

The Anti-Counterfeiting Trade Agreement: What's it all about?

Kimberlee Weatherall¹

In recent times there has been increasing concern among the A2K community and other commentators regarding ongoing negotiations for an 'Anti-Counterfeiting Trade Agreement' ('ACTA'). Relatively little that is concrete is known about the negotiations, which are being conducted behind closed doors: a fact which is tending to fuel wild speculations regarding the possible content of the Agreement, the timetable for its negotiation, and its future envisaged use. The context in which these negotiations has been considered in detail elsewhere.² This short note outlines what is publicly known about the negotiations and the purpose of the agreement in order to provide information for interested members of the public, particularly Australians.

What is known about the ACTA negotiations

According to various press releases, negotiations for an ACTA are being conducted by a small number of developed countries. The leading negotiators appear to be the US (represented by the USTR),³ the European Union, Japan, and Switzerland, and possibly New Zealand. Representatives from Canada, Mexico, Australia, South Korea, Singapore, Morocco, the United Arab Emirates, and Jordan have also been invited to participate.⁴ The idea for the agreement, according to an Australian Department of Foreign Affairs and Trade ('DFAT') Discussion Paper, has roots in the 2004 Global Congress on Combating Counterfeiting,⁵ although it can also be seen as part of a more general focus by IP owners and representative bodies to increase the focus on, and resources devoted to, IP enforcement in a range of different contexts and a range of different institutions.⁶ ACTA's declared goal, according to a note released after the June meeting by the negotiators, is "to provide a high-level international framework that strengthens the global enforcement of intellectual property rights."

¹ Senior Lecturer in Law, TC Beirne School of Law, The University of Queensland. Ph (+61 7) 3346 7503. Email k.weatherall@law.uq.edu.au.

² Susan K. Sell, 'The Global IP Upward Ratchet, Anti-Counterfeiting and Piracy Enforcement Efforts: The State of Play', June 9, 2008.

³ See US Trade Representative, Press Release October 23, 2007, 'Ambassador Schwab Announces U.S. Will Seek New Trade Agreement to Fight Fakes', available at <http://www.ustr.gov>.

⁴ It is not publicly known whether negotiations on the text are being conducted by the full group, or whether a method similar to that by which the text of TRIPS was negotiated (using expanding 'circles of consensus') has been adopted for ACTA. On this method see Peter Drahos with John Braithwaite, *Information Feudalism* (Earthscan 2002), 137-139. 'Circles of consensus' involves small groups of 'like-minded' countries negotiating to a point of consensus among themselves before expanding negotiations on text to include larger groups of countries. As described by Drahos and Braithwaite in this process text agreed in the smaller groups gains a certain amount of force or momentum which would not exist if the larger group started with a relatively blank slate and proposals from all side. The ACTA negotiations appear to have some of these features in that the group identified above is itself a group of 'like-minded countries'. As noted below, not all the participants in the June 2008 negotiations participated in the 'pre-negotiation technical discussions' in October 2007. What is not clear is the extent to which countries not part of the initial group have a role in drafting the texts.

⁵ The DFAT discussion paper is available at <http://www.dfat.gov.au/trade/acta/discussion-paper.html>.

⁶ See Sell, above n2 (outlining the other institutions in which this push is going on). There are any number of declarations regarding counterfeiting from the last few years: eg the declaration following the 2005 G8 Summit, or discussions within the World Customs Organization

A first round of pre-negotiation technical discussions held on 4 October 2007. In November 2007 the Department of Foreign Affairs and Trade (DFAT) published a paper discussing Australia's possible participation in negotiations on ACTA.⁷ Following consultation, the government decided to participate.⁸ Australia, Japan, the Republic of Korea, Mexico, New Zealand, the EC, the US, Switzerland and others attended these discussions. Further informal pre-negotiation discussions were held in January 2008, and in June Government representatives met in Geneva on 3-4 June to discuss the proposals. According to information on the DFAT website, the next round of negotiations is due in the week of 16 July 2008. Some reports have indicated that the US (and possibly the EU) hopes for a concluded agreement by the end of 2008. There have been reports that following conclusion of an agreement between these negotiating parties, other countries may, as a second stage, be 'invited' to join the agreement. USTR Ambassador Susan Schwab has described the proposed agreement as 'a new, higher benchmark for enforcement that countries can join on a voluntary basis'. It is possible that a concluded ACTA will either be included as a precondition to US and perhaps EU bilateral trade agreements, or the provisions will themselves be repeated in the IP chapters of such agreements.⁹

It is not publicly known how negotiations on the text have proceeded, or whether a method using expanding 'circles of consensus', similar to that by which the text of TRIPS was negotiated has been adopted for ACTA.¹⁰ 'Circles of consensus' involves small groups of 'like-minded' countries negotiating to a point of consensus among themselves before expanding negotiations on text to include larger groups of countries. As described by Drahos and Braithwaite in this process text agreed in the smaller groups gains a certain amount of force or momentum which would not exist if the larger group started with a relatively blank slate and proposals from all side. The ACTA negotiations appear to have some of these features in that the group identified above is itself a group of 'like-minded countries'. As noted below, not all the participants in the June 2008 negotiations participated in the 'pre-negotiation technical discussions' in October 2007. What is not clear is the extent to which countries not part of the initial group have a role in drafting the texts.

