Section by Section Commentary on the TPP Final IP Chapter Published 5 November 2015 – Part 3 - Enforcement

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Nature and scope of this document

This note comments on each provision of the TPP IP Chapter, and compares each provision to
- Multilateral conventions, in particular TRIPS
- Other relevant treaties like the Anti-Counterfeiting Trade Agreement;
- the Australia-US FTA, AUSFTA (as a comparison between the TPP and past bilateral FTAs concluded by the US);
- in some cases, European Directives for contrast.

This document covers Section I on enforcement, although for now it leaves out trade secrets and the ISP liability provisions.† Companion pieces cover the general provisions, trade mark, GIs, and industrial designs (Part 1), and the copyright provisions (Part 2). The discussion here needs to be read also with the discussion in Part 1 covering Section A (General Provisions). Part 1 talks about important concepts like national treatment; minimum standards; application of the treaty to existing subject matter, and exhaustion.

The material here is necessarily preliminary and does not purport to be complete. It is background work, published on the basis that it may assist others’ analysis and commentary.

I welcome feedback or further comment, especially if provided with permission to incorporate insights into future iterations of this work for the benefit of others. I am best contacted at Kimberlee.weatherall@sydney.edu.au.

This document is likely to grow and change over time as further insights become available. Please check back at the source or contact me for the latest version if citing.

* Associate Professor, The University of Sydney, Sydney Law School. This work has been made possible thanks to funding from the Australian Research Council, DP150104175, Process Matters: The new global law of intellectual property enforcement.
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1 General Provisions

1.1 General principles; availability of remedies; fair and equitable

**Article 18.71: General Obligations**

1. Each Party shall ensure that enforcement procedures as specified in this Section are available under its law\(^{100}\) so as to permit effective action against any act of infringement of intellectual property rights covered by this Chapter, including expeditious remedies to prevent infringements and remedies that constitute a deterrent to future infringements.\(^{101}\) These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

2. Each Party confirms that the enforcement procedures set forth in Articles 18.74 (Civil and Administrative Procedures and Remedies) and 18.75 (Provisional measures) and 18.77 (Criminal Procedures and Penalties) shall be available to the same extent with respect to acts of trademark, as well as copyright or related infringement, in the digital environment.

3. Each Party shall ensure that its procedures concerning the enforcement of intellectual property rights shall be fair and equitable. These procedures shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

\(^{100}\) For greater certainty, “law” is not limited to legislation

\(^{101}\) For greater certainty, and subject to Article 44 of the TRIPS Agreement and the provisions of this Agreement, each party confirms that it makes such remedies available with respect to enterprises, regardless of whether the enterprises are private or state-owned.

**Relationship to other treaties**

- **Art 18.71.1:**
  - Repeats TRIPS art 41.1.
  - Repeats ACTA art 6.1 (although ACTA does not include the footnotes).
  - No equivalent in the Australia-US Free Trade Agreement.

- **Art 18.71.2:**
  - There is no equivalent provision in TRIPS (which largely harmonises pre-digital environment IP law)
  - Mostly repeats ACTA art 27.1:
    - Most textual differences are apparently due to placement: ACTA art 27.1 repeats much of TRIPS art 41.1/ACTA art 6.1; in the TPP it is possible to cross-reference subparagraph 1.
    - But note that ACTA art 27.1 is not confined to particular IP rights, whereas the TPP provision is confined to copyright and trade mark.
  - No equivalent in AUSFTA.

- **Art 18.71.3:**
  - Largely repeats TRIPS art 41.2
  - Similar to ACTA art 6.2, but with some substantive differences:
    - ACTA requires that procedures *adopted, maintained or applied* must be fair or equitable: not just the procedures *per se*. There is room for debate whether the ACTA obligation is broader; the
better view may be that TPP also requires that procedures as applied must be fair and equitable.

- ACTA goes further than 'fair and equitable', requiring that procedures 'shall provide for the rights of all participants subject to such procedures to be appropriately protected'. Although respect for the rights of all participants may be inherent in the phrase 'fair and equitable' it might have been helpful to have this further elaboration in the TPP.
  - There is no equivalent provision in AUSFTA.
  - Note that it only covers procedures. Cf art 3 of the EU IP Enforcement Directive,2 which requires that 'measures, procedures and remedies' should be fair and equitable.

Comment
These provision reflect the general obligations set out in TRIPS. They recognise both sides of the enforcement equation: both the need to prevent and deter infringement, and the need to ensure safeguards against abuse, that impediments are not created to trade, and more generally, the need for both fairness and equity in all enforcement (civil, criminal and administrative). Presumably the various conditions here stated would be interpreted as 'a broad standard, subject to national discretion and local conditions',3 such that 'Members [would] retain considerable discretion with respect to law enforcement'.4

Past US FTAs have not tended to include these provisions or similar references to safeguards, or fairness and equity. In this respect, the TPP text improves on the US FTA model. It also improves on the US February 2011 draft for the TPP which contained no references to preventing abuse and not creating barriers to trade.

It is notable that the text continues the emphasis on deterrence in determining remedies. Modern IP treaties and rules often put deterrence5 (or similar concepts6) at the forefront of the enforcement calculus. In itself, this is fine, provided deterrence is not confused with punishment. A single-minded focus on deterrence-as-punishment at the cost of persuasion and other considerations can be counterproductive.7 In this respect compare art 3 of the EU IP Enforcement Directive, which requires that 'measures, procedures and remedies' be 'effective, proportionate and dissuasive'.

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4 Ibid.
6 The European IP Enforcement Directive (above n 2) uses different language, requiring that 'measures, procedures and remedies shall ...be effective, proportionate and dissuasive' (emphasis added): EU IP Enforcement Directive art 3.2.
7 See generally Kimberlee Weatherall, 'A Reimagined Approach to Copyright Enforcement from a Regulator's Perspective', draft paper; copy on file with author: email for copy.
Footnote 101 is notable: on the face of it, the footnote merely ensures that all companies (including state-owned ones) are subject to enforcement of IP. Note however that the provision does not require that enforcement must be available against government (which might be difficult for federations like the US to guarantee). The US has a history of exempting State (government) actions and State-authorised actions from constituting IP infringement. TPP countries should consider whether similar exclusions (general or specific) are necessary in their own law and/or whether their right-holders are disadvantaged by this US approach.

For a detailed discussion of the meaning of ‘fair and equitable’, and challenges in policing this requirement, see my earlier work available on SSRN.8

1.2 Distribution of enforcement resources

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<tr>
<th>Article 18.71: General Obligations (cont)</th>
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<td>4. This Section does not create any obligation:</td>
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<td>(a) to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of each Party to enforce law in general; or</td>
</tr>
<tr>
<td>(b) with respect to the distribution as between the enforcement of intellectual property rights and the enforcement of law in general.</td>
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Relationship to other treaties
- art 18.71.4(a) and (b) together largely repeat TRIPS art 41.5
- art 18.71.4(b) largely repeats ACTA art 2.2.
  - Note that the TPP does not have any equivalent to ACTA art 28.1 (which requires parties to encourage the development of specialized expertise within its competent authorities responsible for enforcement).
- No equivalent in AUSFTA.

Comment
This is a useful provision, in that it makes clear that separate courts (and court procedures) are not required for IP cases, and that there is no obligation to divert resources from general law enforcement in order to meet the TPP IP standards. This backs up the interpretation in the WTO Panel report in China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights – which recognised that under TRIPS, ‘Members retain considerable discretion with respect to law enforcement’.9

This matters, even for developed countries. For example, in Australia, although additional resources have been devoted to IP enforcement in recent years, right holders frequently complain of the difficulty of engaging police concern with infringement, and the Federal Police (AFP) use a case categorisation and prioritisation (CCPM) model that

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9 Ibid.
assigns priorities to cases so that the AFP can ensure its limited resources are directed to the matters of highest priorities. Economic crimes (which would include IP) can be assessed as having very high impact, if valued at more than $5 million, but economic crimes assessed as having a lower level of harm may be classed as low impact and hence not attract AFP resources. More specific obligations in the TPP could have had the effect of raising the priority of IP cases under the current CCPM (the CCPM specifically confers higher priority on enforcement required under international agreements). In other words, provisions like this can matter a great deal when it comes to determining government and policing priorities.

The provision is a vast improvement on earlier drafts, which included a US/Japan proposal for text stating that 'The Parties understand that the distribution of enforcement resources shall not excuse that Party from complying with this [enforcement] Section'.

### 1.3 Proportionality

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<th>Article 18.71: General Obligations (cont)</th>
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<td>5. In implementing the provisions of this Section in its intellectual property system, each Party shall take into account the need for proportionality between the seriousness of the infringement of the intellectual property right and the applicable remedies and penalties, as well as the interests of third parties.</td>
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**Relationship to other treaties**

- There is no equivalent provision in TRIPS. TRIPS contains two references to proportionality in its enforcement text: see eg articles 46 (other remedies; requires proportionality to be considered when seizing materials and implements used in infringement); 47 (right of information).
- The article is extremely similar to ACTA art 6.3 (there are differences in word ordering but not substance)

**Comment**

It is a relief to see proportionality included as a consideration in the final TPP text. It is disappointing to see the principle acknowledged in very weak terms: proportionality is not a requirement but a consideration (and, impliedly, a consideration which might be overruled by requirements such as the need for deterrence). Given particularly that other provisions in the TPP IP text allow for the seizure and destruction of implements merely used (and not even predominantly used) for infringement, proportionality ought to be a consideration. Proportionality also ought to be a consideration in determining remedies such as pre-established/statutory/punitive damages, and in determining whether an injunction should be ordered (for example, if the IP infringed is a very small proportion of an overall product the sale of which is sought to be prevented).

It is worth noting that proportionality is important in the EU IP Enforcement Directive. Art 3 of that Directive requires that 'measures, procedures and remedies shall also be effective, proportionate and dissuasive' (emphasis added). Further, proportionality is specifically mentioned in art 8 (right of information); art 10 (corrective measures ie seizure/destruction of infringing goods and implements); art 12 (consideration of compensation in lieu of other orders); and art 14 (legal costs).
### 1.4 Presumptions

**Article 18.72: Presumptions**

1. In civil, criminal, and, if applicable, administrative proceedings involving copyright or related rights, each Party shall provide for a presumption\(^{102}\) that, in the absence of proof to the contrary:

   (a) the person whose name is indicated in the usual manner\(^{103}\) as the author, performer, or producer of the work, performance, or phonogram, or if applicable the publisher, is the designated right holder in that work, performance, or phonogram; and

   (b) the copyright or related right subsists in such subject matter.

2. In connection with the commencement of a civil, administrative or criminal enforcement proceeding involving a registered trademark that has been substantively examined by its competent authority, each Party shall provide that the trademark be considered *prima facie* valid.

3. In connection with the commencement of a civil or administrative enforcement proceeding involving a patent that has been substantively examined and granted\(^ {104}\) by the competent authority of a Party, that Party shall provide that each claim in the patent be considered *prima facie* to satisfy the applicable criteria of patentability in the territory of the Party.\(^ {105,106}\)

\(^{102}\) For greater certainty, a Party may implement this Article on the basis of sworn statements or documents having evidentiary value, such as statutory declarations. A Party may also provide that these presumptions are rebuttable presumptions that may be rebutted by evidence to the contrary.

\(^{103}\) For greater certainty, a Party may establish the means by which it shall determine what constitutes the “usual manner” for a particular physical support.

\(^{104}\) For greater certainty, nothing in this Chapter prevents a Party from making available third party procedures in connection with its fulfillment of the obligations under paragraphs 2 and 3.

\(^{105}\) For greater certainty, if a Party provides its administrative authorities with the exclusive authority to determine the validity of a registered trademark or patent, nothing in paragraphs 2 and 3 shall prevent that Party’s competent authority from suspending enforcement procedures until the validity of the registered trademark or patent is determined by the administrative authority. In those validity procedures, the party challenging the validity of the registered trademark or patent shall be required to prove that the registered trademark or patent is not valid. Notwithstanding this requirement, a Party may require the trademark holder to provide evidence of first use.

\(^{106}\) A Party may provide that this paragraph applies only to those patents that have been applied for, examined and granted after the entry into force of this Agreement for that Party.

