generating the estimate and that it cannot be corroborated.

Second, a 2002 CBP press release contained an estimate that U.S. businesses and industries lose \$200 billion a year in revenue and 750,000 jobs due to counterfeits of merchandise. However, a CBP official stated that these figures are of uncertain origin, have been discredited, and are no longer used by CBP. A March 2009 CBP internal memo was circulated to inform staff not to use the figures. However, another entity within DHS continues to use them.

Third, the Motor and Equipment Manufacturers Association reported an estimate that the U.S. automotive parts industry has lost \$3 billion in sales due to counterfeit goods and attributed the figure to the Federal Trade Commission (FTC). The OECD has also referenced this estimate in its report on counterfeiting and piracy, citing the association report that is sourced to the FTC. However, when we contacted FTC officials to substantiate the estimate, they were unable to locate any record or source of this estimate within its reports or archives, and officials could not recall the agency ever developing or using this estimate. These estimates

⁶⁹ Anti-Counterfeiting Trade Agreement, Preamble.

⁷⁰ Duncan Matthews, *The Fight Against Counterfeiting and Piracy in the Bilateral Trade Agreements of the EU* [2008] European Parliament Briefing Paper, online at <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=21459>

⁷¹ U.S. Government Accountability Office, *Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods*, 12 April 2010, online at: <http://www.gao.gov/products/GAO-10-423>

attributed to FBI, CBP, and FTC continue to be referenced by various industry and government sources as evidence of the significance of the counterfeiting and piracy problem to the U.S. economy.

While there have been efforts to develop more reliable metrics of counterfeiting, evidence-based policy should be a requirement of any major anti-counterfeiting initiative.

Hazel Moir, an Adjunct Fellow at Centre for Policy Innovation at the Australian National University, attempted to identify the Australian metrics in her submission to the Joint Standing Committee on Treaties study on ACTA. Her conclusion:

*In respect of counterfeit goods in Australia, the OECD report shows that the range of counterfeit products has not changed over the past five years (OECD 2008: 70). The NIA advises that seized alleged counterfeit products were A\$26m in 2009-10. They do not put this figure in context. In 2009-10 the value of merchandise imports was A\$258,655m (or A\$205,217m for imports of consumption goods). **Using either of these measures as a base seized alleged counterfeit products are only 0.01% of Australian imports [emphasis added].**⁷²*

The most comprehensive attempt to assess the scope and impact of counterfeiting is a 2011 global study on media piracy conducted by the Social Science Research Council.⁷³

The SSRC launched the study in 2006, identifying partner institutions in South Africa, Russia, Brazil, Mexico, Bolivia, and India to better understand the market for media piracy such as music, movies, and software. The result is the most comprehensive analysis of piracy to date.

The 440-page report challenges many of the oft-repeated claims about piracy and how address it. For example, it finds that contrary to repeated claims that there are strong links between piracy and organized crime, no such link exists. Instead, the authors conclude that “decades-old stories are recycled as proof of contemporary terrorist connections, anecdotes stand in as evidence of wider systemic linkages, and the threshold for what counts as organized crime is set very low.”⁷⁴

Similarly, it finds no evidence that anti-piracy “education programs” have any discernable impact on consumer behaviour. As of 2009, researchers identified over 300 anti-piracy education programs, yet were unable to find any benchmarks or attempts to determine whether they actually work.

The report also rejects the conventional wisdom that tougher penalties provide a strong deterrent to piracy activities. It notes that judges frequently face overwhelming caseloads that involve violent crime such as murder and assault. While the law may call for lengthy prison terms for selling counterfeit DVDs, many local judges engage in a “judicial triage” where economic harms to foreign rights holders take a back seat to local criminal activity that poses threats to public health and safety.

The report’s most important contribution comes from chronicling how piracy is primarily a function of market failure. In many developing countries, there are few meaningful legal distribution channels for media products. The report notes “the pirate market cannot be said to compete with legal sales or generate losses for industry. At the low end of the socioeconomic ladder where such distribution gaps are common, piracy often simply is the market.”⁷⁵

Even in those jurisdictions where there are legal distribution channels, pricing renders many products unaffordable for the vast majority of the population. Foreign rights holder are often more concerned

⁷² Hazel Moir, Anti-Counterfeiting Trade Agreement: Submission to the Joint Standing Committee on Treaties, November 21, 2011, online at <http://t.co/G80qM8TI>.

⁷³ Media Piracy in Emerging Economies, Karaganis, Joe (ed.). SSRC books, 2011, online at <http://piracy.ssrc.org/the-report/>.

⁷⁴ Id. at p. 39.

⁷⁵ Id. at p. 65.

with preserving high prices in developed countries, rather than actively trying to engage the local population with reasonably priced access. These strategies may maximize profits globally, but they also serve to facilitate pirate markets in many developed countries.

The study concludes that local ownership makes a significant difference in developing country markets, finding that “domestic firms are more likely to leverage the fall in production and distribution costs to expand markets beyond high-income segments of the population. The domestic market is their primary market, and they will compete for it.”⁷⁶

These studies should not be taken to suggest that counterfeiting is not a concern. There have been health and safety issues raised by counterfeiting that should be addressed and competing evidence on the financial effects of counterfeiting activities that cannot be ignored. However, the evidence to date is decidedly mixed, leading to evidence-free policy making that places considerable faith in greater enforcement without the necessary data to gauge the harm involved nor the likely effectiveness of the proposed solutions. If there is to be a serious attempt to develop global policies aimed at curbing harmful counterfeiting activities, it should start with a serious evidence gathering effort to better understand the scope of the problem and possible solutions.

Conclusion

The Anti-Counterfeiting Trade Agreement has sparked a global discussion on intellectual property issues. While many recognize the need to address counterfeiting concerns, assessing the merits of the agreement requires a full examination of the process under which it was negotiated, the impact of its substantive provisions, and its likely effectiveness in combating counterfeiting activities.

This report concludes that ACTA’s harm greatly exceeds its potential benefits. Given ACTA’s corrosive effect on transparency in international negotiations, the damage to international intellectual property institutions, the exclusion of the majority of the developing world from the ambit of the agreement, the potentially dangerous substantive provisions, and the uncertain benefits in countering counterfeiting, there are ample reasons for the public and politicians to reject the agreement in its current form. In doing so, governments would help restore confidence in the global intellectual property system and open the door to a new round of negotiations premised on transparency, inclusion, and evidence-based policy-making.

⁷⁶ Id. at p. ii.