The negotiations, such as they are, have been conducted in secret.¹¹ No text has been released and it is not publicly known how advanced any text is. A 'Discussion Paper' was published on Wikileaks (hereafter referred to as the 'Wikileaks Document').¹² It appears to be written from a US perspective regarding proposals for the negotiations. However, it is not clear (a) how far the Discussion Paper reflects only the 'ideal ACTA' envisaged by the USTR, or (b) to what extent it has already been the subject or even basis of discussions.

⁷ Available at <http://www.dfat.gov.au/trade/acta/discussion-paper.html>.

⁸ See the press release by Simon Crean (Minister for Trade), 1 February 2008, http://www.trademinister.gov.au/releases/2008/sc_012.html.

⁹ It is not clear, of course, what the bilateral trade policy of any new administration will be following US Presidential elections due in November 2008.

¹⁰ On this method see Peter Drahos with John Braithwaite, *Information Feudalism* (Earthscan 2002), 137-139.

¹¹ According to an IP Watch report, participants have signed confidentiality agreements: see <http://www.ip-watch.org/weblog/index.php?p=1082>.

¹² Available at [http://www.wikileaks.org/wiki/Proposed_US_ACTA_multi-lateral_intellectual_property_trade_agreement_\(2007\)](http://www.wikileaks.org/wiki/Proposed_US_ACTA_multi-lateral_intellectual_property_trade_agreement_(2007)).

This secrecy concerning the text and subjects of the ACTA has caused concern among some observers, and has fuelled a certain amount of speculation online; with such horrors being imagined as widespread internet service filtering for IP material; customs searches of laptops or other electronic devices for IP infringements; even confiscation of electronic equipment.¹³ More recently there have been some indications that some consultation may occur in individual countries. According to an IP Watch report, ‘A spokesperson of the European Commission confirmed that consultation with different stakeholders had been on the agenda and would happen over the coming month at the domestic level;’¹⁴ New Zealand announced that there will be ‘more than one’ opportunity for the public to have input into the text,¹⁵ and in Australia a DFAT consultation to be held on 26 June includes ACTA on the agenda.

Are there arguments against the ACTA at a level of broad principle?

There are arguably a number of problems with the present apparent scheme for negotiating the ACTA.

The first is the **secrecy**:¹⁶ the veil surrounding the negotiations is generating a certain amount of paranoia and speculation regarding the possible contents of the agreement; it also raises concerns of unequal access by stakeholders (the concern being that the USTR, for example, may be engaging in more detail with representatives of IP owners than other stakeholders).¹⁷ It also prevents effective participation by interested parties, which is problematic given that any agreement negotiated will have inevitable impact on domestic IP law and law enforcement policy. The secrecy is also operating, once again, to bring intellectual property law into disrepute.¹⁸ To the extent that at some later point governments and IP owners will ask people to accept the outcomes as ‘fair’ and ones that should be adopted, it will be more difficult to convince them when the agreement has the appearance of a secret deal done with minimal public input. Since neither copyright, nor trade mark, are readily ‘self-enforcing’ laws they depend for their effectiveness on a certain amount of support among the public.¹⁹ Secret negotiations on IP policing powers are not an ideal way to garner such support.²⁰

¹³ See for example IP Justice White Paper on the Proposed Anti-Counterfeiting Trade Agreement (ACTA), 25 March 2008, available at http://ipjustice.org/wp/wp-content/uploads/IPJustice_ACTA-white-paper-mar2008.pdf.

¹⁴ *IP Watch*, ‘Speculation Persists on ACTA as First Official Meeting Concludes’, 5 June 2008, available at <http://www.ip-watch.org/weblog/index.php?p=1082>.

¹⁵ *The Industry Standard*, ‘Public will be consulted on copyright policing plan’, 16 June 2008, available at <http://www.thestandard.com/news/2008/06/16/public-will-be-consulted-copyright-policing-plan>.

¹⁶ This point has been well-made by both William Patry on *The Patry Copyright Blog* (see 27 May 2008 (‘An Offer Countries Can’t Refuse’), 3 June 2008 (An ACTA Call to Arms: No More Secret Government) and 6 June 2008 (‘Secret Government Part III’)) and Michael Geist (‘Government Should Lift Veil on ACTA Secrecy’, 9 June 2008).

¹⁷ See generally Susan Sell, above n2.

