

A PRIMER ON ACTA: WHAT EUROPEANS SHOULD FEAR
ABOUT THE ANTI-COUNTERFEITING TRADE AGREEMENT

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ABSTRACT

The European Commission recently published the first official draft of the Anti-Counterfeiting Trade Agreement (ACTA). The article describes the institutional background of the negotiations on ACTA and its relationship to the existing legal framework. The civil enforcement provisions and the Internet chapter are compared with the international and European instruments in the field. For the most part, ACTA will not oblige member states to enact rules that go beyond the already established European standards. But stricter rules could be implemented regarding injunctions against non-infringing intermediaries, strict liability rules for damages, and *ex parte* measures in preliminary proceedings. According to the published draft, the termination of user accounts in the case of repeated intellectual property infringement will not be mandatory for member ACTA states.

KEYWORDS

ACTA, Enforcement, TRIPS, WTO, WIPO, Injunctions, Damages, Strict Liability, Third-Party Liability, Provisional Measures

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A. Introduction¹

On April 21, 2010, the European Commission and its international negotiation partners published the long-awaited first official draft of the Anti-Counterfeiting Trade Agreement (ACTA-D).² Negotiations on this new plurilateral instrument on the enforcement of intellectual property rights had been held since 2007 without public release of any of the concrete provisions. This lack of transparency of deliberations was criticized by NGOs,³ the European Parliament,⁴ and others. Now, after nine rounds of negotiations, the speculation about ACTA and the diverse leaked documents⁵ available on the Internet have come to an end. Unsurprisingly, the released “Predecisional/Deliberative Draft” comprises different options for some of the most crucial aspects and myriad square brackets with drafting alternatives. Therefore the final text of the Agreement may deviate substantially from the draft just published. Nevertheless, the draft is the most important milestone so far in the creation of this new convention and deserves a more detailed analysis.

This article describes the institutional background of the negotiations on ACTA and its relationship to the existing legal framework (B.) and compares the civil enforcement provisions (C.) and the Internet chapter (D.) with the existing international and European instruments in the field. The main results are summarized (E.).

B. ACTA - A Treaty beyond WIPO and WTO

I. Institutional Setting of ACTA Negotiations

The institutional setting of the ACTA negotiations puts a spotlight on the current state of affairs in international intellectual property policy. ACTA is neither negotiated under the auspices of WIPO nor in the framework of WTO but as a free-standing instrument among the parties involved. It is not by coincidence that the existing international institutions in the field are bypassed.

The driving forces behind ACTA are the main industry states, especially the U.S. and the EU.⁶ Since the conclusion of the TRIPS Agreement in 1994 and the WIPO Treaties in 1996, media industries have constantly lobbied for a higher level of protection of

¹ The manuscript was finalized on June 3, 2010. The results of the negotiation round in Lucerne, Switzerland, from June 28 to July 4, 2010 could therefore not be taken into account.

² See <http://trade.ec.europa.eu/doclib/html/146029.htm>.

³ See, e.g., the documents listed at <http://www.eff.org/issues/acta>, <http://iri-blog.info/> and <http://www.michaelgeist.ca/tags/acta/99999>.

⁴ See, e.g., Resolution of March 10, 2010, Doc. P7_TA(2010)0058, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0058+0+DOC+XML+V0//EN>

⁵ See the collection of leaked documents at <http://iri-blog.info/acta-dokumente/>.

⁶ Participants in the negotiations were Australia; Canada; the European Union, represented by the European Commission, the EU Presidency, and EU member states; Japan; Korea; Mexico; Morocco; New Zealand; Singapore; Switzerland; and the U.S.

intellectual property on an international scale. These attempts have not been successful in the framework of WIPO and WTO because of the opposing interests of the less developed countries and user groups represented by NGOs.⁷ Countries with only minor creative and engineering industries have no interest in a higher level of protection for intellectual property. They are primarily seeking better access to protected contents, technologies, and other subject matters through fair use exceptions, compulsory license schemes, etc. These countervailing interests have blocked negotiations within WIPO and WTO since the late 1990s when many developing countries entered the underlying treaties. ACTA negotiations are a symptom of this crisis. Instead of answering the need for a fair balance of interests within the WIPO or WTO, industry states have started to conclude bilateral agreements aiming at a higher level of protection.⁸ A recent example is the free-trade agreement of 2007 between the U.S. and South Korea (“KORUS”) which includes a detailed chapter on the protection of intellectual property.⁹ With ACTA, this policy has now shifted from a bilateral to a plurilateral approach. Although one may believe that the Agreement will be open for other states once it has been concluded,¹⁰ the less developed countries will have difficulties to organize their common interests when entering the ACTA system at a later stage by individual negotiations.¹¹