**Relationship to other treaties:**

- The Berne Convention has an equivalent to 18.72.1(a) (Berne art 15.1–15.2, although Berne only refers to such presumption for the purpose of commencing proceedings). This article of Berne is incorporated into TRIPS (TRIPS art 9.1).
- There is no equivalent provision in ACTA;
- AUSFTA has an equivalent to art 18.72.1(a) and (b) (see AUSFTA art 17.11.4)
- The EU IP Enforcement Directive has an equivalent to art 18.72.1(a) only.
Comment
This provision creates very broad presumptions in favour of IP owners in litigation, well beyond multilateral standards (which really only extend to presuming ownership/authorship of copyright works, via Berne/TRIPS). The patent and trade mark presumptions are particularly concerning.

Two critical question are (a) what counts as ‘substantive examination’ of a patent claim or trade mark, and (b) what level of evidence is required to rebut a *prima facie* presumption of validity. The text refers to presumptions being rebuttable – which could be quite a low presumption (ie, just enough evidence to convince a court that the right is invalid on the balance of probabilities). The standard could vary.

As for examination, the provisions are explicitly based on an assumption of (local) substantive examination leading to presumptively valid marks and patents. This *may* be true, but it is not hard to imagine circumstances where a country might want to move away from local substantive examination:

- If moving towards work sharing. Does a presumption of validity make sense where substantive examination occurs elsewhere?
- If experimenting with more streamlined processes. It is not unusual in developed countries now to grant some rights without substantive examination.10

Locking in a particular kind of assumption about the way that grant processes work, could preclude or complicate attempts to introduce more efficient and coordinated processes.

These kinds of provisions also need to be assessed together with the impact of other provisions. A combination of (a) broad patent subject matter, (b) presumptive validity and (c) strong and unqualified enforcement is a recipe for encouraging trolling by holders or questionable rights.11 An overall problem is the tendency of the IP chapter to lower requirements for acquiring (and proving) rights but simultaneously give more enforcement powers to right holders. The thought of a flood of low quality patents issuing from patent offices throughout the Asia-Pacific, potentially with strong enforcement provisions – should give everyone – including the negotiators of these and future agreements – serious pause.

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10 See, for example, the approach in relation to UK trade marks, where examiners no longer consider possible conflicts with registered marks, instead examining absolute grounds but leaving it to third parties to make the decision whether to oppose registration on the basis of conflict with an existing mark. Of course, it might be argued that since third parties *can* oppose under the UK system *prior to registration*, perhaps by the time a mark is registered it could be presumed there is no conflict with existing marks because if there were, the relevant owner of an existing affected mark would have opposed. This would seem to put an unrealistic burden on third parties, however.

Article 18.73: Enforcement Practices with Respect to Intellectual Property Rights

1. Each Party shall provide that final judicial decisions and administrative rulings of general application pertaining to the enforcement of intellectual property rights:

(a) preferably are in writing and state any relevant findings of fact and the reasoning or the legal basis on which the decisions and rulings are based; and

(b) are published or, if publication is not practicable, otherwise made available to the public in a national language in such a manner as to enable interested persons and Parties to become acquainted with them.

2. Each Party recognises the importance of collecting and analysing statistical data and other relevant information concerning infringements of intellectual property rights as well as collecting information on best practices to prevent and combat infringements.

3. Each Party shall publish or otherwise make available to the public information on its efforts to provide effective enforcement of intellectual property rights in its civil, administrative and criminal systems, such as statistical information that the Party may collect for such purposes.

107 For greater certainty, a Party may satisfy the requirement for publication by making the decision or ruling available to the public on the Internet

Relationship to other treaties:

• TRIPS:
  o Art 18.73.1(a) is similar to TRIPS art 41.3, but broader and slightly more elaborate; TRIPS requires that decisions preferably be in writing and reasoned.
  o Art 18.73.1(b) is similar to TRIPS art 63.1 which also requires publication of final judicial decisions and administrative rulings of general application be published or made available.

• ACTA:
  o There is no equivalent to art 18.73.1 in ACTA
  o Art 18.73.2 is similar to ACTA art 28.2 but TPP text is weaker (ACTA requires the parties to promote collection of this information)
  o Art 18.73.3 is similar to ACTA art 30(c) (although TPP text is slightly more elaborate in that it mentions civil and criminal systems and statistical information).

• AUSFTA:
  o Art 18.73.1 is almost identically worded to AUSFTA art 17.11.2
  o Art 18.73.3 is very similar to 17.11.3
  o AUSFTA contains no equivalent to 17.73.2.

Comment
This article needs to be cross-referenced with article 18.9 (Transparency). Art 18.9 states that Parties shall endeavour to make available online laws, regulations, procedures and administrative rulings of general application; information about IP applications and registered rights. This article is stated in more mandatory terms than
art 18.9: it requires that decisions regarding enforcement be published or otherwise made available (Internet counts). It also requires Parties to make available information on efforts to provide for effective enforcement. Collection and publication of statistics is optional (but desired). It is not at all clear why publication of decisions is required whereas publication of laws is not. I would have thought it more important to have legislation and regulations readily available than court decisions (although both are desirable).

The question for an intending TPP country here is cost: if systems for written and reasoned decisions and publication of judgments, and publication of information about enforcement, are not already in place this could potentially be costly.

Another point to note is, in common with many of the enforcement provisions in the TPP, this article draws on TRIPS language but omits procedural safeguards found in TRIPS. So, the full text of TRIPS art 41.3 reads:

> Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.

It is important to recall that parties to the TPP are all members of the WTO and as such remain bound by TRIPS. This is made explicit by article 1 of the TPP, which provides:

**Article 1.2: Relation to Other Agreements**

1. Recognizing the Parties’ intention for this Agreement to coexist with their existing international agreements, each Party affirms,
   (a) in relation to existing international agreements to which all Parties are party, including the WTO Agreement, its existing rights and obligations with respect to each other... (emphasis added).

Thus positive obligations in TRIPS continue to apply whether or not they are included in the TPP text. It would also be possible to argue that arts 41 and 42 of TRIPS provide an elaboration of the content of the obligation to ensure that procedures are ‘fair and equitable’ – which is required under art 18.71.3.\(^\text{12}\)

The non-inclusion of TRIPS safeguards is however difficult to understand. A similar situation arose with ACTA, and gave rise to a scholarly debate regarding the effect of excluding safeguards.\(^\text{13}\) I remain of the view that positive TRIPS safeguards continue to apply: all TPP parties are required, for example, to make decisions on the merits based only on evidence in respect of which parties were given the opportunity to be heard. The inclusion of IP owner rights in relation to enforcement, but not procedural safeguards, is one respect in which the TPP text is needlessly and pointlessly unbalanced.

\(^{12}\) For a discussion, see Weatherall, above n 8.

2 Civil and Administrative Procedures and Remedies

2.1 General

**Article 18.74: Civil and Administrative Procedures and Remedies**

1. Each Party shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered in this Chapter.\(^{108}\)

\(^{108}\) For the purposes of this Article, the term “right holders” shall include those authorized licensees, federations and associations that have the legal standing and authority to assert such rights. The term “authorized licensee” shall include the exclusive licensee of any one or more of the exclusive intellectual property rights encompassed in a given intellectual property.

**Relationship to other treaties:**
- Art 18.74.1 is identically worded to TRIPS art 42 (first sentence). The footnote in TRIPS refers only to federations and associations having legal standing. There is no reference to exclusive licensees.
- Art 18.74.1 is similarly worded to ACTA art 7.1 (but see below) (ACTA has no footnote).
- Art 18.74.1 is also identically worded to AUSFTA art 17.11.5 in the text, but the footnote is different (discussed below).

**Comment**

The provision requires that IP rights be enforceable through civil procedures. A Party is hence not allowed to (a) create rights only enforceable via criminal procedures, or (b) create rights that cannot be enforced.

A couple of points are worth noting.

The first is footnote 108. It seems to broaden the range of rightholders who can bring enforcement actions, but this is qualified by including in the category of right holders only those ‘that have the legal standing and authority to assert such rights’. This would appear to leave questions of exactly who has standing to domestic law. In this respect cf AUSFTA art 17.11.5 footnote 17-21, which is worded:

*For the purpose of this Article, the term right holder shall include exclusive licensees as well as federations and associations having the legal standing and authority to assert such rights; the term exclusive licensee shall include the exclusive licensee of any one or more of the exclusive intellectual property rights encompassed in a given intellectual property.*

The effect may be different: AUSFTA seems to require that exclusive licensees of one or more exclusive rights must have rights to sue for infringement, with the standing of federations/associations left to domestic law.

A second interesting point regarding the text of 18.74.1 is what is omitted. In TRIPS an identical sentence (art 42) is followed by further text providing for safeguards. TRIPS art 42 is titled ‘fair and equitable procedures’ and reads:

*Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and*
contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.

These are important, and fairly basic, safeguards that elaborate on the concept of ‘fair and equitable’ procedures (as required by TRIPS art 41.2). As noted above, it would be possible to argue that arts 41 and 42 of TRIPS provide an elaboration of the content of the obligation to ensure that procedures are ‘fair and equitable’ – which is required under art 18.71.3.14

Again, however, there appears to be no good reason to include the right holder rights from TRIPS without including the safeguards.15

2.2  Injunctions

Article 18.74: Civil and Administrative Procedures and Remedies

2. Each Party shall provide that its judicial authorities have the authority to order injunctive relief that conforms to the provisions of Article 44 of the TRIPS Agreement, including to prevent goods that involve the infringement of an intellectual property right under the law of the Party providing that relief from entering into the channels of commerce.

Relationship to other treaties:
- References, and incorporates, art 44 of TRIPS
- Cf ACTA art 8, which is quite differently worded (see further in commentary);
- AUSFTA does not contain a general provision on injunctive relief.
- Art 18.74 is narrower and less specific than the injunction power in the EU IP Enforcement Directive, which:
  - Extends injunctions to intermediaries whose services are used by a third party to infringe;
  - Refers to pecuniary compensation in lieu if a person has acted unintentionally and without negligence, an injunction would cause disproportionate harm and if pecuniary compensation appears reasonably satisfactory.

Comment
The provision appears to require authority conforming to art 44 of TRIPS. Art 44 of TRIPS:
- Requires that judicial authorities have authority to order a party to desist from infringement (which must include to prevent entry into channels of commerce of imported infringing goods)
- Explicitly states that members are not obliged to grant authority to order an injunction where a person has acquired goods prior to knowing or having

14 For a discussion, see Weatherall, above n 12.
15 See discussion above Part 1.5, page 9 and following.
reasonable grounds to know that dealing with the goods would entail infringement;
- Allows parties to limit the remedy available to payment of remuneration under TRIPS art 31 (compulsory licences for patents), and (outside of art 31), if injunctions are inconsistent with the party's law, declaratory judgments and adequate compensation.

In other words, TRIPS art 44 allows damages in lieu of injunctions; the TPP by requiring authority conforming to art 44 of TRIPS appears to preserve that flexibility. Note that other rules relating to remedies from TRIPS would also apply by reason of TPP art 1: 

Note that the requirement is that there be authority to order injunctions, not an obligation to ensure that injunctions are ordered; it remains open on this text, for example, for countries to apply equitable principles which may lead to refusal of an injunction in case of delay, unclean hands, or where the principles of equity do not support the relief sought.

It is interesting to compare the TPP provision to ACTA art 8, which explicitly extends injunctive orders in some cases to third parties:

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.

The ACTA text was clearly influenced by Europe, which explicitly allows injunctions against third parties in its IP Enforcement Directive, art 11, which after providing for injunctions against infringers to prevent continuation of infringement, states that:

...Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right.

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16 Discussed above Part 1.5, page 9 and following.
18 See eg eBay Inc. v MercExchange, LLC 547 US 388 (2006), which applied a four factor test to determine whether permanent injunctive relief is appropriate, requiring a patent plaintiff to demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law are inadequate to compensate for that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.
19 See also Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L 167/10 Article 8(3), which provides: 'Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.' Note, too, recital 59 of the same instrument, which recognises that 'In the digital environment...the services of intermediaries may increasingly be used by third parties for infringing activities. In many cases such intermediaries are best placed to bring such infringing activities to an end.'
It is the power to issue injunctions against intermediaries which has founded orders requiring ISPs to block infringing websites in the UK.\textsuperscript{20} By referring only to TRIPS art 44, the TPP text contains no requirement to extend injunctive relief to allow orders against (non-infringing) third parties.