¹⁸ See generally Jane Ginsburg, ‘How Copyright Got a Bad Name for Itself’ (2002) 26 *Colum. J. L & Arts* 61.

¹⁹ *Ibid.*

²⁰ And it is highly doubtful that the ‘public education campaigns’ mooted in the Wikileaks Discussion Paper will heal any resulting rift.

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A second issue is the **subject matter** of the treaty, and the extent to which that subject matter goes beyond intellectual property law and law enforcement to general matters of civil procedure: an area of legal practice which varies significantly from country to country. As several leading IP scholars noted when the EU IP Enforcement Directive was proposed:

Procedural law, civil as well as criminal, encapsulates a whole set of balances concerning fundamental freedoms of individuals when they face the operations of the justice system. How much of their private affairs should defendants be obliged to reveal? Who will keep control over the proceedings? Who will decide on the merits, who on the remedial consequences? In procedural law lie the real tests of how punitive, and therefore preventive, legal redress should be. The tests have evolved in different countries out of long experience with their own system, each with its virtues and idiosyncrasies. In large measure they apply to all types of claim, not just to particular fields, such as intellectual property, and that is a highly desirable presumption to be maintained.²¹

It is also troubling to see IP enforcement dealt with in yet another forum. There are many places where IP enforcement is being discussed: the World Trade Organisation, the World Intellectual Property Organisation, the World Customs Union, and many bilateral trade agreements. There is a risk of confusion and fragmentation in this process, particularly, one would think, for government departments and enforcement bodies subject to multiple overlapping requirements found in multiple overlapping agreements. In a context where we want government to be more efficient, subjecting them to multiple sources of regulation is not likely to lead to happy results. What would we rather government be doing – actually encouraging innovation, or box ticking on their customs processes to check compliance with the multiple different obligations in different treaties? What should money be spent on – grants for artists or yet forms and bodies and meetings about counterfeiting?

A third issue is the (apparently) proposed **two stage process** and the potential impact of that process on the effectiveness of ACTA to achieve its stated aims. It may seem that confining negotiations at this stage to a ‘small number of like-minded countries’ will make it easier to reach agreement on a higher level of protection and more detailed enforcement provisions. However, the more detailed, and the more stringent the standards embodied in ACTA, the less likely it is to achieve its aims of establishing new **global** standards for IP enforcement, because it becomes ever less likely that significant countries (such as China, India, Brazil, or Thailand) not included in the initial negotiations will be prepared to enter the agreement at some future stage.²² Cooperation of countries where counterfeits are produced is critical to reducing counterfeiting. To the extent that these crucial partners are *not* parties to the treaty, it will never represent a global standard.²³ To the extent that it is cooperation with these countries which is most likely to

²¹ William Cornish, Josef Drexler, Reto Hilty, Annette Kur, ‘Procedures and Remedies for Enforcing IPRS: The European Commission’s Proposed Directive’ [2003] 25 *EIPR* 447, 448.

²² Of course, it is possible that such countries will see it as advantageous to sign the treaty if local developments reach a point where strong enforcement of IP is a national imperative. However, by that point, the treaty is likely to make little difference.

²³ Smaller countries seeking bilateral agreements with the EU or US may be convinced to sign the agreement as part of that process. Cooperation from those countries, while no doubt helpful, is not the most important factor in reducing counterfeiting. The provisions cannot be an international standard without the agreement of major players like India or China.

achieve the long-term goal of countering counterfeiting, it makes little sense to draft a treaty that will never include these crucial partners.²⁴

It is notable that many of the negotiating parties, at least outside the leading developed nation representatives who drafted TRIPS (US, EU, Japan, Canada), are parties who are already signatories to bilateral trade agreements with the United States (Singapore, Morocco, Australia, Jordan, South Korea).²⁵ It would be easy for these delegations to take the attitude that signing up to a quite detailed ACTA is relatively costless and perhaps even beneficial, on the basis that:

- they have already signed up to relatively stringent standards via their bilateral agreement with the US, and
- Given that, in general, for an IP-importing country stricter IP standards will tend to impose costs, it is advantageous for an already-bound Australia to encourage other countries to bind themselves to similarly stringent standards.

This would be a mistake, for a number of reasons, including the following:

- It is likely that the ACTA will fail to achieve its stated ends, for the reason given above;
- These countries will most likely receive little benefit, and may endure further costs, from the further consolidation of stringent IP standards, on the basis that such provisions have significant costs for an IP-exporting country.²⁶ Although they are currently a party to stringent standards, those standards are found only in one bilateral agreement. Further consolidation of such standards at a plurilateral level only further decreases their flexibility and increases the number of trade partners who may complain of their failure to meet such standards;
- From a pragmatic perspective, to the extent that strong IP standards are not a matter of local policy priority to a country,²⁷ that country's agreement to such standards should be made conditional on benefits in areas more directly related to its national economic interest. In other words – why give agreement to this away not, outside a general trade round where benefits may be demanded in return?