II. “TRIPS-Plus” Approach

Aiming at a higher level of protection of intellectual property, ACTA takes the existing international conventions in the field, especially the TRIPS Agreement, as common ground and defines additional obligations of its member states.¹² This may be described as a “TRIPS-plus” approach, although the current draft does not explicitly create an obligation to comply with the TRIPS standards.¹³ Many provisions of the draft use TRIPS provisions as a model. Other provisions have used KORUS or the EU Enforcement Directive 2004/48¹⁴ as a blueprint. In contrast to the older conventions in the field, especially the Paris and Berne Conventions, TRIPS, and the WIPO Treaties of 1996, ACTA not only obliges its member states to protect the nationals of other member states as its own

⁷ See *von Lewinski*, *International Copyright Law and Policy*, 2008, pp. 588 seq., 597; *Mercurio*, *TRIPS-Plus Provisions in FTA*, in Bartels/Ortino (eds.), *Regional Trade Agreements and the WTO Legal System*, 2006, pp. 215, 219.

⁸ See *Damro*, *The Political Economy of Regional Trade Agreements*, in Bartels/Ortino (eds.), *Regional Trade Agreements and the WTO Legal System*, 2006, pp. 23, 38 seq. This was already visible in the 1990s; see *Haedicke*, *Urheberrecht und die Handelspolitik der Vereinigten Staaten von Amerika*, 1996, pp. 183 seq.

⁹ See <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta>.

¹⁰ See Article 6.1 ACTA-D.

¹¹ India is currently organizing a coalition of less developed states against ACTA; see <http://economictimes.indiatimes.com/news/economy/policy/India-plans-front-to-nip-new-piracy-law/articleshow/5986902.cms>.

¹² See Art. 1.1 ACTA-D.

¹³ This may be seen as obvious since all participants of the negotiations are WTO members.

¹⁴ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 195, 02.06.2004, p. 16-25.

nationals and in accordance with the minimum rights defined in the convention; protection must also be granted by ACTA member states to their own nationals. As such, the agreement will be a real uniform law instrument aiming at the unification of the national legislation of its member states and going beyond the older national treatment approach.¹⁵

III. Initial Provisions and the Primacy of Data Protection

The “TRIPS-plus” approach is already visible in Chapter One ACTA-D (“Initial Provisions and Definitions”). Art. 1.2 para. 1 ACTA-D follows the model of Art. 1 para. 1 TRIPS. Art. 1.2 para. 2 ACTA-D is based on Art. 41 para. 5 TRIPS. In contrast to TRIPS, ACTA will not provide any rules concerning the availability, scope, and maintenance of intellectual property rights (see Art. 1.3 ACTA-D). Instead, the Agreement will be a pure enforcement instrument, as is the EU Enforcement Directive 2004/48.

Art. 1.4 ACTA-D, which is still in square brackets and without a concrete wording, may at the end of negotiations provide a rule that gives precedence to the national rules on privacy and confidential information over ACTA. At this stage, one can only hope that the final text of the Agreement will contain a clear description of this hierarchy. The provision could be drafted on the basis of Art. 8 para. 3 lit. e) Enforcement Directive. Although it is true that the ECJ was not prepared in the *Promusicae* decision to give clear primacy to the protection of personal data when the interests of rightholders are at stake, it also became clear in the case that the problem was one of interpretation of the underlying data protection rules rather than one of interpretation of Art. 8 para. 3 Enforcement Directive.¹⁶ However, the ACTA rule should be as concrete as possible. It may also be a sensible approach to supplement the general rule in Chapter One by more concrete provisions in the following chapters.¹⁷

C. Civil Enforcement Provisions

I. Injunctions

After a short set of general provisions (“Art. 2.X: General Obligations with Respect to Enforcement”) which partly echo the respective rules of the TRIPS Agreement (Art. 41) and of the Enforcement Directive (Art. 3), the first civil remedy drafted in more detail concerns injunctions (“Art. 2.X: Injunctions”). Paragraph 1 of the injunction provision is modeled on Art. 44 para. 1 sentence 1 TRIPS. However, it is interesting to note that the privilege in Art. 44 para. 1 sentence 2 TRIPS for infringers who acquire or order goods

¹⁵ Skeptical about the character of the Berne Convention, etc., as “uniform law instruments,” *von Bar/Mankowski*, *Internationales Privatrecht*, Vol. 1, 2. ed. 2003, p. 39 seq., 58; *Moura Vicente*, *La propriété intellectuelle en droit international privé*, 2009, marginal number 52.