\textbf{2.3 Compensatory damages and their calculation}

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\textbf{Article 18.74: Civil and Administrative Procedures and Remedies} \\
\hline
3. Each Party shall provide\textsuperscript{109} that, in civil judicial proceedings, its judicial authorities have the authority at least to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.

4. In determining the amount of damages under paragraph 3, each Party's judicial authorities shall have the authority to consider, among other things, any legitimate measure of value the right holder submits, which may include lost profits, the value of the infringed goods or service measured by the market price, or the suggested retail price.

\textsuperscript{109} A Party may also provide that the right holder may not be entitled to any of the remedies set out in paragraphs 3, 5 and 7 if there is a finding of non-use of a trademark. For greater certainty, there is no obligation for a Party to provide for the possibility of any of the remedies in paragraphs 3, 5, 6 and 7 to be ordered in parallel.

\hline
\end{tabular}
\end{table}

\textbf{Relationship to other treaties:}

- TRIPS: Art 18.74.3 is similar to TRIPS art 45.1, with the exception that TRIPS does not include the phrase ‘at least’. TRIPS contains no equivalent to 18.74.4
- ACTA: Art 18.74.3–4 are almost identical to ACTA art 9.1,\textsuperscript{21}
- AUSFTA: art 18.74.3 is similar to AUSFTA art 17.11.6(a)(i). Art 18.74.4 is almost identical to AUSFTA art 17.11.6(b).

\textbf{Comment}

Note that the requirement in art 18.74.3 is that there must be authority to order damages, not an obligation to ensure that damages are ordered.\textsuperscript{22} Similarly, the
requirement is that the Party's courts should have the authority to consider various 'legitimate' measures of value. The provision makes no mention of usual or market royalties as an appropriate measure of damages, although this is a common measure internationally and is specifically mentioned in the EU IP Enforcement Directive.

It is clearly consistent with this provision to grant the court authority to refuse damages in certain cases, leaving discretion with the court; it is also open for a Party to require the court to consider other factors, such as, for example, any steps an infringer took to identify the right holder (say, in the case of an orphan work).

A question however has been raised in commentary on this provision whether, given the unqualified language, compensatory damages must be available as an option in every single infringement case that might be brought: ie, is it consistent with this provision to preclude damages entirely in some cases via statute. There are situations in US law where damages are excluded (for example, 35 USC § 287(c) which eliminates remedies (including damages) for infringement involving the "medical activity" of a "medical practitioner.") The difference can be significant: the litigation calculus facing a right holder and defendant where the right holder cannot get damages is quite different from the calculus that applies if the right holder may not get damages, especially given that it is common, in infringement cases in some countries, to bifurcate trials so that infringement/validity questions are determined ahead of any determination of damages or remedies.

In my view, if it were the intention of the negotiating parties to require damages to be available in every single case, it would have been a simple matter to draft language to that effect. The text is instead written at a general level – damages must be available 'in civil judicial proceedings' (not 'in any proceeding' or 'in the proceeding'). The fact that there are already circumstances in existing TPP countries' law where damages are not available (including in the case of innocent infringement, where compensatory damages are not available in certain countries) supports this interpretation.

The provision sets out a series of measures which may be relevant in assessing damages. The language of the provision does not imply that all measures must be considered in every case even if submitted. First, there is the reference to legitimate measures of damage. 'Legitimate' here could either (a) constitute an assertion that all the listed measures are legitimate, or (b) that the listed measures can be used to assess damages in cases where that would be legitimate in assessing harm. Since it is not clear that these measures are always appropriate, the latter interpretation should be preferred.

Research has demonstrated the tendency by right holders in some markets to price their goods at a level that is unaffordable for the vast majority of the population: ... to pay ... damages appropriate to the actual prejudice suffered ... as a result of the infringement.  

23 Again, cf ibid, which requires that when judicial authorities set damages, they shall take into account all appropriate aspects'.

24 Ibid art 13.1(b).

25 Footnote 109 sets out one situation in which damages need not be available. This does not create the contrary implication that damages must always be available in every other case, because footnote 109 is designed to establish that no remedies need be available to enforce a trade mark that is not being used.

26 See eg Copyright Act 1968 (Cth) s 115(3) (damages not available in the case of 'innocent' infringement; Copyright Act 1987 (Sing) s 119(3); Copyright Act 1994 (NZ) s 121(1).

27 See Joe Karaganis, 'Rethinking Piracy' in Joe Karaganis (ed), Media Piracy in Emerging Economies (Social Science Research Council, 2011) 1
infringement. Sometimes, particularly in cases where IP rights cover some component of a product, a royalty is clearly more appropriate. In the US in patent law, reforms have been proposed to require apportionment of damages. Other past proposals would have required the court to ‘identify the methodologies and factors that are relevant to the determination of damages’, and would allow the court or jury to ‘consider only those methodologies and factors relevant to making such determination’, with only evidence relevant to such methodologies being admissible. There are also various provisions in treaties and laws around the world that limit damages in certain cases to a reasonable royalty only, which appears to be inconsistent with this apparently blanket requirement.

### 2.4 Account of Profits

<table>
<thead>
<tr>
<th><strong>Article 18.74: Civil and Administrative Procedures and Remedies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. At least in cases of copyright or related rights infringement and trademark counterfeiting, each Party shall provide that, in civil judicial proceedings, its judicial authorities have the authority to order the infringer, at least in cases described in paragraph 3, to pay the right holder the infringer’s profits that are attributable to the infringement.</td>
</tr>
</tbody>
</table>

A Party may comply with this paragraph through presuming those profits to be the damages referred to in paragraph 3.

**Further note:** Cases described in paragraph 3 are those where the infringer knowingly, or with reasonable grounds to know, engaged in infringing activity: thus authority to order an account of profits is required in knowing copyright infringement or trade mark counterfeiting (or where the defendant ought to have known it was infringement).

### Relationship to other treaties

- **TRIPS:** the provision is TRIPS-plus. TRIPS art 45.2 states that Members ‘may’ ‘in appropriate cases’ authorize judicial authorities to order recovery of profits (noting further that such power may exist even where the infringer did not knowingly infringe).
- **ACTA:** art 18.74.5 is largely identical to ACTA art 9.2.
- **AUSFTA:** art 18.74.5 is similar to art 17.11.6(a)(ii) (and to the same effect).

### Comment

Recovery of profits is TRIPS-plus but not uncommon internationally. One interesting point is that in both TRIPS and the EU IP Enforcement Directive an account of profits is conceived as an appropriate measure of damages for those cases where the infringer did not knowingly infringe (and had no reasonable grounds to know they were infringing). Similarly in Australian law, if it is established that an infringement was committed but it is also established that, at the time of the infringement, the defendant was not aware, and had no reasonable grounds for suspecting, that the act constituting the infringement was an infringement of the copyright, then the IP owner is not entitled to any damages against the defendant in respect of the infringement, but is entitled to an account of profits. By contrast, this provision is framed to apply to cases of knowing infringement (or cases where they had no reasonable grounds to know).

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28 111th Congress, 1st Sess, S.515, sec.4 (page 28)
29 TRIPS art 45; EU IP Enforcement Directive art 13.2.
Recoverable profits are limited to those attributable to the infringement. This leaves significant discretion to courts (or national law) to determine when profits are attributable to infringement, and not, for example, to other technology in a product, or the defendant’s superior marketing or distribution networks. There is no requirement, for example, that a patentee holding one of hundreds of patented technologies relevant to a particular mobile telephone, should be able to claim all of the profits derived by the defendant from selling the infringing phone. National law could also determine (according to local rules/approaches) which costs of a defendant can be deducted prior to the calculation of any profit.

2.5 Damages: punitive

<table>
<thead>
<tr>
<th>Article 18.74: Civil and Administrative Procedures and Remedies</th>
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<tbody>
<tr>
<td>6. In civil judicial proceedings, with respect to infringement of copyright or related rights protecting works, phonograms, and performances, each Party shall establish or maintain a system that provides for one or more of the following:</td>
</tr>
<tr>
<td>(a) pre-established damages, which shall be available on the election of the right holder; or</td>
</tr>
<tr>
<td>(b) additional damages.</td>
</tr>
<tr>
<td>7. In civil judicial proceedings, with respect to trademark counterfeiting, each Party shall also establish or maintain a system that provides for one or more of the following:</td>
</tr>
<tr>
<td>(a) pre-established damages, which shall be available upon the election of the right holder; or</td>
</tr>
<tr>
<td>(b) additional damages.</td>
</tr>
<tr>
<td>8. Pre-established damages under paragraphs 6 and 7 shall be set out in an amount that would be sufficient to compensate the right holder for the harm caused by the infringement, and with a view to deterring future infringements.</td>
</tr>
<tr>
<td>9. In awarding additional damages under paragraphs 6 and 7, judicial authorities shall have the authority to award such additional damages as they consider appropriate, having regard to all relevant matters, including the nature of the infringing conduct and the need to deter similar infringements in the future.</td>
</tr>
<tr>
<td>111 For greater certainty, additional damages may include exemplary or punitive damages.</td>
</tr>
<tr>
<td>112 For greater certainty, additional damages may include exemplary or punitive damages.</td>
</tr>
</tbody>
</table>

Relationship to other treaties
- TRIPS: arts 18.74.6-7 are TRIPS-plus. TRIPS allows (but does not require) pre-established damages for cases of innocent infringement;
- Arts 18.74.6-7 are ACTA-plus:
  - The art 18.74.6 requirement for pre-established damages or additional damages for copyright is similar to ACTA art 9.3, but ACTA offers a third possibility: presumptions for determining the amount of damages sufficient to compensate the right holder;
  - ACTA does not require any particular system for trade mark counterfeiting (it allows for pre-established damages, or presumptions,
but also allows for the possibility that none of these remedies will be applied: see art 9.3(c));

- ACTA does not require that pre-established damages be at the election of the right holder (it allows for the possibility that the court decides the appropriate method for determining damages);
- ACTA does not specify how pre-established damages should be calculated;

- AUSFTA: arts 18.7.4–7 are weaker than AUSFTA art 17.1.7, in that:
  - AUSFTA requires that pre-established damages be ‘sufficient to constitute a deterrent’ (cf TPP which requires that they be set with a view to deterring)
  - AUSFTA requires that pre-established damages ‘compensate [the right holder] fully’ (which seems stronger than ‘sufficient to compensate’)
  - AUSFTA states that while additional damages is an option, if in fact additional damages are not ‘regularly awarded in proceedings involving deliberate acts of infringement’, the Party has to act – either to ensure regular awarding of additional damages or to establish pre-established damages.

Comment
This provision offers two broad options in the calculation of damages: pre-established damages, and additional damages. The drafting of the provision reflects an underlying confusion around the purpose of the damages award. In the US, pre-established damages have two broad justifications. Historically they were intended to ensure that copyright owners could obtain compensation when it was difficult to prove how much damage they had suffered as a result of the defendants’ infringements. But statutory damages also have punitive and deterrent elements, particularly since the award for willful infringement was increased to a maximum of $150,000 per work infringed, a sum vastly out of proportion with the actual harm caused by many infringements. Art 18.7.8 refers to both compensation and deterrence. Additional damages, on the other hand, are an Australian system, and are in essence a form of exemplary or punitive damages, awarded at the discretion of the court taking into account such matters as the flagrancy of the infringement, the conduct of the defendant and the need to deter similar infringements in the future.