There can be little doubt that certain industries will see an ACTA as advantageous, particularly insofar as it succeeds in shifting more law enforcement resources towards IP enforcement. It is far less obvious what the benefits to negotiating countries will be. A detailed ACTA risks (a) failing to establish a global standard because it includes provisions unacceptable to important countries and potential allies in any battle against counterfeiting; (b) creating a significant public backlash against intellectual property laws, particularly copyright laws, and (c) creating a political backlash in countries on whom such terms are effectively 'imposed' without regard to local legal systems. Given these issues and this kind of backlash, I have previously argued that

²⁴ See Robert Burrell and Kimberlee Weatherall, 'Exporting Controversy: Reactions to the Copyright Provisions of the US-Australia Free Trade Agreement: Lessons for US Trade Policy' *forthcoming* (2008) University of Illinois Journal of Law, Technology and Policy, available at <http://ssrn.com/abstract=1010833>, at 61-65.

²⁵ Notably too, New Zealand has expressed a strong desire to negotiate a bilateral FTA with the US: see NZ Ministry of Foreign Affairs and Trade, *The Case for a Model Free Trade Agreement between the United States and New Zealand* (last updated January 2007), available at <http://www.mfat.govt.nz/Foreign-Relations/North-America/0-nz-us-fta.php>.

²⁶ See generally Keith Maskus, *Intellectual Property Rights in the Global Economy* (2000).

²⁷ Note that the perspective proposed here is the Australian perspective generally: not the perspective of those industries most in favour of such provisions.

even the IP chapters of the US bilateral agreements are arguably *detrimental* to US national interests unless the provisions introduced actually achieve very significant reductions in copyright piracy and resulting increases in profit to IP owners – a doubtful and certainly unproved assertion.²⁸

Proposed scope of the ACTA and some of the issues

The most detailed document presently available is the Discussion Paper published on Wikileaks (the ‘Wikileaks Document’). As noted above, the status of this document is very unclear. It reads like a USTR ‘wish-list’: many of the proposals may be found in the present generation of US Free Trade Agreements.²⁹ It is doubtful that all of the proposals would meet with approval from EU negotiators (at least assuming that the EU negotiators are looking to maintain the *acquis communautaire* rather than add to it in ways that could necessitate awkward negotiations with the European Parliament).³⁰ Nevertheless, it is worth some analysis of the document – if only because so doing may highlight the potential scope of the Agreement; matters to watch for in any text that does emerge and the problems that may arise depending on the level of detail in the text.

It is easy to criticise the idea of an ACTA at a broad level of generality: and this is being done in many quarters: IP Justice, in particular, has been vocal. It is important also, however, to realise that there are really difficult issues of detail involved in these kinds of agreements. Small matters of text can have significant domestic policy implications. This part of this note seeks to highlight what some of those issues might be. This may assist governments, negotiators, and other commentators to appreciate just what is at stake beyond the searching of iPods at borders. I make no apology for the level of technicality: it is necessitated by the new style of treaty negotiation.

What is being proposed, at least according to the Wikileaks Document? In summary:

1. Extension of criminal liability by redefining what counts as ‘copyright infringement on a commercial scale’
2. The *imposition* (not just availability) of ‘deterrent level penalties’
3. Some provisions on the role of ISPs in policing copyright infringement;
4. Seizure and destruction of IPR-infringing goods (this one leading to fears that customs officers will be seizing laptops); and
5. Possible changes to calculations of damages in copyright and trade mark cases;

Each of these is discussed below in turn.

²⁸ : see Burrell and Weatherall, above n24

²⁹ For example, the US-Australia Agreement (signed 18 May 2004; in force 1 January 2005); US-Singapore Agreement (signed May 6, 2003; in force January 1, 2004); US-Chile Agreement (signed June 6, 2003; in force January 1, 2004); US-Morocco Agreement (signed June 15, 2004; in force January 1, 2006); US-CAFTA Agreement (signed May 28, 2004; in force March 1 2006 (El Salvador), April 1, 2006 (Honduras and Nicaragua), July 1, 2006 (Guatemala); the agreement as it relates to the Dominican Republic and Costa Rica is still pending); and the US-Bahrain Agreement (signed September 14, 2004; in force August 1, 2006).

³⁰ There have been some interesting differences of approach between the European Parliament and the European Commission on IP, including the rejection by the Parliament of a proposed Software Directive. More relevantly, the Parliament has made significant amendments to both proposed EU IP Enforcement Directives.