¹⁶ See ECJ, 29.01.2008, C-275/06, ECR 2008-I, 271 – *Promusicae/Telefónica*.

¹⁷ See Art. 2.4 ACTA-D.

prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail an infringement has not been taken over in the ACTA-D.¹⁸ Defendants in such cases will have to rely on the general provisions on proportionality in the ACTA-D. This specific problem highlights a general tendency of the draft: “TRIPS-plus” effects may not result only from the implementation of stronger remedies for rightholders but also from the erosion of defendants’ rights and privileges.

Para. 2 of the injunction provision in the ACTA-D contains an innovation for international intellectual property law. According to the draft provision, injunctions may also be ordered against intermediaries whose services are used by third parties to infringe an intellectual property right. The provision follows the model of Art. 11 sentence 3 Enforcement Directive and Art. 8 para. 3 of the Information Society Directive 2001/29.¹⁹ It will be of particular importance for Internet service providers (ISPs) whose services are used for infringing activities on the Internet, especially the services of access and host providers, social web platforms (“YouTube”), providers of online auctions (“eBay”), etc. The providers’ privileges under Art. 12-15 E-Commerce Directive do not preclude injunctive relief.²⁰ One crucial question not yet settled and therefore put in square brackets is whether injunctions may only be ordered if the intermediary is infringing intellectual property rights or whether it may also be ordered against an intermediary not engaged in infringing activities. The Information Society Directive 2001/29, Recital 59, allows explicitly for injunctions against non-infringing ISPs. It has been argued that for the sake of coherence, this approach should also apply to Art. 11 sentence 3 Enforcement Directive.²¹ ACTA would support this point of view if the square brackets were finally deleted. There are good arguments against such an approach: First, constraining a party privileged by exceptions and limitations by an injunction undermines these exceptions and limitations significantly; second, acting against such injunctions would lead to severe consequences for the non-infringing party, which raises the question of proportionality.²²

II. Damages

A provision of main interest is Art. 2.2 ACTA-D on damages. Compared to Art. 45 TRIPS, the provision contains many more details and alternatives on how to calculate damages in

¹⁸ The privilege of good faith infringers is facultative under TRIPS; see *Vander* in Stoll/Busche/Arend (eds.), WTO – Trade-Related Aspects of Intellectual Property Rights, 2009, Art. 44, marginal number 5.

¹⁹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, OJ L 167, 22.06.2001, p. 10-19.

²⁰ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (“Directive on electronic commerce”), OJ L 178, 17.07.2000, p. 1-16.

²¹ *Heinze*, *Einstweiliger Rechtsschutz im europäischen Immaterialgüterrecht*, 2007, 298.

²² For an Australian perspective, see *Weatherall*, *ACTA – Australian Section-by-Section Analysis*, p. 12 (available at <http://works.bepress.com/kimweatherall/21/>).

case of intellectual property infringement. The many square brackets and options make visible that some of the core questions on damages are still controversial among the negotiation parties. Art. 2.2 ACTA-D is structured in two tiers: ACTA member states are obliged under para. 1 to allow for compensatory damages and for the recovery of the infringer's profits. Para. 2 provides for additional methods of calculation of damages that are optional for the member states, especially “pre-established damages” and “reasonable royalties.” Para. 3 provides for recovery of the infringer’s profits in case of good faith infringement. Para. 5 is on legal expenses.

1. Compensatory Damages and Recovery of Profits

Art. 2.2. para. 1 lit. a) ACTA-D resembles Art. 45 para. 1 TRIPS but sets the requirement of bad faith or negligence in square brackets (“who knowingly or with reasonable grounds to know”). From a European perspective, a strict liability regime would go beyond the standard of Art. 13 para. 1 Enforcement Directive and entail a change of the Directive which, under the current regime, tolerates both strict liability regimes, e.g., France,²³ and national regimes with a *culpa* requirement, e.g., Germany²⁴ or the UK.²⁵ The differences in practice are not far-reaching if professionals are held liable. For professionals, the duty of care with regard to third-party intellectual property is very strict in jurisdictions with a *culpa* requirement.²⁶ However, cases of good faith infringement do exist, especially in copyright law where private users may be the defendants. In these cases, it makes sense to empower courts to define a lower duty of care and to exempt in appropriate cases private users from copyright liability. The EU should therefore advocate to maintain the good faith exemption in international intellectual property law. This also concerns Art. 2.2 para. 3 ACTA-D. Recovery of the infringer’s profits or payment of pre-established damages in *bona fide* cases should be facultative as in Art. 13 para. 2 Enforcement Directive.