Pre-established damages in the US have well-known and serious problems. In the US, Samuelson and Wheatland note, “[a]wards of statutory damages are frequently arbitrary, inconsistent, unprincipled, and sometimes grossly excessive”. Awards of this kind operate punitively, but the money goes to the copyright owner, not the state, leading to a private windfalls and encouraging litigation. The availability of potentially

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31 17 USC § 504(c)(2)
32 Copyright Act 1968 (Cth) s 115(4); Trade Marks Act 1995 (Cth) s 126(2); Patents Act 1990 (Cth) s 122(1A); it is possible that additional damages have been included as an option in order to ensure that Australia does not need to change its law.
33 Samuelson and Wheatland, above n, 441. See eg UMG Recordings, Inc v MP3.com, Inc 56 USPQ 2d 1376 (SDNY 2000)(a judge proposed to make an order for $25,000 per infringed CD – in a case where 4,700 CDs were in issue (a total of US$118M); Capitol Records v. Thomas-Rasset 579 F. Supp. 2d 1210, 1213, 1227 (D. Minn. 2008) (a peer-to-peer file-sharing case, in which a jury awarded $80,000 per infringed song against an individual file-sharer, for a total award of over $1.92 million, despite the trial judge’s estimate of actual damages of around $50). The final award in the case following various legal processes was US$222,000: Capitol Records, Inc v Thomas-Rasset 692 F 3d 899 (8th Cir, 2012).
large damages awards without proof of economic loss arguably encourages copyright 'trolling', and people and businesses receiving threats of projected damages and being pressured to settle.\textsuperscript{34}

It is important to note however that the TPP does not purport to establish the level at which pre-established damages are set, and there are countries other than the US which have pre-established damages set at lower levels. Consider for example s 38.1(1) of the \textit{Copyright Act 1985} (Canada), which provides:

\begin{quote}
\textbf{38.1 (1)} Subject to this section, a copyright owner may elect, at any time before final judgment is rendered, to recover, instead of damages and profits referred to in subsection 35(1), an award of statutory damages for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally,

(a) in a sum of not less than $500 and not more than $20,000 that the court considers just, with respect to all infringements involved in the proceedings for each work or other subject-matter, if the infringements are for commercial purposes; and

(b) in a sum of not less than $100 and not more than $5,000 that the court considers just, with respect to all infringements involved in the proceedings for all works or other subject-matter, if the infringements are for non-commercial purposes.
\end{quote}

Note that the Canadian provision imposes a \textit{cap} on statutory damages, \textit{and} differentiates between commercial and non-commercial infringements. Further, if the defendant satisfies the court that the defendant was not aware and had no reasonable grounds to believe that the defendant had infringed copyright, the court may reduce the amount of the award to less than $500, but not less than $200 (cf Australia where, in the case of innocent infringement, no damages are available but an account of profits may be ordered).\textsuperscript{35} Singapore also imposes a cap on statutory damages of $200,000 (up to $10,000 per work infringed); such damages are not available in the case of innocent infringement.\textsuperscript{36} In short, the TPP requirement that pre-established damages be available does \textit{not} mean pre-established damages at the stratospheric levels provided for by US law. Other models are available even within the TPP region.

Additional damages awards in Australia have their own issues, and are not necessarily in line with other jurisdictions.\textsuperscript{37} The discretion to make such awards is unguided and the results can be somewhat arbitrary.\textsuperscript{38} In some cases, additional damages awards in
Australia have exceeded ten times the proven harm or loss, reaching very substantial six-figure sums. Such awards have arguably exceeded the fines that would be imposed by a criminal court, but without the protections of criminal procedure, like the higher burden of proof.

Note that ACTA allowed for a third alternative: presumptions of damages. This reflects a European model. Presumptions in the EU system are not intended to be punitive: recital 26 to the EU IP Enforcement Directive states that:

*The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research.*

Under ACTA, therefore, a country would not have been required to have a system of punitive damages. Art 18.74.8 changes that. It is not clear a country with a legal system modelled on the European system would be able to sign this text (at least without a not insignificant change to its law).

Paragraphs 9 and 10 are completely inappropriate in a treaty: this level of detail should be determined at a domestic level, and consistent with the broader legal system. There is a risk that paragraphs 9 and 10 could require countries to establish different rules for IP cases than they do for other kinds of civil enforcement, hampering the development of consistent legal principle.

### 2.6 Legal/Attorney Costs

**18.74: Civil and Administrative Procedures and Remedies**

10. Each Party shall provide that its judicial authorities, if appropriate, have the authority to order, at the conclusion of civil judicial proceedings concerning infringement of at least copyright or related rights, patents and trademarks, that the prevailing party be awarded payment by the losing party of court costs or fees and appropriate attorney’s fees, or any other expenses as provided for under that Party’s law.

**Relationship to other treaties:**

- TRIPS-plus: TRIPS art 45.2 requires that courts have authority to order the infringer to pay the rightholder *expenses*, which *may* include attorneys’ fees. The TPP makes *power* to order attorneys fees *mandatory*. Note that TRIPS applies to all IP rights (cf TPP which applies only to copyright, patent and trademark).
- ACTA: Art 18.74.10 is in identical terms to ACTA art 9.5.
- AUSFTA: art 18.74.10 is in identical terms to the first sentence of AUSFTA art 17.11.8 (except AUSFTA refers to ‘reasonable’ rather than ‘appropriate’ attorneys’ fees). AUSFTA art 17.11.8 goes on to require that attorneys’ fees must also be available in patent cases (without specifying other costs/fees also in relation to patent cases).

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been overturned, made an award of additional damages for ‘flagrant infringement’: ie awarding deterrent/punitive damages in a case where the question whether infringement was even occurring was sufficiently close that the Trial Judge had held for the defendant.

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39 EU IP Enforcement Directive, art 13(1)(b) and art 13(2).
• Cf the EU IP Enforcement Directive which is quite differently worded (see below).

**Comment**

It is interesting to compare the provision to the EU IP Enforcement Directive art 14, which creates a more forceful obligation, by providing that:

*Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.*

The TPP provision requires that courts have the *power* to order legal costs but does not require that the power be always, or even regularly, exercised. Awarding legal costs can assist to deter frivolous cases, but can also pressure defendants to settle for fear of having to pay legal costs that cannot necessarily be predicted in advance. The IP Enterprise Court in the UK has been experimenting with some interesting rules in relation to costs, capping recoverable costs (but not costs actually expended) in cases before that court. The recoverable cost cap may assist parties to exercise economy in legal processes and create a certain amount of predictability for parties entering litigation.

### 2.7 Experts

**18.74: Civil and Administrative Procedures and Remedies**

11. If a Party's judicial or other authorities appoint a technical or other expert in a civil proceeding concerning the enforcement of an intellectual property right and require that the parties to the proceeding pay the costs of that expert, that Party should seek to ensure that such costs are reasonable and related appropriately, among other things, to the quantity and nature of work to be performed and do not unreasonably deter recourse to such proceedings.

**Relationship to other treaties:**

- **TRIPS-plus:** TRIPS contains no similar provision. TRIPS art 41.2 requires that procedures (generally) 'shall not be unnecessarily complicated or costly'.
- **ACTA:** no equivalent provision; similar requirement to TRIPS art 41.2 in ACTA art 6.2.
- **AUSFTA:** art 18.74.10 is in identical terms to the first sentence of AUSFTA art 17.11.8 (except AUSFTA refers to 'reasonable' rather than 'appropriate' attorneys' fees). AUSFTA art 17.11.8 goes on to require that attorneys' fees must also be available in patent cases (without specifying other costs/fees also in relation to patent cases).

**Comment**

This is a low level obligation to *seek* to ensure that expert costs are reasonable and related to the quantity and nature of the work to be performed. Perhaps fairly obvious principles? This does seem an excessive intervention in domestic legal affairs, especially since the details of such orders would lie in the hands of courts, not legislature.
2.8 **Destruction of infringing goods and implements**

### 18.74: Civil and Administrative Procedures and Remedies

12. Each Party shall provide that in civil judicial proceedings:

(a) at least with respect to pirated copyright goods and counterfeit trademark goods, its judicial authorities have the authority, at the right holder’s request, to order that the infringing goods be destroyed, except in exceptional circumstances, without compensation of any sort;

(b) its judicial authorities have the authority to order that materials and implements that have been used in the manufacture or creation of such infringing goods, be, without undue delay and without compensation of any sort, destroyed or disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringement; and

(c) in regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed is not sufficient, other than in exceptional circumstances, to permit the release of goods into the channels of commerce.

### Relationship to other treaties:

- **TRIPS**: equivalent in TRIPS is art 46. TPP art 18.74.12 is both narrower and broader than TRIPS art 46:
  - *Narrower* in that TRIPS art 46 applies to all IP infringements; TPP art 18.74.12 only to pirated copyright goods and counterfeit trademark goods;
  - *TRIPS-plus* in that (a) in that TRIPS allows disposal of infringing goods outside the channels of commerce (in a way that avoids harm to the right holder); the TPP requires destruction except in exceptional circumstances; and (b) the TPP allows for destruction of materials and implements merely used in creation or manufacture of infringing goods, whereas TRIPS refers only cases where the predominant use is in creation of infringing goods (no reference to manufacture).\(^{40}\)
  - Art 18.74.12(c) is in almost identical terms to the last sentence of TRIPS art 46.
  - The TPP provision omits safeguards from TRIPS (discussed below).

- **ACTA**:
  - Art 18.74.12(a) is in identical terms to ACTA art 10.1
  - Art 18.74.12(b) is ACTA-plus: ACTA art 10.2 like TRIPS art 46 provides for destruction of materials/implements the *predominant* use is in creation or manufacture of infringing goods
  - Art 18.74.12(c) has no equivalent in ACTA
  - Note that ACTA also contains art 32, which provides that the destruction of infringing goods ‘shall be done consistently with the laws and regulations on environmental matters of the Party in which the destruction takes place’.\(^{41}\)

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\(^{40}\) Art 18.74(b) of the TPP also refers to destruction of materials and implements ‘without unduly delay’ (this phrase is absent from TRIPS).

\(^{41}\) The ACTA provision potentially creates another avenue by which a Party might choose to donate or use infringing goods rather than destroy them. There is no equivalent in the TPP.
• AUSFTA:
  o Weirdly, the AUSFTA art 17.11.10(a), equivalent to art 18.74.12(a), is in more mandatory terms (counterfeit/pirate goods ‘shall be destroyed, except in exceptional circumstances), BUT footnote AUSFTA 17-23 states that parties may give effect to the obligation ‘through ... the exercise of judicial discretion’ (which seems to mean AUSFTA and TPP provisions are equivalent)
  o Art 18.74.12(b) is almost identical to AUSFTA art 17.11.10(b);
  o Art 18.74.12(c) is almost identical to AUSFTA art 17.11.10(c).
  o Like the TPP text, the AUSFTA article is unqualified by any requirement of proportionality or consideration of third parties

• The EU IP Enforcement Directive art 10 also requires that courts have a similar power, but:
  o It applies to infringing goods and materials and implements principally used in the creation or manufacture of goods;
  o It offers the options of recall from commerce; definitive removal from channels of commerce, or destruction;
  o It states that ‘the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account’

Comment
Three points can be made about this provision.

First, the removal of even the option of disposing of infringing goods outside the channels of commerce (except in exceptional circumstances) is unfortunate. Certainly some infringing goods should be destroyed, but in at least some cases, donation to charity of serviceable goods ought to be an option. Of course, determining ‘exceptional’ circumstances is for national governments and the courts, meaning there may be some room to move. According to Gervais, ‘exceptional circumstances’ ‘include mainly cases of non-professional infringement with special (‘attenuating’) circumstances or cases where there is demonstrable valid reason to reuse the goods for a public, non-profit purpose with a very low or nonexistent risk of reuse for infringing purposes.’ One ‘valid’ reason for reuse would be that destruction is environmentally wasteful/harmful.

Second, the non-inclusion of the TRIPS safeguards is unfortunate. TRIPS specifically states that when a right holder requests destruction of infringing goods and implements, "In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account."

It is true that TPP art 18.71 does impose a generalized rule relating to proportionality:

"In implementing the provisions of this Section in its intellectual property system, each Party shall take into account the need for proportionality between the seriousness of the infringement of the intellectual property right and the applicable remedies and penalties, as well as the interests of third parties."