Extension of criminal liability by redefining copyright infringement ‘on a commercial scale’

The Wikileaks Document suggests that criminal sanctions should be applied to ‘IPR infringements on a commercial scale’. This requirement already applies for most countries, because it is found in TRIPS (Article 61). It appears however that the USTR will be proposing that the term ‘commercial scale’ should be **redefined** to mean:

- Any IPR infringement for purposes of commercial advantage or private financial gain (no matter how low the number);
- Significant wilful infringements without motivation for financial gain to such an extent as to prejudicially affect the copyright owner (eg, Internet piracy); and
- Imports and exports.

Similar provisions may be found in the recent generations of US bilateral free trade agreements (eg AUSFTA Article 17.11.26).

Two simple and obvious points can be made about this. First, the redefinition of ‘commercial scale’ to include *all* infringements for private gain has nothing to do with the kinds of counterfeiting that are said to be problematic by organisations like the OECD. To counter large-scale counterfeiting or piracy, it is not necessary to criminalise single acts of infringement. Such individual acts are unlikely to be the subject of transborder enforcement or even local enforcement by international IP owners.

Second, it appears that the proposal is to cover *any infringement*. In other words, we are *not* talking about obviously pirate, identical copies of movies or whole CDs or books: or at least, not only that. This terminology is wide enough to cover the famous Verve song, *Bittersweet Symphony*, which was said to infringe copyright in a Rolling Stones song. There was copying (of a memorable riff), it was certainly on a commercial scale – anyone feel like sending a famous band to jail? It won’t happen, but the point is a general one: good faith commercial parties can be caught by this sort of broad drafting. The fact is that there should be some attempt to define what *kinds* of infringement we are targeting – and it should be the kinds of copying done by the ‘dudes at markets’ – not commercial parties who overstep a very vaguely drawn line.³¹

A further matter for consideration is the wording of the provision. One difference between this suggestion in the Wikileaks Document and for example the US-Australia FTA is the presence of the word ‘private financial gain’. Inclusion of the word ‘private’ here arguably carries the connotation that even purely personal (non-commercial) gain (for example, avoiding paying the full cost of a DVD) would be sufficient to give rise to criminal liability.³² This would, for most countries, be a significant departure from past approaches. Extension of criminal liability to such circumstances would be contrary to the approach of the Australian Parliament, as embodied in the *Copyright Amendment Bill 2006* (Cth). In that case (following public protests and concern) there was a concerted effort to remove those offences from the Act which might have given rise

³¹ Discussing this further, see Cornish et al above n21.

³² In the US, under the *No Electronic Theft Act* (‘NET Act’), ‘financial gain’ is further defined to include ‘receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works: 17 U.S.C. §101

to the possibility of criminal liability for purely ‘private’ acts (acts occurring within the home and without even the public distributive effect of, say, the uploading of material to Internet sites). Again, it is not at all clear *why* the definition needs to be so broad. If the target is organised crime and large scale counterfeiters (being the dangerous ones), then it would be sufficient to apply the provisions to (a) copies for trade or commercial purposes or (b) mass non-commercial infringement (of the large scale internet piracy kind).

Europe, too, has tended to exclude such acts. The EU Directive on Enforcement of Intellectual Property Rights suggests that ‘acts carried out by end-consumers acting in good faith’ are excluded from acts ‘on a commercial scale’.³³ Further, the European Parliament amended a proposed *Directive on Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights* to provide a definition of ‘infringements on a commercial scale’ to mean ‘any infringement of an intellectual property right committed to obtain a commercial advantage’ and to *exclude* ‘acts carried out by private users for personal and not-for-profit purposes.’³⁴

As for the reference to ‘imports and exports’, it is important that (a) this reference be understood either not to apply to cases where a person brings something in to the country for personal use, or (b) that the reference at least allow countries to exclude such acts. Extending criminal (or indeed any) liability to personal acts would be a significant change to Australian law. Notably too the present reference to imports and exports makes no reference to a requirement of knowledge (unlike some of the other proposals). It is difficult to know how much to read in to this. But while Australian criminal law is currently experimenting with criminal liability without knowledge (via the introduction, in late 2006, of strict liability offences, into the *Copyright Act*), it would be a mistake to ‘lock in’ criminal liability without intention until it is determined whether that approach is successful and just.

‘Deterrent-level penalties’

The Wikileaks Document also refers to requiring the establishment *and imposition* of deterrent-level penalties and/or other measures to promote deterrence.

The use of the term ‘imposition’ is troubling. TRIPS Article 61 requires that remedies *available* should include imprisonment and/or monetary fines sufficient to provide a deterrent. TRIPS Article 61 contains no treaty-level requirement that such penalties be *imposed*.³⁵ Notably too, this language could be even stricter than the language in AUSFTA, which requires only that criminal penalties must be provided and that the parties will *encourage* judicial authorities to impose deterrent-level fines. It is not clear how, consistent with the doctrine of separation of

³³ *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 157, 30.4.2004, corrigendum at OJ L 195, 2.6.2004 at 0016), Recital 14.