The different methods of calculation of the rightholder’s damages in Art. 2.2 para. 1 are for the most part copied from Art. 18.10 (5) KORUS with some smaller amendments in square brackets. Calculating the “damages adequate to compensate for the injury the right holder has suffered” (i) is mostly burdensome if not impossible. The intellectual property right as such is typically not of less value after an infringement has occurred.²⁷ In addition,

²³ For copyright infringement, see Cass., 10.5.1995, Bull. civ. I, N° 203. See also *Benbamou*, Compensation of Damages for Infringements of Intellectual Property Rights in France, Under Directive 2004/48/EC and Its Transposition Law – New Notions?, IIC 2009, 125, 128 seq. Critical on the strict liability regime, *Lucas/Lucas*, *Traité de la propriété littéraire et artistique*, 3. ed. 2006, marginal number 979.

²⁴ For patent infringement, see BGH, 14.01.1958, GRUR 1958, 288, 290 - *Dia-Rähmchen*; BGH, 030.3.1977, GRUR 1977, 598, 601 - *Autoskooter-Halle*.

²⁵ *Lancer Boss v. Henley Fork-Lift* (1975) R.P.C. 307; *Byrne v. Statist* (1914) 1 K.B. 622. See also *Cornish/Llewelyn*, *Intellectual Property*, 6th ed. 2007, marginal number 2-42.

²⁶ See the cases cited in notes 23 and 24.

²⁷ This is one of the consequences of the “public good” character of intellectual property; see *Landes/Posner*, *The Economic Structure of Intellectual Property Law*, 2003, p. 19 seq.

rightholders often have difficulties to prove that a decrease of their revenues has been caused by the infringing activities of the defendant. Therefore, negative economic consequences can be demonstrated in rare cases.²⁸ Of higher interest, at least in appropriate cases, is the recovery of the infringer's profits (ii), which from a doctrinal point of view is a mixture of two concepts. Although infringement is a special kind of tort, the remedy has more resemblance to *negotiorum gestio*.²⁹ But this mixture of concepts is already part of the *acquis communautaire* and by no means revolutionary for European intellectual property law (see Art. 13 para. 1 lit. a) Enforcement Directive).³⁰

Art. 2.2 para. 1 ACTA-D supplements the abstract measures for damages in lit. a) by a list of more concrete factors in lit. b). The list of factors may give rise to misconceptions. First, it is not clear whether the listed criteria may be used only for the calculation of compensatory damages (i) or whether they may also be used for the infringer's profits (ii). Second, with regard to the "value of the infringed good or service," it should be emphasized that the infringement of intellectual property rights violates such rights and not specific goods or services of the rightholder. It may even be – and often is the case – that the rightholder is not (yet) exploiting the intellectual property. Third, with regard to the "retail price," it is not clear whether the factor refers to the goods and services of the rightholder or his licensees or whether it refers to the goods and services of the infringer.

2. Other Measures for Damages

What should be the damage measure if the rightholder cannot prove any negative economic consequences and the infringer has not made any substantial profits? Different jurisdictions provide different answers to this question. In some countries, "statutory damages" are available at the choice of the rightholder, e.g., § 504 lit. c) U.S. Copyright Act (\$750 – \$30,000 per work). Other jurisdictions, e.g., Germany,³¹ allow for the calculation of damages based on fictitious royalty fees. Art. 13 para. 1 lit. b) Enforcement Directive has taken up the latter approach.

Art. 2.2 para. 2 ACTA-D provides both damage measures as alternatives but only for infringement cases concerning copyright, related rights and trademarks. In these cases, member states may either choose to establish a system of "pre-established damages" or

²⁸ But see *Cornish/Llewelyn*, Intellectual Property, 6th ed. 2007, marginal number 2-40 seq.

²⁹ See *Walter/Goebel* in *Walter/von Lewinski* (eds.), European Copyright Law, marginal number 13.13.13.

³⁰ In English case law, it was accepted long before the Enforcement Directive that the rightholder may claim for the infringer's profits in case of infringement; see *Cornish/Llewelyn* (supra note 28), marginal number 2-43 seq.; see also Sec. 97 para. 2 CDPA (1988) and Sec. 61 para. 1 lit. d) PA (1977). In German law the claim for the infringer's profits has also been accepted since the 19th century; for a historical perspective, see *Helms*, Gewinnherausgabe als haftungsrechtliches Problem, 2007, p. 212 seq. For a comparative overview, see *Dreier*, Kompensation und Prävention, 2002, p. 169-72.