42 Gervais, above n 17, 457.
However, art 18.71 is not a substitute for inclusion of the TRIPS art 46 language. Art 18.71 is directed to the Parties in their implementation of the TPP. The TRIPS art 46 safeguard, on the other hand, is directed to the Party’s judicial authorities, requiring proportionality to be considered in relation to the particular rightholder request. The TRIPS safeguard is more specific and ought to have been included in art 18.74.12. Note however that the TRIPS safeguard is mandatory (shall be taken into account) and continues to bind all parties to the TPP.

Third, proportionality is particularly important given that the scope of seizure and destruction has been significantly increased, by allowing for destruction of any materials and implements used in infringement, and not merely those predominantly used for the purpose. It is entirely conceivable that, for example, legitimate publishers, or legitimate businesses providing publishing and copying equipment, could get caught up by a provision like this, once predominant infringing use is no longer a requirement. It might be argued that the purpose of removing references to ‘predominantly’ is to ensure that right holders do not have to engage in the difficult process of proving the predominant use of relevant machinery, and/or that flagrant infringers cannot avoid forfeiture by arguing spurious other uses of relevant equipment. This is nonsense. In the ordinary case where some element of a claim is difficult for the plaintiff to prove, mechanisms such as reversing the burden of proof can be used. Courts are capable of distinguishing between genuine and spurious uses.

It is not clear whether the provision extends to goods or implements in the hands of innocent third parties/persons other than the infringer: compare the EU IP Enforcement Directive which also refers to recall of infringing goods: EU IP Enforcement Directive. Australian courts have the power, in order to perfect an injunction restraining trade mark infringement, to order delivery up of infringing items (goods, labels, packaging, advertising material) for either the obliteration of the trade mark or for destruction. But the remedy is there to ensure the defendant is not tempted to put the infringing copies into circulation. As the infringement arises from the use of the trade mark in relation to goods or services, rather than the sale or provision of the goods or services themselves, there is authority that obliteration of the mark is in fact to be preferred over destruction.

2.9 Information in the hands of (alleged) infringers

18.74: Civil and Administrative Procedures and Remedies

13. Without prejudice to its law governing privilege, the protection of confidentiality of information sources, or the processing of personal data, each Party shall provide that, in civil judicial proceedings concerning the enforcement of an intellectual property right, its judicial authorities have the authority, on a justified request of the right

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43 Notably, the EU IP Enforcement Directive includes both – a general obligation for procedures to be proportional and a specific obligation to consider proportionality and the interests of third parties in considering requests for destruction of goods and implements: art 10.
45 EU IP Enforcement Directive, art 10(1)(c).
46 Lahore and Dufty, Patents, Trade Marks & Related Rights (looseleaf, 1996-), [58,500]; see Warwick Tyre v New Motor and General Rubber (1910) 27 RPC 161, 171; Bently and Sherman, Intellectual Property Law (2nd ed 2001), 1100.
holder, to order the infringer or, in the alternative, the alleged infringer to provide to
the right holder or to the judicial authorities, at least for the purpose of collecting
evidence, relevant information as provided for in its applicable laws and regulations
that the infringer or alleged infringer possesses or controls. The information may
include information regarding any person involved in any aspect of the infringement or
alleged infringement and the means of production or the channels of distribution of the
infringing or allegedly infringing goods or services, including the identification of third
persons alleged to be involved in the production and distribution of such goods or
services and of their channels of distribution.

Relationship to other treaties

- **TRIPS:** TPP art 18.74.13 is drafted quite differently to TRIPS art 47. The TPP is
different in the following ways:
  - The TRIPs provision is optional, not mandatory!  
  - TRIPS applies to infringers, not alleged infringers, which would seem to
    suggest at least a prima facie case of infringement must be first made
    out;\footnote{Gervais, above n 17, 458.}
  - TRIPS discusses only providing information to the right holder, not to
    judicial authorities;  
  - The TPP specifies the purpose (‘at least for the purpose of collecting
    evidence’); TRIPS does not specify a purpose;  
  - TRIPS qualifies the right by stating that the judicial authorities shall have
    the power ‘unless this would be out of proportion to the seriousness of
    the infringement’ to order the infringer to provide information.  
  - TRIPS allows for orders to inform the right holder of identity – it does
    not refer to information within the right holder’s possession or control;  
  - The TPP has an inclusive definition of the information to be provided;
  - TRIPS only refers to the identity of third persons involved in production
    and distribution and channels of distribution  
  - The TPP extends also to relevant information regarding any person
    involved in any aspect of an (alleged) infringement and the means of
    production (not just production).  
  - The TPP is explicitly subject to privilege, confidentiality and privacy
    rules of the Party (although TRIPS includes art 42 which specifically
    states that civil enforcement procedures ‘shall provide a means to
    identify and protect confidential information, unless this would be
    contrary to existing constitutional requirements.).

- **ACTA:**  
  - ACTA art 11 is identically worded, except that ACTA refers to the power
    being provided ‘in civil judicial proceedings concerning the enforcement
    of intellectual property rights’; the TPP refers to proceedings ‘concerning
    the enforcement of an intellectual property right’. It is not clear whether
    the change has substantive effect.

- **AUSFTA:** AUSFTA art 17.11.11:  
  - Is not explicitly subject to confidentiality or privacy laws, although it is
    (through footnote 17-24) subject to privilege;  
  - Refers only to infringers, not alleged infringers;  
  - Refers only to information possessed, not controlled by the infringer;
Like the TPP, refers to any information regarding any person involved in any aspect of the infringement, as well as the means of production/distribution channel.

- Refers to providing the information to the right holder's legal representative, not the right holder (or court).

The EU IP Enforcement Directive provides a much more detailed regime in relation to the right of information in art 8. Interesting points regarding the EU regime include:

- Requests must be justified and proportionate;
- It identifies persons other than the infringer/alleged infringer who may be required to provide information (art 8(1));
- It provides an exclusive, rather than inclusive list of information, which is reasonably specific (names, addresses, quantities, price);
- Allows for broader rights of information provided in local law; and
- Provides for a range of other possibly relevant rules, including rules governing use of information in proceedings, rules relating to misuse of information, the privilege against self-incrimination as well as confidentiality/privacy.

Comment

This is a very broad power to require production of information, albeit qualified by rules of confidentiality, privacy and privilege (although note that the provision refers to national law only on these questions: there is no particular obligation to enact such protections in the national system; subject to 18.74.14 discussed immediately below).

The provision only requires that courts have the power to make an order, not that such orders be made. This is a good thing because courts in many countries are trying to reduce the scope of information provision in litigation to contain costs: Australian courts, for example, make efforts to restrict document production. Note also that the art 18.71 requirements of fairness and equity (18.71.3) and proportionality (18.71.5) apply to limit any excessive scope of this provision.

The extension of the power to any alleged infringer is a very considerable extension – and would need in practice to be applied with care, such that the mere accusation of infringement does not create the foundation for a fishing expedition. Courts can and should develop appropriate principles (and likely have them in place already).

18.74: Civil and Administrative Procedures and Remedies

14. Each Party shall provide that in relation to a civil judicial proceeding concerning the enforcement of an intellectual property right, its judicial or other authorities have the authority to impose sanctions on a party, counsel, experts, or other persons subject to the court's jurisdiction for violation of judicial orders concerning the protection of confidential information produced or exchanged in connection with such a proceeding.

Relationship to other treaties:

- TRIPS: TRIPS art 42 provides that enforcement procedures ‘shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements’
- ACTA: no equivalent provision
- Identical provision in the AUSFTA Article 17.11.12(b).
Comment
This seems like a sensible safeguard. Note that any detail of the confidentiality rules being enforced are local/national rules rather than rules found in the TPP itself. There is a question whether ‘confidential information’ extends only to commercially valuable confidential information, or whether it extends to information treated as confidential because it implicates personal privacy interests. Given text elsewhere in the TPP that refers to both confidentiality and the processing of personal data, there may be an implication that this refers only to commercial-in-confidence information.

2.10 Measures to address abuse of IP rights

18.74: Civil and Administrative Procedures and Remedies

15. Each Party shall ensure that its judicial authorities have the authority to order a party at whose request measures were taken and who has abused enforcement procedures with regard to intellectual property rights, including trademarks, geographical indications, patents, copyright and related rights and industrial designs, to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of that abuse. The judicial authorities shall also have the authority to order the applicant to pay the defendant expenses, which may include appropriate attorney's fees.

Relationship to other treaties:
- TRIPS: art 18.74.15 is very similar to TRIPS art 48 (the difference being that the TPP is specific that this provision applies to IP enforcement);
- ACTA: no similar provision. Like TRIPS and the TPP, ACTA has a general provision requiring that IP enforcement procedures be applied in such a manner ‘to provide for safeguards against their abuse’ (ACTA art 6.1);
- AUSFTA: no similar provision.

Comment
Perhaps the most interesting feature of this provision is that it is confined to cases of abuse of enforcement procedures. In Australia, a party wrongfully enjoined is entitled to compensation regardless of whether the claimant ‘abused’ procedures. It is also notable that in the case of abuse the remedies required to be available are confined to compensation and costs – there is no requirement that a country provide for sanctions to deter abuse (despite the emphasis elsewhere on deterring infringement). In this respect, the TPP text is unbalanced. Note however that the TPP would not prevent a country from enacting (or applying existing) sanctions against abuse of enforcement procedures, and such sanctions would be common internationally.
2.11 Administrative alternatives

18.74: Civil and Administrative Procedures and Remedies

16. To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, each Party shall provide that those procedures conform to principles equivalent in substance to those set out in this Article.

Relationship to other treaties:
- TRIPS: art 18.74.16 is almost identical to TRIPS art 49
- ACTA: art 18.74.16 is almost identical to article 7.2 of ACTA
- AUSFTA: art 18.74.16: no equivalent (Australian law provides for judicial procedures in infringement cases, thus this provision is not applicable in Australia at present).

Comment
The provision applies to procedures, not remedies: if a Party chooses to provide for remedies obtainable through administrative procedures, it is not required to provide the full suite of civil remedies as set out in the rather elaborate TPP text. On the other hand, few of the provisions of 18.74 deal with ‘procedures’ as such, other than the right of information. Perhaps one interpretation is that a party providing for remedies via administrative procedures can choose which remedies to provide via administrative procedures, but if they provide a given remedy it must conform in substance to the rules in 18.74?

2.12 Remedies for Circumvention of TPMs/Circumvention/Removal of RMI

18.74: Civil and Administrative Procedures and Remedies

17. In civil judicial proceedings concerning the acts described in Article 18.68 (TPMs) and Article 18.69 (RMI):

(a) each Party shall provide that its judicial authorities shall have the authority at least to:\textsuperscript{113}

(i) impose provisional measures, including seizure or other taking into custody of devices and products suspected of being involved in the prohibited activity;

(ii) order the type of damages available for copyright infringement, as provided under its law in accordance with this Article;\textsuperscript{114}

(iii) Order court costs, fees or expenses as provided for under paragraph 10; and

(iv) order the destruction of devices and products found to be involved in the prohibited activity; and

(b) A Party may provide that damages shall not be available against a non-profit library, archives, educational institution, museum, or public non-commercial broadcasting entity, if it sustains the burden of proving that it was not aware or had no reason to believe that its acts constituted a prohibited activity.
For greater certainty, a Party may, but is not required to, put in place separate remedies in respect of Article 18.68 (TPMs) and Article 18.69 (RMI), if those remedies are available under its copyright law.

If a Party’s copyright law provides for both pre-established damages and additional damages, it may comply with the requirements of this subparagraph by providing for only one of these forms of damages.

**Relationship to other treaties:**
- TRIPS: there is no equivalent in TRIPS
- ACTA: ACTA does not include any specific provision regarding remedies for breaches of rules relating to technological protection measure or electronic rights management information. ACTA requires only ‘adequate legal protection and effective legal remedies’: art 27.5; 27.7.
- AUSFTA: TPP art 17.74.17 is in almost identical terms to AUSFTA art 17.11.13.