³⁴ *Position of the European Parliament adopted at first reading on 25 April 2007 with a view to the adoption of Directive 2007/.../EC of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights*, OJ C 74 E/527, 20.3.2008, Art 2. Note that the proposed directive is currently on hold: the proposal of the Commission was amended by the European Parliament; the proposal is currently with the Commission.

³⁵ This fact may well have been important in determining the nature of the current US proceedings against China in relation to IP laws. The US has not alleged, and was not consistent with TRIPS able to allege, that China was deficient in the *imposition* of penalties – although there is no shortage of private parties arguing that China is thus deficient.

powers, any executive government in a democracy could direct the courts to ensure that deterrent penalties ‘were imposed’. Deterrence is one factor relevant in criminal offence sentencing, but not the only one.³⁶

Internet Distribution and Information Technology

The key issue in relation to this area is the level of detail proposed.

As stated in the Wikileaks document, for some countries, which are not parties to the WIPO Copyright Treaty or WIPO Performances and Phonograms Treaty (collectively, the ‘Internet Treaties’), these undertakings might be relatively significant, as they incorporate the WIPO Internet Treaty provisions.

But for countries which *are* signatories to the Internet Treaties, *at this level of generality* an ACTA would be relatively untroubling. ‘safeguards from liability’ could be complied with by having a doctrine of authorisation of infringement that forbids ISPs from actively encouraging copyright infringement. ‘Procedures enabling right holders who have given effective notification of a claimed infringement to expeditiously obtain information identifying the alleged infringer’ could refer to ordinary court processes for discovery of identity. And ‘remedies against circumvention of technological protection measures used by copyright owners and the trafficking of circumvention devices’ adds little to the WIPO provisions.

However, the devil is, as always, in the detail. Some matters to watch for:

- Whether ‘cooperation in removal’ is expanded to include (or understood to include) requirements for filtering of copyright material or active termination of internet users (the so-called ‘three strikes’ proposals);³⁷
- Whether ‘expeditious means’ of obtaining information requires ‘means without judicial process’. Australia’s Federal Court arguably is ‘expeditious’. But unsupervised private systems for sharing customer details, without the necessity for independent (judicial or administrative) assessment of the case for infringement, would be much more problematic and raise significant privacy concerns.

It would be particularly concerning if ‘three strikes’ type provisions (those requiring termination of the internet service to repeat infringers) were included in ACTA. Such provisions have not been enacted internationally, they do not represent a consensus approach; they have been actively opposed in many countries. This would, in fact, be lawmaking by treaty-making. At this stage, if individual countries want to experiment with such provisions, or if private parties (ISPs) want to experiment, that might show whether such approaches are effective. But requiring, as a

³⁶ It may also be worth noting that in the past, when the idea of ‘sentencing guidelines’ or ‘sentencing guideline judgments’ were recommended by a Parliamentary Committee in the *Copycats* Inquiry (House of Representatives Standing Committee on Legal and Constitutional Affairs, *Cracking Down on Copycats: enforcement of copyright in Australia* (2000), Recommendation 5) the government response to the report noted that the Acting Chief Justice of the Federal Court of Australia ‘responded on behalf of the Court pointing to a potential constitutional impediment and a number of fundamental difficulties in the proposal’.

³⁷ For a summary of the problems with such a policy, see: <http://www.lawfont.com/2008/02/18/notice-and-terminatethree-strikeshere-we-go-again/>.

matter of treaty law, provisions which have not been proven effective to reduce infringement in any country would be troubling indeed.

Seizure and destruction of IPR infringing goods and equipment and materials used to make them

Another proposal which has drawn much attention is the idea of seizure and destruction of IPR infringing goods, *and the equipment* used to make infringements. In the popular media, references to ‘seizure and destruction of IPR infringing goods and equipment’ have given rise to fears that consumer items, like laptops, MP3 players, and the like, will be subject to random search or forfeiture at the hands of law enforcement agencies.

The order for seizure and destruction by *judicial* authorities is relatively well-established in many countries. Seizure of property by *enforcement* authorities raises difficult questions, which have recently been canvassed in Australia.³⁸

First: what kinds of equipment may be forfeited (those used to infringe, or only those *designed* to infringe)? Under present Australian law, there are limits on the power of police to seize in particular equipment used for making IPR infringements. In summary, Australian law draws a distinction which is reasonably defensible as a matter of policy:

- Courts may order the destruction of ‘a device or equipment used or intended to be used for making infringing copies’ when a person is otherwise charged with a criminal offence,³⁹
- Police officers issuing an infringement notice (on the spot fine) must require forfeiture of ‘each device ... that is alleged to have been made to be used for making an infringing copy of a work’.⁴⁰

In other words, courts, but not the police, may require forfeiture of a general purpose device (like a general purpose computer or DVD burner). Police may only require forfeiture of a device specifically designed/made for copyright infringement. A broad discretion to require forfeiture of general purpose consumer electronics devices in the hands of general police would be troubling.