³¹ See section 97 para. 2 sentence 3 German Copyright Act.

provide for a “presumption for determining the amount of damages” based on a “reasonable royalty.”³² This solution does not oblige any member state to adopt a system of statutory damages, nor does it oblige member states to introduce a royalty-based damage measure. But both approaches would be compatible with ACTA. However, under the current draft it is not clear whether member states “may” or “shall” make a choice between the alternatives listed in para. 2. If the final text were to use the “may,” member states could stick with the two damage measures listed in para. 1. If it were the “shall,” they would have to implement at least one of the options of para. 2. It is also unclear what kind of “additional damages” may be claimed under lit. c). Are punitive damages covered by this alternative? The coming negotiations will have to answer these questions.

Another issue that should be taken into account in Art. 2.2 is compensation in case of violation of moral rights. Under Art. 13 para. 1 of the Enforcement Directive, the “moral prejudice caused to the rightholder” is a mere factor that shall be taken into account in appropriate cases when calculating the damage under lit. a). This solution has been criticized because it neglects the different nature of compensation in the case of moral rights violations.³³ The ACTA-D is even worse in this respect because it ignores the issue of moral rights completely.³⁴

3. Legal Expenses

Art. 2.2 para. 5 ACTA-D provides a more detailed rule on the recovery of legal expenses than is provided in Art. 45 para. 2 TRIPS. The current draft contains two options that both follow the model of Art. 18.10 (7) KORUS. The first option could at the end contain a slight difference between court costs and attorney’s fees, whereas the second option applies the same test for both types of legal expenses. It will be interesting to see to what extent the final text will imply any substantial “TRIPS-plus” elements. The many square brackets in the current draft do not yet allow a clear-cut answer. Obviously there seems to be consensus among the negotiating parties that the notion of “reasonable attorney’s fees” shall not provide a different standard than the notion of “appropriate attorney’s fees” as it is used in Art. 45 para. 2 TRIPS.³⁵ One “TRIPS-plus” element would be the explicit reference to court costs and fees that is missing in TRIPS.³⁶ Another “TRIPS-plus” element would be the – still bracketed – reference to other expenses as provided for under the losing party’s domestic law, which is a rule of private international law. Under such a

³² See footnote 11 ACTA-D.

³³ See, e.g., *Metzger/Wurmnest*, Auf dem Weg zu einem Europäischen Sanktionenrecht des geistigen Eigentums?, ZUM 2003, 922, 932 seq. For the application of Art. 13 Enforcement Directive on the violation of moral rights, *Walter/Goebel* (supra note 29), European Copyright Law, marginal number 13.13.15.

³⁴ This may be seen as a confirmation of the policy choice of Art. 9 para. 1 sentence 2 TRIPS to exclude moral rights.

³⁵ See footnotes 14 and 15 ACTA-D.

³⁶ According to *Vander* (supra note 18), Art. 45, marginal number 9, the costs of court proceedings are already covered by Art. 45 para. 2 TRIPS.

provision, a party could be obliged to recover legal expenses not provided for under the otherwise applicable law but under the law of its domicile. All in all, the added value to TRIPS is rather limited.

III. Other Remedies (Corrective Measures)

Art. 2.3 ACTA-D on “other remedies” encapsulates the current state of the art with regard to corrective measures. If compared to Art. 46 TRIPS, the provision is not of an innovative character. Differences may be found only with regard to specific issues, in particular in Art. 2.3 para. 2 ACTA-D, which allows for the destruction of materials and implements, the predominant use of which has been in the manufacture of infringing goods, whereas Art. 46 sentence 2 TRIPS only allows for their disposal outside the channels of commerce. However, even this “TRIPS-plus” element is not new to the EU since it is already established in Art. 10 para. 1 lit. c) Enforcement Directive.³⁷ The same would hold true for the – still bracketed – recovery of costs of corrective measures in Art. 2.3 para. 3 ACTA-D, which is an almost identical copy of Art. 10 para. 2 Enforcement Directive.

IV. Right of Information

The right of information is essential for intellectual property litigation. The rightholder often needs information controlled by the infringer, e.g., for the effective closure of the channels of commerce with infringing goods or for the calculation of damages. Therefore, all recent instruments on the enforcement of intellectual property rights contain provisions on information related to the infringement (see Art. 47 TRIPS, Art. 8 Enforcement Directive, Art. 18.10 (10) KORUS). Art. 2.4 ACTA-D follows the basic structure of Art. 18.10 (10) KORUS and supplements it with wording from Art. 8 Enforcement Directive. The result is a much more detailed rule than Art. 47 TRIPS which, in contrast to TRIPS, obliges the member states to implement such a remedy (“shall” instead of “may”). Behind this background it should be endorsed that Art. 2.4 ACTA-D contains a preemption rule for the national regulations on the protection of confidential information, personal data, and on common law or statutory privileges, including the legal professional privilege. It is of particular interest that Art. 2.4 ACTA-D provides a right of information against the infringer but – different from Art. 8 Enforcement Directive – not against third parties. Such a right against third parties is only granted against ISPs that may be forced to disclose the identity of their users according to Art. 2.18 para. 3^{ter} ACTA-D.³⁸

V. Provisional Measures

The proposed provision on provisional measures deserves special attention. Art. 2.5 ACTA-D is not innovative regarding the list of possible preliminary measures. The

³⁷ See also Art. 18.10 (9) lit. b) KORUS.