**Comment**
The provision is interesting in that it requires damages, provisional measures, seizure/destruction of devices, and costs orders. It does not require an account of profits, nor permanent injunctions. This is odd, because one would have thought that a key remedy sought in anti-circumvention cases, apart from delivery up of any devices, is an injunction to prevent further circumvention, or further marketing or manufacture or provision of circumvention goods/services.\(^{48}\) Of course this does not prevent a TPP Party from offering injunctions as a remedy for this kind of breach;\(^{49}\) it just seems odd not to mention it specifically here. It is not entirely clear whether the right of information applies here: arguably it does since an action in relation to anti-circumvention law is an action in relation to enforcement of an intellectual property right. But the right of information is not specifically mentioned here.

The provision does require either pre-established (statutory) damages or additional damages for breaches of anti-circumvention law. In multilateral/international terms, this is new (although this is common in the US FTAs). It is not clear that statutory damages are always appropriate in the case of circumvention, because the nature of the wrong, in at least some cases, is very different from the nature of the wrong involved in infringement, because while statutory damages are designed to compensate for harm resulting from infringement (especially where that harm is difficult to calculate), the anti-circumvention provisions are only tangentially related to infringement. The wrong involved in both anti-circumvention law (and laws relating to RMI) is enabling or facilitating infringement (one’s own or infringement by others), or making it harder to maintain an orderly electronic copyright market by undermining technological protection or identification systems. This must make it difficult to set an appropriate figure. Recall that in the US, statutory damages for copyright infringement are set at a rate ‘per work infringed’. In the case of anti-circumvention violations, the US sets figures of between US$200 and US$2,500 ‘per act of circumvention, device, product, component, offer, or performance of service, as the court considers just’.\(^{50}\) It is hard to see how these

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\(^{48}\) Notably too TPP art 18.74.2, the injunctions provision, is not obviously apt to apply to circumvention cases. Art 18.74.2 requires injunctive relief conforming to TRIPS art 44. TRIPS art 44 requires that judicial authorities have the authority ‘to order a party to desist from an infringement’. A breach of anti-circumvention law does not necessarily involve infringement of any IP right.

\(^{49}\) Certainly TPP countries do: see eg Copyright Act 1968 (Aust.) s 116AQ(1)(a); 17 USC §1203(b)(1).

\(^{50}\) 17 USC §1203(c)(3)(A). In the case of rights management information violations, the court may order ‘statutory damages for each violation of section 1202 in the sum of not less than $2,500 or more than $25,000’: 17 USC §1203(c)(3)(B). These figures could rapidly escalate, given the overlapping prohibitions involved in anti-circumvention law: arguably, each manufacture, offer,
figures relate to any realistic conception of the harm involved. It appears that the same range of figures is set for violations involving both circumvention, and manufacturing or providing circumvention devices/services, which makes little sense.

Another reason why statutory or additional damages may not be appropriate is because it is well-known that anti-circumvention law prohibits activities that are not harmful and which may even be positively desirable. For example, a person may need to circumvent technological controls to exercise undoubted copyright exceptions, or to do activities entirely unrelated to copyright (like unlocking a mobile telephone). The blanket prohibition on circumvention is a very blunt instrument. This is why countries with anti-circumvention law have introduced systems either to create new exceptions to the prohibition (like the US process that occurs through the US Copyright Office every 3 years), or systems to apply for permission to circumvent protections. It makes little sense to have a punitive/deterrent remedies regime in this context.

Note that the US Act allows for complete remission of any damages (including statutory damages) if the violator proves that they were not aware and had no reason to believe that their acts constituted a violation\(^{51}\) (of course, this does not help someone who breaches the prohibition where the breach is arguably justified and non-harmful to the copyright owner: for example for personal exercise of a copyright exception).\(^{52}\)

Recall also that anti-circumvention law has the strong potential to operate anti-competitively, where technical measures are used to lock content to particular platforms (or lock out specific kinds of platforms, like open source technologies). Again, in such a context, punitive or pre-established damages have the potential to seriously raise the stakes for the creators of innovative and/or competitive technologies.

Two further interesting points relate to provisional seizure and destruction of devices/products (art 18.74.17(a)(iv)). Note, first, that seizure and destruction are not explicitly limited to circumvention devices or products – literally this power might extend to any device or product involved (like a server, used in the course of marketing circumvention devices or services). Such a broad reading however makes little sense: the better reading is probably that the provision relates only to circumvention devices and services. To the extent that devices or products are involved in infringement of copyright (as opposed to being involved in circumvention violations) destruction is covered by art 18.74.12.\(^{53}\)

The second point relates to the standard for provisional seizure. The text of the TPP allows for seizure for devices/products suspected of being involved in prohibited activity.\(^{53}\)

and marketing of each circumvention device is a separate prohibited act. Of course, the qualification – that the calculation be ‘as the court considers just’ puts some limitation on likely orders.

\(^{51}\) 17 USC §1203(c)(5)(A).

\(^{52}\) art 18.74.17(b) provides a quite similar limitation for non-profit libraries, archives, educational institutions, museums or public non-commercial broadcasting entities. Again, such an exception does not provide much assistance to an institution that breaches the prohibition where the breach is arguably justified and non-harmful to the copyright owner (such as breach exclusively within an institution to exercise established copyright exceptions with no further distribution). Art 18.74.17(b) does not create a presumption (via expressio unius reasoning) that provisions like that in the US law for innocent violation are not allowed. Art 18.74.17(b) allows a country to provide that damages are not available against the listed institutions who meet the required burden. The US provision allows, but does not require a court to remit damages (in part or in whole) where the violation is innocent.

\(^{53}\) Discussed above part 2.8, page 22.
But this is not the standard seen in the law in some TPP countries. In the US for example devices may be seized if 'the court has reasonable cause to believe [the device] was involved in a violation'\(^{54}\). In Australia devices may be seized if the ‘device appears to the court to be a circumvention device’ and if ‘the doing of an act by the person, which is the subject of the action, involved a device’. It appears, then, that this standard of ‘suspicion’ must be read reasonably broadly, covering a range of possible states of mind, to be determined by local law (which makes sense, as individual countries will have their own rules for seizure of devices involved in wrongdoing, and local consistency of procedural and remedial law is desirable\(^{55}\)).

### 2.13 Provisional Measures

**Article 18.75: Provisional Measures**

1. Each Party's authorities shall act on a request for relief in respect of an intellectual property right inaudita altera parte expeditiously in accordance with the Party's judicial rules.

2. Each Party shall provide that its judicial authorities have the authority to require the applicant for a provisional measure in respect of an intellectual property right to provide any reasonably available evidence in order to satisfy the judicial authority, with a sufficient degree of certainty, that the applicant's right is being infringed or that the infringement is imminent, and to order the applicant to provide security or equivalent assurance set at a level sufficient to protect the defendant and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to those procedures.

3. In civil judicial proceedings concerning copyright or related rights infringement and trademark counterfeiting, each Party shall provide that its judicial authorities have the authority to order the seizure or other taking into custody of suspected infringing goods, materials and implements relevant to the infringement, and, at least for trademark counterfeiting, documentary evidence relevant to the infringement.

**Relationship to other treaties:**

**TRIPS:**

- Art 18.75.1 is quite differently drafted from TRIPS art 50.2 which is the closest equivalent:
  - TPP art 18.75.1 refers to ‘authorities’ (cf TRIPS ‘judicial authorities’);
  - TPP art 18.75.1 states that the authorities shall act on a request for relief. TRIPS requires that judicial authorities have the authority to adopt provisional measures ... where appropriate;
  - The TPP requires judicial authorities to act ‘expeditiously’: TRIPS art 50.1 states that they ‘shall have the authority to order prompt and effective provisional measures’.

- Art 18.75.2 is closely equivalent to TRIPS art 50.3, but adds the requirement that any security or equivalent assurance shall not unreasonably deter recourse to those procedures.

\(^{54}\) 17 USC §1203(b)(2).

• Art 18.75.3 does not have an equivalent in TRIPS, although TRIPS authorises, in general terms, measures to prevent an infringement from occurring, and to preserve relevant evidence (art 50.1).
• TRIPS contains a large number of safeguards not repeated in the TPP: discussed below.

ACTA:
• ACTA art 12 is modelled on TRIPS art 50
• TPP art 18.75.1 is somewhat similar to ACTA art 12.2, although rather than leaving the conditions for provisional measures entirely to local law, like TRIPS ACTA specifies that measures inaudita altera parte may be appropriate ‘in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed’. Like the TPP, but unlike TRIPS, ACTA refers to judicial authorities acting ‘expeditiously’ (and making a decision ‘without undue delay’). Unlike the TPP, ACTA art 12.2 says that judicial authorities shall have the authority to act expeditiously, not shall act expeditiously.
• TPP art 18.75.2 is almost identical to ACTA art 12.4.
• TPP art 18.75.3 is very similar to ACTA art 12.3, except that ACTA contemplates (optionally) similar power in other cases (beyond copyright infringement and trade mark counterfeiting), and ACTA refers to taking originals or copies of documentary evidence in trademark counterfeiting cases.
• ACTA includes safeguards not reflected in the TPP text (see below).

AUSFTA:
• TPP art 18.75.1 is almost identical to AUSFTA art 17.11.16;
• TPP art 18.75.2 is almost identical to AUSFTA art 17.11.17;
• TPP art 18.75.3 is almost identical to AUSFTA art 17.11.9.

Comment
This is a somewhat confusing provision, not least because it does not specify what kinds of provisional relief might be sought: cf TRIPS article 50 and ACTA art 12 which both refer specifically to orders preventing infringement and preserving evidence.56

But the most striking feature of this provision is how unbalanced it is, in that it affirms, and broadens, rights and protections for an IP owner seeking provisional measures, but omits most of the safeguards and limitations that TRIPS institutes around such orders.57

TRIPS provides the following explicit safeguards when provisional orders are sought or made:

• Parties affected must be given notice, without delay after the execution of the measures at the latest (TRIPS Art 50.4);
• A review, including a right to be heard, must take place upon the defendant’s request with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed (TRIPS Art 50.4); and
• The measures must be revoked on the defendant’s request if proceedings on the merits are not initiated within a reasonable period (not to exceed the longer of 20 working days or 31 calendar days) (TRIPS Art 50.6).

56 ACTA art 12 is broader than art 50 of TRIPS, because ACTA contemplates provisional orders against not only a party, but also against ‘a third party over whom the relevant judicial authority exercises jurisdiction.’ ACTA art 12.1(a).
57 With two exceptions: that a claimant (1) may have to provide, if the judicial authorities require, any reasonably available evidence in order to sufficiently satisfy the court that the applicant’s right is being or will imminently be infringed, and (2) may need to provide security or equivalent assurance sufficient to protect the defendant and prevent abuse.
Even ACTA has better safeguards, requiring that ‘[w]here the provisional measures 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 of an intellectual property right, 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 these measures’ (ACTA article 12.5).

Although compensation is mentioned earlier in the TPP in art 18.74.15, that provision only provides for compensation in cases of abuse of enforcement procedures. As noted above, under Australian law compensation would ordinarily be ordered for a party wrongfully subject to provisional measures (like an interlocutory injunction) regardless of whether the initiating party was abusing procedures.\(^58\)

The absence of the TRIPS safeguards again raises the relationship between TRIPS and the TRIPS safeguards and bilateral text of this kind. As noted above my view is that TRIPS safeguards stated in mandatory language (as the safeguards in article 50 are) remain binding on the parties.\(^59\) The TRIPS safeguards, in particular requirements of notice, a right to challenge measures and seek their revocation, and compensation for measures wrongfully imposed, are all arguably required by the general requirement in the TPP that procedures be fair and equitable: TPP art 18.71.3.

3 Border Measures

3.1 Scope of border measures

**Article 18.76: Special Requirements Related to Border Measures**

1. Each Party shall provide for applications to suspend the release of, or to detain, any suspected counterfeit or confusingly similar trademark or pirated copyright goods that are imported into the territory of the Party.\(^115\)

115 For the purposes of this Article:

(a) counterfeit trademark goods means any goods, including packaging, bearing without authorization a trademark that is identical to the trademark validly registered in respect of such goods, or that cannot be distinguished in its essential aspects from such a trademark, and that thereby infringes the rights of the owner of the trademark in question under the law of the Party providing the procedures under this section.

(b) pirated copyright goods means any goods that are copies made without the consent of the right holder or person duly authorised by the right holder in the country of production and that are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the Party providing the procedures under this section.