Second, given that some equipment used to infringe (particularly computers, or storage media) will not make obvious on their face what their use is or whether they have been used to infringe: what would be the basis required *prior* to search of a device? Suspicion? Reasonably-based suspicion? Involvement in an overt act of infringement? In order to avoid arbitrary searches and

³⁸ In 2006 Australia introduced a series of new criminal offences into the *Copyright Act* and a scheme for the issue of infringement notices. In 2007 the Attorney-General’s Department issued Draft Infringement Notice Guidelines which dealt, *inter alia*, with issues of forfeiture to police officers. The guidelines arguably raised more questions than they answered. For some discussion of the forfeiture issues, see Kimberlee Weatherall, *Submission: Draft Guidelines on the Infringement Notices and Forfeiture of Infringing Copies and Devices Scheme, Copyright Amendment Regulations 2006*, available at <http://works.bepress.com/kimweatherall/14/>, and Paramaguru, Abi; Vaile, David; Bond, Catherine; Maurushat, Alana "Copyright Infringement Notices Scheme: A Submission to the Attorney-General's Department " [2007] UNSWLRS 62, available at <http://www.austlii.edu.au/au/journals/UNSWLRS/2007/62.html>.

³⁹ *Copyright Act* 1968 (Cth) s 133.

⁴⁰ *Copyright Act* 1968 (Cth) s 133B.

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an overbroad discretion which could lead to abuse, it is important that the standard of suspicion be set relatively high.

Third: would forfeit/destruction be effected without any capacity to appeal to a judicial officer?⁴¹

Fourth: *whose* equipment could be forfeited? Forfeiture is a punishment, and should only be applied where the person whose equipment is to be forfeited is themselves guilty of a crime either directly or as an accomplice (mere negligence ought not to be sufficient). How would any inquiry into ownership be conducted?

Fifth: forfeiture should be *proportionate*. It would not be proportionate to require forfeiture of a general purpose device like a DVD burner worth \$4,000 on the basis of one known copyright infringement. Forfeiture ought to be confined to commercial or commercial scale infringement, and there should be an explicit requirement of proportionality. This may be different where can be shown that the relevant equipment is specifically designed and only suitable for copyright infringement.

And finally, it is important (in any individual country) to give serious consideration to the role of private parties in this process. It is common for representatives of IP owners to be involved in investigation of IP infringement, and to provide expertise. But their involvement in a forfeiture process raises concerns about privatisation of justice and the use by private parties of powers and force which is the monopoly of the state. The role of private parties and IP owners in all these processes must be clearly limited and structured in such a way as to avoid any possibility of abuse.⁴²

It is important to note that many of these concerns can and should be dealt with at a *domestic* level. It is therefore appropriate to ensure that any treaty language is sufficiently open-textured to allow for full procedural protections and limitations so that forfeiture is only used in appropriate circumstances.

Customs Measures: Costs of seizure and storage

The Wikileaks Document appears to suggest that there should be ‘allocation of liability for storage and destruction fees between the importer/exporter, rightholder, and government agency (so as not to place unreasonable burdens on right holders). Notably the proposed European *Directive on Criminal Measures* includes a similar provision – with bearing the costs of storage of seized goods being suggested as a possible penalty for criminal IP offences.⁴³

⁴¹ Notably the Australian Draft Guidelines on the Infringement Notice Scheme (available here: http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright_CopyrightInfringementNoticeScheme) envisaged a system for storage of forfeited items and eventual destruction, but with capacity to challenge the infringement notice accompanying any forfeiture requirement.

⁴² See further Cornish et al, above n21.

⁴³ *Position of the European Parliament adopted at first reading on 25 April 2007 with a view to the adoption of Directive 2007/.../EC of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights*, OJ C 74 E/527, 20.3.2008, Art 4.2(h).

However, notably this is not the approach under current Australian law, which provides for recovery of costs from the IP owner.⁴⁴ To the extent that infringers are ordered to pay costs, the effect would be that the Commonwealth would bear the risk that infringers do not pay. Given the relatively high rate of non-appearance in counterfeiting cases, it is readily imaginable that this risk is not a low one.⁴⁵ This represents a shift of the burden of enforcement from IP owners to the state, and has resource implications which should be considered.

Civil Enforcement

Most suggestions in the Wikileaks Document are things which many countries already have as part of their general civil justice system (authority to order *ex parte* searches; preservation of documentary evidence, and orders for costs).

The one matter of some greater concern is the reference to ‘damages adequate to compensate, including measures to overcome the problem of rightholders not being able to get sufficient compensation due to difficulty in assessing the full extent of damage’.