³⁸ Infra at footnote 52.

deviations from TRIPS are rather hidden in the eroded legal safeguards for the alleged infringer with regard to *ex parte* measures. First, according to Art. 50 para. 2 TRIPS and Art. 9 para. 4 Enforcement Directive, *ex parte* measures may only be issued under strict requirement (“where any delay is likely to cause irreparable harm to the rightholder”). Under Art. 2.5 para. 1 ACTA-D, it is much easier for the rightholder to request such measures since judicial authorities “shall” issue such measures “except in exceptional cases” without further specific requirements, which amounts to a reversal of principle and exception. Second, Art. 50 para. 4 TRIPS and Art. 9 para. 4 Enforcement Directive provide specific procedural means to guarantee the right of the defendant to be heard. In particular, the defendant must be notified without delay after the execution of the measure and must be given the right to review the measure. The ACTA-D lacks such remedies for the defendant. From a European perspective, these specific safeguards are concrete expressions of the right to be heard that is recognized in Art. 6 ECHR, Art. 47 Charter of Fundamental Rights, and in ECJ case law as a “fundamental right deriving from the constitutional traditions common to the Member States.”³⁹ As a fundamental right, the right to be heard is guaranteed by the ECJ even in the case of international law instruments which are binding for the EU and do not provide for sufficient safeguards.⁴⁰ The EU should therefore take a clear stance in the coming ACTA negotiations for the implementation of stricter legal standards regarding *ex parte* measures.⁴¹ They may be allowed only in exceptional cases and must provide legal safeguards for the right to be heard.

D. Internet Chapter

For weblogs and Internet news services, the focal point of interest in the last months regarding the secret ACTA negotiations was the so-called “Internet chapter,” Art. 2.18 ACTA-D.

I. Application of General Principles of Enforcement and Third-Party Liability

Art. 2.18 para. 1-3 confirms that the general principles on civil and criminal enforcement of intellectual property are also applicable to infringements occurring on the Internet. Member states must ensure that effective actions against infringements are available (para. 1), which adds little if anything to Art. 41 para. 1 TRIPS. These measures, procedures, and remedies must be fair and proportionate (para. 2), which again is a reiteration of TRIPS, Art. 41 para. 2, but replaces the word “equitable” by “proportionate.”

³⁹ See ECJ, 28.03.2000, C-7/98, ECR 2000-I, 1935, para. 38 seq. - *Krombach/Bamberski*. See also *Heinze*, (supra note 21), p. 392 seq. with further references.

⁴⁰ See ECJ, 03.09.2008, C-402/05 P and C-415/05 P, ECR 2008-I, 6351, para. 326 – *Al Barakaat International Foundation/Council*.

⁴¹ Also in this sense, *Weatherall* (supra note 22), p. 25.

In addition, member states shall provide for remedies in the case of third-party liability (para. 3). Such a provision would be an innovation without a model in TRIPS, KORUS, or the Enforcement Directive.⁴² The persons and activities covered by such liability are described in more detail in footnote 47 ACTA-D. However, the current draft still contains many square brackets and unsettled questions. It will be interesting to see whether the negotiating parties will finally reach consensus about the requirements of the different cases. Drafting an internationally acceptable provision on third-party liability is an ambitious project. Principles governing third-party liability in general and secondary or contributory liability in intellectual property in particular are mostly not codified on the national level and often controversial.⁴³ Moreover, third-party liability raises complex follow-up questions, e.g., regarding the relationship between the persons held liable.⁴⁴ One should not expect ACTA to resolve all these questions. Most likely, the final text will contain a rather openly drafted and vague obligation of the member states to provide for any third-party liability rules without prescribing in detail the persons or activities covered or the exact scope of such liability.⁴⁵

II. Exemption from Liability of ISPs

The centerpiece of the ACTA Internet chapter is to be found in Art. 2.18 ACTA-D after the current para. 3. The draft contains two options for a lit. a) regarding exemption from liability of ISPs. According to the longer Option 1, the limitations of the scope of civil remedies against ISPs would only capture very specific cases because the three conditions listed in (i) to (iii) would have to be fulfilled cumulatively (“and”), which raises the question whether it is logically possible to meet all three conditions. One might ask, e.g., whether something may occur at the same time by “automatic technical process” *and* by “the actions of the provider’s users.” Option 2 would solve this problem by providing alternative cases in (i) to (iii) instead of a cumulative test, which immediately brings up the question whether the list is complete. The exemption should at least contain the limitations of Art. 12 to 15 of the E-Commerce Directive 2000/31.⁴⁶ In addition, search engines would be a possible candidate for an amendment or clarification.⁴⁷ Different from Option 1, Option 2 would be a mandatory rule for member states, which is a rare species in

⁴² See also *Weatherall* (supra note 22), p. 50.