**Relationship to other treaties:**

- TRIPS: covers the same ground as TRIPS art 51, although differently worded; TRIPS however only requires border measures for counterfeit trademark goods and pirated copyright goods: it does not extend to trademark infringements (where the imported mark is ‘confusingly similar’);

\(^{58}\) See discussion above part 2.10, page 27.

\(^{59}\) See discussion above under heading 1.5, page 9 and following.
- ACTA does not have a direct equivalent, but arts 13 and 16 together cover the ground of this provision (and more, since the ACTA provision requires measures for export shipments, allows measures for in-transit goods and may cover a broader range of IP rights).

- AUSFTA is drafted differently also: it covers the same IP rights (art 17.11.19) but is somewhat unclear with regard to whether import, export or other activities are covered. The better view is that AUSFTA only requires measure to suspend release of imported goods.

- The definitions of counterfeit trade mark goods and pirated copyright goods are the same across the four treaties: TPP (fn 115), TRIPS (fn 14), ACTA (art 5) and AUSFTA (fn 17–26 and fn 17–27).

Comment

Regarding the **scope of infringements covered**, it is good to see the provisions limited to infringements of copyright and trade mark: this limits infringements to ‘visibly infringing’ goods. The extension to cases of trade mark infringement involving ‘confusingly similar’ marks is internationally controversial, because (a) it requires customs officials to engage in legal analysis that is arguably beyond their level of expertise, (b) it creates the potential for competitive activity to be caught by and fought out at the level of border measures where it would be more appropriate for those fights to occur through the courts (ie it allows a company that believes a competitor is ‘too close’ to use border measures); and (c) it creates potential for application of border measures against generic pharmaceuticals, because allegations are regularly raised that generic pharmaceutical companies are using confusingly similar marks, thus potentially impacting on access to medicine.

Earlier drafts of this provision were less clear in applying only to import, so the clear reference to import only here is helpful. Extension beyond import would be a significant and controversial extension over TRIPS (which requires measures only in relation to import, allows for measures to intercept exports and does not mention ‘in transit’ goods) and was a controversial element of ACTA (which requires measures for import and export and allows measures for in transit goods).

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60 I have argued that ACTA very much leaves the scope of border measures to the law of the particular country: patents and trade secrets/confidential information are explicitly excluded (article 13, footnote 6) but the language is unclear as it relates to other rights (ACTA requires that countries should not ‘discriminate unjustifiably between intellectual property rights’) and possibly allows a country to choose which rights and which infringements to protect with border measures: Weatherall, above n 13, 247–249. Other analysts argue that ACTA only excludes patents and confidential information and that all other IP rights (and all other forms of infringement) must be protected by border measures: Henning Grosse Ruse-Khan, ‘A Trade Agreement Creating Barriers to International Trade? ACTA Border Measures and Goods in Transit’ (Research Paper No 10-10, Max Planck Institute for Intellectual Property, Competition & Tax Law, 2010); Margot Kaminski, ‘An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement (ACTA)’ (PIJIP Research Paper No 17, American University Washington College of Law, 1 January 2011) <http://digitalcommons.wcl.american.edu/research/17> 27–8

61 AUSFTA art 17.11.19 refers to procedures ‘to suspend the release of [suspect] goods into free circulation’ – language that is most apt for import and may be confined to import, but could potentially cover export and in transit goods. Only release following import will involve the goods going into free circulation in the territory of the Party applying measures. Release of export goods involves goods going into custody of some other customs authority, as does release of in-transit goods. The remainder of art 17.11.19 also refers to satisfying the authorities that the goods infringe ‘under the laws of the territory of importation’, supporting this interpretation.

62 As Gervais notes, a reason for this is that at least some customs authorities may not be equipped to properly identify goods that may infringe, for example, a patent: Gervais, above n 17, 475.
The definitions of **counterfeit trademark goods** and **pirated copyright goods** are internationally standard (they derive from TRIPS, which ultimately derived the definition from the World Customs Organization) but it is important to realise that they extend well beyond a lay understanding of counterfeit goods. The definition of copyright piracy covers, in effect, all copyright infringement involving reproduction from an existing copy, without even a requirement of acts being on a commercial scale or trafficked or possessed in a commercial context.\(^{63}\)

The definition of trademark counterfeiting only applies to **registered** trademarks. However, even this definition could lead to a finding of ‘counterfeiting’ in relation to legitimate businesses. Consider, for example, colour marks. If the trade mark is ‘[a specified] orange applied as a substantial colour on packaging for mobile phone handsets’,\(^{64}\) then a rival, making the registered goods, might produce goods with an identical colour on the packaging and be considered a ‘counterfeiter’ – even if, by the use of other trade marks on the goods, they ensure that consumers will not in fact be confused. Similar issues could arise in relation to shapes of packaging. It is not unusual for trade mark owners now to register shapes of packaging (without their labels).\(^{65}\) Thus it is entirely possible for an innocent trader to adopt an identical mark, on identical goods, but with completely different colouring and marks attached, so that they would not to confuse any consumers, but on a definition of counterfeiting requiring only identical mark/identical goods, that trader is a ‘counterfeiter’. The definition of counterfeit goods pre-dates most countries introducing registration for shapes and colours.

### 3.2 Evidence from the right holder

**Article 18.76: Special Requirements Related to Border Measures**

2. Each Party shall provide that any right holder initiating procedures for its competent authorities\(^ {116} \) to suspend release of suspected counterfeit or confusingly similar trademark or pirated copyright goods into free circulation is required to provide adequate evidence to satisfy the competent authorities that, under the law of the Party providing the procedures, there is **prima facie** an infringement of the right holder’s intellectual property right and to supply sufficient information that may reasonably be expected to be within the right holder’s knowledge to make the suspect goods reasonably recognizable by its competent authorities. The requirement to provide that information shall not unreasonably deter recourse to these procedures.

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\(^{63}\) The requirement that infringement involve a *copy* from an *article* likely confines the definition of pirated goods to *literal* copies (word for word, note-for-note or image-for-image) rather than non-literal (similar, but not identical) copying; at least, so similar language in the Australian Act has been interpreted.

\(^{64}\) See eg Australian registered TMs 710226 (silver for cream cheese); 898187 (a certain yellow, adopted as the predominant colour of an external surface or the external surfaces of packaging used in relation to the nominated goods (veterinary preparations)); 924454 (Wedgwood; trade mark is the colour BLUE, as shown in the sample attached to the application form, applied as the prominent colour to the goods or the packaging of the goods’).

\(^{65}\) See eg Australian Registered Trade Marks 920821 (Jägermeister bottle); 706788 (Toblerone box shape); 678906 (coffee jar, Nestle).
For the purposes of this Article, unless otherwise specified, competent authorities may include the appropriate judicial, administrative or law enforcement authorities under a Party's law.

Relationship to other treaties:

TRIPS:
- The standard of evidence the right holder is required to provide is slightly different: in TRIPS art 52 it is ‘a sufficiently detailed description of the goods to make them readily recognizable’. In the TPP it is ‘sufficient information that may reasonably be expected to be within the right holder's knowledge to make the suspect goods reasonably recognizable’. The standard seems lower in the TPP but TRIPS provides a mandatory standard here; the impact of any conflict, although probably more theoretical than real, is unclear.
- TRIPS has no equivalent to the final sentence (although note the general requirement that all enforcement procedures 'shall not be unnecessarily complicated or costly': art 41.2).

ACTA:
- TPP art 18.76.2 is very similar to ACTA art 17.1, including with respect to the standard of information and the reference to the information not deterring recourse.

AUSFTA:
- TPP art 18.76.2 is very similar to AUSFTA art 17.11.19, although AUSFTA includes an additional requirement that applications to suspend goods shall remain in force for not less than a year.

Comment

The standard of evidence required of the right holder seems lower in the TPP, but TRIPS provides a mandatory standard here. The impact of any conflict, although probably more theoretical than real, is unclear.

Note that the evidence need only establish a prima facie case of infringement (not a prima facie case that the goods are pirated/counterfeit etc). This is only the standard applicable at the point of suspension.

Note that both ACTA and TRIPS also provide for the Party informing the applicant within a reasonable period whether they have accepted the application to suspend release of the goods. It is not clear why the TPP does not include similar text.

Critical questions arise as to the country under whose law any alleged infringement should be identified. The language of this provision adopts the approach of ACTA and the approach of the EU in referring to the country where the measures are being applied. This question is critical but is addressed below in the discussion of ‘in transit’ measures. The short point is that referring to the law of the country where the measures are applied is extremely problematic in the case of in transit goods.

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66 Discussed in relation to art 18.76.5, part 3.5, page 40 below.
### 3.3 Security from right holders seeking border protection

**Article 18.76: Special Requirements Related to Border Measures**

3. Each Party shall provide that its competent authorities have the authority to require a right holder initiating procedures to suspend the release of suspected counterfeit or confusingly similar trademark or pirated copyright goods, to provide a reasonable security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Each Party shall provide that such security or equivalent assurance does not unreasonably deter recourse to these procedures. A Party may provide that the security may be in the form of a bond conditioned to hold the defendant harmless from any loss or damage resulting from any suspension of the release of goods in the event the competent authorities determine that the article is not an infringing good.

**Relationship to other treaties:**
- TRIPS: Art 18.76.3 is very similar to TRIPS art 53.1, except that the TPP article offers the additional possibility of a bond;
- ACTA: Art 18.76.3 is very similar to ACTA art 18, but ACTA contemplates the possibility that, in exceptional circumstances or pursuant to judicial order, a Party may ‘permit the defendant to obtain possession of suspect goods by posting a bond or other security’.
- AUSFTA: Art 18.76.3 is almost identical to AUSFTA art 17.11.20.

**Comment**

The requirement for security or assurance is fairly standard. The option of the bond, as worded in both ACTA and the TPP is interesting, particularly in that the bond only seems to cover loss or damage to the defendant when the security or assurance is meant to fulfil two other purposes: protecting the authorities, and preventing abuse. It is not clear why a bond protecting the defendant only is treated as sufficient.

Note the continued operation of TRIPS art 53.2, which states as follows:

*Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.*

TRIPS art 53.2 is unaffected by the TPP provisions which relate only to goods infringing copyright or trade mark law.
3.4 Information to be given to right holder

**Article 18.76: Special Requirements Related to Border Measures**

4. Without prejudice to a Party’s law pertaining to privacy or the confidentiality of information:

(a) If a Party’s competent authorities have detained or suspended the release of goods that are suspected of being counterfeit trademark or pirated copyright goods, that Party may provide that its competent authorities have the authority to inform the right holder without undue delay of the names and addresses of the consignor, exporter, consignee or importer; a description of the goods; the quantity of the goods; and, if known, the country of origin of the goods;¹¹⁷ or

(b) If a Party does not provide its competent authorities with the authority referred to in subparagraph (a) when suspect goods are detained or suspended from release, it shall provide, at least in cases of imported goods, its competent authorities with the authority to provide the information specified in subparagraph (a) to the right holder normally within 30 working days of the seizure or determination that the goods are counterfeit trademark or pirated copyright goods.

¹¹⁷ For greater certainty, a Party may establish reasonable procedures to receive or access that information.

**Relationship to other treaties**

TRIPS:
- TRIPS art 57 does not include the reference to the law of privacy
- Art 57’s right of information is optional: a Party may provide its customs (etc) with authority to inform the right holder of the names/addresses of the consignor, importer and consignee, and of the quantity of the goods, where a positive determination has been made on the merits of a case;⁶⁷

ACTA:
- ACTA art 22 is very similar to TPP art 18.76.4. Like the TPP ACTA art 22 makes it optional for a Party to authorise its competent authorities to provide information to the right holder about:
  - Specific shipments of goods, including description/quantity (art 22(a)); and
  - Names and addresses of the consignor, importer, exporter, consignee (art 22(b)), as well as country of origin if known.
- Note that ACTA further extends to the name/address of the manufacturer.
- Art 18.76.4(b) is in very similar terms to ACTA art 22(c).