Expressed at that level of generality, it could be accommodated in a variety of ways which would not cause serious injustice because they are under the control of the judicial authorities and depend on the exercise of discretion by those authorities, subject to availability of appeal. For example, Australian Copyright Law has two mechanisms for ensuring adequate damages even in the face of difficulties of calculation: namely, additional damages under s 115(4), and the provision for taking ‘unproven’ electronic infringements into account under s 115(5)-(6). It may be of more concern in trade mark where no equivalent provisions exist (only ordinary damages are provided for under the *Trade Marks Act*).⁴⁶

If, however, the language were more specific – for example, were the treaty to require *statutory* damages, it would be troubling, because systems for statutory damages can not only render injustice in the individual case (giving awards of damages vastly in excess of any actual damage suffered attributable to the defendant’s act), but can be used to threaten people into settling cases (against a threatened massive statutory damages award, a small settlement may start to sound attractive).

Scope: copyright and trade mark only?

The Discussion Paper at present refers only to trademark counterfeiting and copyright piracy, stating in a note that ‘Members may provide for such provisions to be applied in other cases of infringement of IPR’. It would be important that any provisions be limited so as *not* to apply in the case of patent infringement. Many countries do not, at present, have any history of applying criminal provisions to patent infringement and application of criminal provisions to patent

⁴⁴ *Copyright Act 1968* (Cth) s135AA, 135AJ. As a result of amendments in late 2006, the CEO of Customs has a discretion to request an undertaking to pay costs, and the discretion to decide not to seize goods unless such undertaking is provided.

⁴⁵ See Jason Bosland, Paul Jensen and Kimberlee Weatherall, ‘Trade Mark and Counterfeit Litigation in Australia’ [2006] *Intellectual Property Quarterly* 347-377.

⁴⁶ *Trade Marks Act 1995* (Cth) s 126.

infringement (or design infringement) ought to be the subject of a domestic policy process prior to any international agreement.

Protections for defendants and related issues

The Wikileaks Document makes no mention of procedural or other protections for defendants or any steps which might be taken to balance the rights of IP owners with the rights of those accused of IP infringement. Both TRIPS, and the EU Proposed Directive on Criminal Measures, provide some possible models. While TRIPS obligations will continue for any party to a possible ACTA, nevertheless it may be worth re-stating basic protections, for example:

1. Parties shall ensure that the misuse of threats of criminal sanctions is prohibited and made subject to penalties;⁴⁷
2. Parties shall ensure that procedures concerning the enforcement of intellectual property rights shall be fair and equitable.⁴⁸
3. It is understood that this agreement does not create any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.⁴⁹
4. Where measures to preserve evidence are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.⁵⁰

Another matter worth monitoring would be issues of **presumptions**. Recent US Free Trade Agreements have included provisions requiring certain presumptions in civil and administrative proceedings. In some agreements, those presumptions go beyond those provided under Australian law. For example, in the US-Korea agreement, there is a requirement that '[i]n civil and administrative proceedings involving patents, each Party shall provide for a rebuttable presumption that a patent is valid' (US-Korea Free Trade Agreement, Art 18.10.3).

Some conclusions

This discussion of the possible issues of detail in a possible ACTA text illustrate a very important point. The kinds of matters that ACTA appears to be raising, at least in negotiations, are subject to very important questions and issues of detail. But importantly – these are *not* the

⁴⁷ Modelled on *Position of the European Parliament adopted at first reading on 25 April 2007 with a view to the adoption of Directive 2007/.../EC of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights*, OJ C 74 E/527, 20.3.2008, Art 7.

⁴⁸ TRIPS Art 41.2.

⁴⁹ TRIPS Art 41.5.

⁵⁰ Modeled on the *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 157, 30.4.2004, corrigendum at OJ L 195, 2.6.2004 at 0016), Article 7.4

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kinds of things that can be negotiated into a treaty text. It is critical that, if ACTA is to be negotiated and concluded, and signed, the language of the treaty must be sufficiently open-textured that it can be accepted by a range of countries with different legal systems and differing enforcement priorities and levels of development. As noted above, ACTA will be ineffective if it is drafted in such a way that other important countries will be unable to accept its provisions. In addition, ACTA will be detrimental to an individual country's own interests if it is drafted in such a way as to require that country to give up or modify long-standing procedural rules and protections in relation to IP only.

Further, ACTA must not be drafted as a one-sided document. It must include necessary protections for defendants, those accused of infringement, and third parties like ISPs. A one-sided document will not only be detrimental to domestic policy processes but will exacerbate the belief by individuals and non-negotiating countries that it is not a considered or fair agreement. That will be detrimental to gaining cooperation in observance of copyright.

Finally, as already noted above, the ACTA text before conclusion is opened up to consultation to a broad range of parties: rightsholders, consumer groups, public sector institutions, ISPs and similar entities, and experts on civil and criminal procedure. Without their input, unintended consequences may occur and the agreement will lack any kind of legitimacy.