⁴³ See *Spindler/Leistner*, Secondary Copyright Infringement – New Perspectives in Germany and Europe, 37 IIC (2006), 788 seq.; see also *Dimwoodie/Dreyfuss/Kur*, The Law Applicable to Secondary Liability in Intellectual Property Cases, 42 N.Y.U.J. Int’l L. & Pol. 201 (2009).

⁴⁴ See Art. 10:101 seq. Principles of European Contract Law (“Plurality of parties”) and Art. III. 4:101 seq. Draft Common Frame of Reference (“Plurality of debtors and creditors”).

⁴⁵ According to footnote 47 ACTA-D at the end, one delegation opposes the insertion of a more detailed description.

⁴⁶ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (‘Directive on electronic commerce’), OJ L 178, 17.07.2000, p. 1-16.

⁴⁷ See Art. 21 E-Commerce Directive 2000/31 and section 14 Austrian E-Commerce Act. See also ECJ, 23.03.2010, C-236/08 to C-238/08 – *Google/Louis Vuitton* (not yet reported), para. 106 seq.

international intellectual property law when it comes to exceptions and limitations.⁴⁸ The choice of Option 2 would demonstrate that states are willing to accept strong limitations and exceptions when powerful economic interests are at stake.

The current draft continues with two options for a lit. b). The new provision would implement additional conditions for the limitation of liability of ISPs. Under Option 1, providers would be exempted from liability only if “adopting and reasonably implementing a policy to address the unauthorized storage or transmission of materials protected by copyright or related rights.” The older leaked working draft exemplified such a policy by a famous footnote that stated: “An example of such a policy is providing for the termination in appropriate circumstances of subscriptions and/or accounts (...) of repeated infringers.”⁴⁹ This concrete example for a “policy” in the sense of Option 1 has disappeared in the official draft. Therefore, it is rather unlikely that the final text of ACTA will contain an obligation of the member states to implement a “three-strikes-out” rule following the model of § 512 (i)(1)(A) U.S. Copyright ACT, the French “Loi Hadopi,”⁵⁰ or the UK “Digital Economy ACT.”⁵¹ Nevertheless, Option 1 would not prohibit such rules. According to Option 2, such rules would even be explicitly permitted without the obligation for ACTA member states to implement any further conditions for the limitation of liability of ISPs. In the last months, Internet activists have been successful in organizing strong opposition against these proposals. And indeed, access blockage of Internet users enforced by private parties would be disproportionate and would also raise serious concerns with regard to human rights, at least if the user cannot access the Internet with the help of another ISP. However, the argument can hardly be neglected that fully privileged ISPs do not have any incentive to prevent their users from infringing third-party intellectual property rights although they may be the cheapest cost avoider in many cases and as such a natural choice for a liability rule. One should bear in mind that the purpose of an ISP’s privileges is – in the language of ACTA – that liability should not “present a barrier to the economic growth of, and opportunities in, electronic commerce.” Therefore, the question is legitimate at what moment in time the law should recalibrate the balance of interests between rightholders on the one side and ISPs on the other side. In the currently driven heated debate it cannot be expected that ACTA negotiations will come up with a new proposal that is acceptable for all interest groups. All in all, Option 1 without specific reference to access blockage seems to be the preferable solution. Such a rule would initiate a debate on the European and on the national level over what kind of “policies” implemented by ISPs should be sufficient to meet the condition.

⁴⁸ The only other example for copyright law is the quotation right in Art. 10 para. 1 Berne Convention.

⁴⁹ See the EU Council Working Document 6437/10 of 12 February 2010, available at <http://iri-blog.info/files/2010/04/ACTA-6437-10.pdf>.

⁵⁰ Loi n°2009-669 du 12 juin 2009 favorisant la diffusion et la protection de la création sur internet.

⁵¹ Digital Economy Act 2010.

According to Art. 2.18 para. 3^{ter} ACTA-D, ISPs may be forced to disclose the identity of their users if the rightholder gives “effective notification to an online service provider of materials that they claim with valid reasons to be infringing their copyright or related rights.” In contrast to the Art. 8 Enforcement Directive, the ACTA-D recognizes a right of information against third parties not on a general basis but only in the specific case of ISPs and their subscribers. However, in the specific case of ISPs, the requirements under the ACTA-D could turn out to be less restrictive than under Art. 8 para. 1 Enforcement Directive. Para. 3^{ter} clearly indicates that the rightholder may directly ask the ISP for the disclosure of the user’s identity,⁵² whereas under the Enforcement Directive it is controversial whether it is exclusively within a court procedure that a disclosure may be ordered.⁵³ Also, it should be considered whether a special provision on personal data and confidential information should be inserted in the context of Art. 2.18 para. 3^{ter} ACTA-D following the wording of Art. 2.4 (“without prejudice...”).

IV. Protection against Circumvention of Technological Measures

Art. 2.18 para. 4 to para. 7 ACTA-D contains specific rules on the circumvention of technological measures and the protection of rights management information systems. The provisions contain “TRIPS-plus” and “WIPO Treaties-plus” standards in the sense that they provide more detailed and elaborate rules than Art. 11, 12 WCT and Art. 18, 19 WPPT on the circumvention of technological measures. The wording of the Art. 2.18 para. 4 to para. 7 ACTA-D combines elements of Art. 18.4 (7) KORUS and of Art. 6 and 7 Information Society Directive 2001/29. From a European perspective, the obligation to implement criminal sanctions against the circumvention of DRM systems would go beyond the obligations under the Information Society Directive.⁵⁴ The other elements of the provisions should not entail substantial changes to the *acquis communautaire*. In light of the general tendency of ACTA to fortify the protection of intellectual property, it is not surprising that the draft does not take a clear position regarding the relationship between technological measures and limitations and exceptions.⁵⁵ Art. 2.18 para. 5 ACTA-D leaves it up to the member states to implement priority rules for limitations and exceptions or to refrain from any rules that would follow the model of Art. 6 para. 4 Information Society Directive. This fits the overall picture of the drafters’ biased approach: The rightholder’s interests are supported by a stronger protection for digital rights management systems while the users’ interests are neglected.

⁵² Also in this sense *Weatherall* (supra note 22), p. 58.

⁵³ See *Walter/Goebel* (supra note 29), marginal number 13.8.8 with further references. See also *Amschewitz*, *Die Durchsetzungsrichtlinie und ihre Umsetzung im deutschen Recht*, 2008, 168.

⁵⁴ Some EU member states have already implemented criminal sanctions, e.g., Germany; see section 108b German Copyright Act.

⁵⁵ Critical on this point *Kaminski*, *The Anti-Counterfeiting Trade Agreement*, Part II, at 27, available at <http://balkin.blogspot.com/2010/04/anti-counterfeiting-trade-agreement.html>

E. Conclusion

What should Europeans fear about the Anti-Counterfeiting Trade Agreement? Surely some of the concrete proposals now published, but even more the general approach to international intellectual property law behind the project.

Regarding the concrete provisions, ACTA will for the most part not implement standards that go beyond the already-established European rules on civil enforcement and the other issues discussed in this article. However, some specific provisions may imply stricter standards and are of concern. This would in particular be the case for the – still bracketed – provisions on injunctions against non-infringing intermediaries (Art. 2.X para. 2) and on strict liability for damages (Art. 2.2. para. 1 lit. a). Another point of serious concern is the proposed regime on *ex parte* measures in preliminary proceedings in Art. 2.5 para. 1, which could be ordered much easier and without sufficient safeguards for the defendant's right to be heard, at least after the execution of the measure. By contrast, the controversial issue of Internet access blockage by ISPs may in the end not be as severe as one would have expected after the vivid discussion of the last months. ACTA will probably allow national "three-strikes-out" regimes – which is unpleasant since it will lower the political costs for national legislators to implement them – but ACTA will not prescribe such rules.

More alarming than the details of the published draft are the general goals behind the document and the political strategy used to achieve these goals. ACTA has a clear bias toward the interests of copyright, trademark, and patent owners and is driven by the old belief that more and stronger protection of intellectual property is better, irrespective of the legitimate interests of users and developing countries. The draft is blind to the negative consequences of an ever-tightening intellectual property regime, especially for the visible decline in acceptance of copyright and patent law among users in the southern hemisphere. Moreover, the ACTA negotiation parties seem willing to pay a high political price for their goals. ACTA negotiations are not just damaging the efforts of WIPO and WTO. They are adding fuel to the already heated global debate over the right balance of interests in intellectual property law.