AUSFTA:
- AUSFTA is closer to TRIPS, stating (article 17.11.21) that ‘where its competent authorities have made a determination that goods are counterfeit or pirated, a Party shall provide that its competent authorities have the authority to inform the right holder of the names and addresses of the consignor, the importer, and the consignee, and of the quantity of the goods in question’

⁶⁷TRIPS art 1.1 which allows Parties to institute more extensive protection likely prevents any argument that by providing a Party may provide information following a determination on the merits, TRIPS implicitly prohibits (expression unius) a Party from allowing provision of such information before such a determination.
Comment
This creates a very extensive right to information in circumstances where the infringing nature of the goods has not yet been established – albeit a right of information that is optional. This is an extraordinary disclosure of potentially commercial-in-confidence information, possibly to a competitor.

It is important to remember that the border measures are extended beyond straightforward counterfeit cases to cases where questions of infringement may be more finely balanced (‘confusingly similar’ trade mark infringements), and in any event for copyright (where the measures are not confined to the lay concept of counterfeits). These provisions are not just used against ‘counterfeiters and pirates’, but may be used by competitors in the context of a legitimate dispute over a trade mark. In that context, the too-ready release of information would seem to be entirely inappropriate. Of course, the provision requires the authority or power but not the exercise: it is to be hoped that the authorities will be mindful of the nature of the claim being made in choosing whether to make information available. The reference to the law regarding confidentiality might offer some protection here – but it may not, since laws relating to confidentiality may include quite broad exceptions relating to the enforcement of law depending on the jurisdiction.

ACTA is put more broadly than TRIPS or AUSFTA, but is more nuanced than this TPP wording. Under ACTA (article 22):

- a Party may authorize its 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;
- A party may authorize its authorities to provide right holders with more detailed information, including the description and quantity of the goods, but also the people and companies involved: ie the name and address of the consignor, importer, exporter, or consignee, and, if known, the country of origin of the goods, and the name and address of the manufacturer of the goods, to assist in the determination of whether the goods are infringing or not;
- If it does not provide this second kind of more detailed information, a party must provide that level of information to the rightholder, within 30 days of seizure or 30 days of determining the goods are infringing (the option of choosing between these lies with the Party).

Under this drafting of the TPP provisions:

- A party could release highly detailed, potentially commercial-in-confidence information to a right holder without any limitation as to the purpose for which that information is being released; and
- A party is required to release detailed information to the right holder, within 30 days of seizure.

In short, this provision would seem to authorize a fishing expedition on the part of right holders. It might also provide incentives, or at the very least, the opportunity, for companies to use border measures chiefly in order to extract information about competing activities.
3.5 *Ex officio* border measures and scope (import/export/in transit)

<table>
<thead>
<tr>
<th>Article 18.76: Special Requirements Related to Border Measures</th>
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<tbody>
<tr>
<td>5. Each Party shall provide that its competent authorities may initiate border measures <em>ex officio</em> (^{118}) with respect to goods under customs control (^{119}) that are:</td>
</tr>
<tr>
<td>(a) imported;</td>
</tr>
<tr>
<td>(b) destined for export; (^{120}) or</td>
</tr>
<tr>
<td>(c) in transit, (^{121,122}) and that are suspected of being counterfeit trademark goods or pirated copyright goods.</td>
</tr>
</tbody>
</table>

\(^{118}\) For greater certainty, the parties understand that *ex officio* action does not require a formal complaint from a third party or right holder.

\(^{119}\) For the purposes of this Article, a Party may treat "goods under customs control" as meaning goods that are subject to a Party’s customs procedures.

\(^{120}\) For the purposes of this Article, a Party may treat goods “destined for export” as meaning exported.

\(^{121}\) This subparagraph applies to suspect goods that are in transit from one customs office to another customs office in the Party’s territory from which the goods will be exported.

\(^{122}\) As an alternative to this subparagraph, a Party shall instead endeavour to provide, if appropriate and with a view to eliminating international trade in counterfeit trademark goods or pirated copyright goods, available information to another Party in respect of goods that it has examined without a local consignee and that are transshipped through its territory and destined for the territory of the other Party, to inform that other Party’s efforts to identify suspect goods upon arrival in its territory.

Relationship to other treaties:
Provisions in the other treaties are worded differently, but importantly:

- TRIPS art 58 allows for *ex officio* action to suspend. TRIPS art 51 requires only in relation to import and allows for measures to intercept exports and does not mention ‘in transit’ goods; the argument has been raised that in transit seizures may be impermissible barriers to trade.\(^{68}\)
- ACTA art 16 requires measures for import and export (*ex officio* and on complaint) (art 16(1)(a)) and allows (without requiring) measures for in transit goods. (art 16(1)(b))
- AUSFTA art 17.11.22 talks only about import.

**Comment**
During the negotiations, there was disagreement regarding the kinds of activity that ought to be covered by border measures (import, export, in transit), with parties variously supporting import, export, and in-transit seizures. The end point is that the text suggests that measures must be available for all three (import, export, in-transit)

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but footnote 122 offers an alternative for in-transit goods in the form of an obligation to provide information to another Party where goods being transhipped are destined for export to that Party.

In other words, the TPP has ended up largely where ACTA ended up with a slightly more emphatic attempt to encourage the use of border measures in relation to in-transit goods: TRIPS and AUSFTA-plus in that export is included (and in-transit is contemplated but not required).

A key question in all border measures how the ‘infringing’ nature of goods is to be determined – that is, under which jurisdiction’s law must the articles be infringing – the country applying the measures, the country of export, or the country of final import (ie the country where the goods will enter the market)? The question is particularly complicated:

- In export cases, where the final destination of goods may or may not be known at the time measures are applied; and
- In the ‘in-transit’ cases, where there are (at least) three jurisdictions whose law might be relevant: the country of export, the country of import, and the country of transit.

TRIPS (and AUSFTA) offer no useful answers here: TRIPS and AUSFTA refer only to the law of the country of importation (understandable since they require only measures to intercept imports). ACTA appears to adopt the law of the country where measures are imposed, but is somewhat cryptic.69

Art 18.76.5 refers only to goods ‘that are suspected of being counterfeit trademark goods or pirated copyright goods’. But footnote 115 applies here (discussed above70): the relevant law is the ‘law of the country applying the measures’. This has the benefit of relative simplicity for assessment by customs authorities. It also can remove the potential risk that ‘in transit’ goods will in fact be diverted for sale in the local market. But it has the considerable disadvantage that it could lead, in the case of in-transit goods, to allow seizures of goods legitimately manufactured and legitimately sold.

The right way to resolve these questions is far from straightforward. The importance and difficulty of the questions has been illustrated by reference to the ‘Dutch Seizures’ case, which gave rise to a request for consultations within the WTO (later amicably resolved).71 In that case authorities in the Netherlands seized a shipment of generic pharmaceuticals that was said to infringe IP (patent) rights in the Netherlands, although there was no infringement of IP rights in either the country of export or the destination. The key question was whether the Netherlands should be entitled to seize goods that did not infringe in their production and would not infringe at the point they entered free circulation? This would appear to be an extension of patent rights. On the other hand, it is hard enough for customs officials to determine the risk of infringement according to local law: asking customs to assess infringement in a final destination (assuming the final destination is in fact known).

69 Weatherall, ibid, 249-253
70 Discussed above Part 3.1, page 33ff.
There have been years of dispute within the EU over whose law should apply and whether countries were entitled to seize 'in transit' goods where there is no proven risk that the goods may be diverted to the local market.\(^\text{72}\)

In deciding whether to apply seizure especially to in-transit goods, the implications of any position, and its potential impact on legitimate exports and imports that happen to pass through a country where there is infringement, should be considered. Not only would such a provision open up the potential for more seizures of legitimate generic goods as per the Dutch seizures that have caused so much angst, if the authorities in a country may seize goods on the basis that they infringe a patent (or a trade mark) only in the transit country, where no equivalent IPRs exist either in the country of origin or the market in which the goods will be sold, the effective result is the extraterritorial application of the transit country’s patent (or trade mark). This would seem to be contrary at least to the spirit of the independence of patents as required by the Paris Convention, and the fundamental principle of the territoriality of IPRs.

### 3.6 Determination of infringement

**Article 18.76: Special Requirements Related to Border Measures**

6. Each Party shall adopt or maintain a procedure by which its competent authorities may determine within a reasonable period of time after the initiation of the procedures described in paragraph 1, paragraph 5(a), paragraph 5(b) and, if applicable, paragraph 5(c), whether the suspect goods infringe an intellectual property right.\(^\text{123}\) If a Party provides administrative procedures for the determination of an infringement, it may also provide its authorities with the authority to impose administrative penalties or sanctions, which may include fines or the seizure of the infringing goods following a determination that the goods are infringing.

\(^\text{123}\) A Party may comply with the obligation in this Article with respect to a determination that suspect goods under paragraph 5 infringe an intellectual property right through a determination that the suspect goods bear a false trade description.

**Relationship to existing treaties:**

- **TRIPS:** This provision is quite differently worded from TRIPS, which envisages the right holder commencing proceedings leading to a decision on the merits (art 53.2; art 55).
- **ACTA:** Art 18.76.6 (first sentence) is very similar to ACTA art 19. ACTA art 20 provides for destruction following a determination of infringement (art 20.1) and administrative penalties (art 20.3)
- **AUSFTA:** contains no direct equivalent.

**Comment**

Since the provision requires, in very general terms, ‘a procedure’ for determining infringement, it is in essence complied with by any country that provides for court proceedings to determine infringement. Notably if the proceedings are not court proceedings, but administrative, there can (optionally) by means for penalties or

\(^\text{72}\) See Mercurio, above n 71; Weatherall, above n 13, 249-253; Henning Grosse Ruse-Khan, 'A trade agreement creating barriers to international trade? ACTA border measures and goods in transit' (2011) 26(3) *American University International Law Review* 645.
sanctions, including seizure. The provision does not require those authorities to take the initiative to determine whether the goods are infringing. TRIPS Art 55 envisages the onus being placed on the right holder to initiate proceedings; otherwise the seized goods are released: TRIPS art 55.

Of course there is a huge range of ways that this provision could be implemented. The provision could allow a country to give to individual customs officers the power to make determinations about whether goods are infringing; this would create risks of inappropriate seizure of goods. It is not difficult to imagine local customs being quite ready to intercept imported goods at the behest of a local IP owner (or a local person asserting they own IP). In the wrong hands, the potential for corruption is significant. It would be better to have such matters handled by the courts where more transparency can be expected.

Note another system implemented now in Europe73 and Australia.74 Both countries now require an importer whose goods have been seized to lodge a claim for release, failing which goods may be forfeited and destroyed without legal proceedings to determine infringement and without explicit consent from the owner of the goods. The EU frames this process as involving consent to seizure and destruction, implied by way of the failure to lodge a claim. In Australia the process was intended to ‘bolster the penalties’ for infringement, and improve the system for confiscation. Strictly this probably complies with TPP art 18.76.6, because the law does maintain a procedure for determining infringement, albeit if the owner of the goods fails to take advantage of that system destruction will follow without a determination.

### 3.7 Destruction of seized goods

**Article 18.76: Special Requirements Related to Border Measures**

7. Each Party shall provide that its competent authorities have the authority to order the destruction of goods following a determination that the goods are infringing. In cases in which the goods are not destroyed, each Party shall ensure that, except in exceptional circumstances, the goods are disposed of outside the channels of commerce in such a manner as to avoid any harm to the right holder. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit the release of the goods into the channels of commerce.

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74 Copyright Act 1968 (Cth) (‘CA’) and the Trade Marks Act 1995 (Cth) (‘TMA’), as recently amended by Schedule 5, Part 1 of the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth). The importer has ten working days to lodge a Claim for Release, detailing the importer’s contact details and the grounds for release; should no Claim for Release be lodged, the goods are forfeited by the Commonwealth, with some provision made for late claims filed by the importer; since forfeited goods are disposed after thirty days: see in particular Copyright Act 1968 (Cth) s 135AE (claim for release), with ‘claim period’ defined in the Copyright Regulations 1969 (Cth) Reg 22A as meaning 10 working days; Copyright Act 1968 (Cth) s 135AEB (forfeiture). Should a Claim for Release be lodged, the usual TRIPS art 55 process kicks in: the rights-holder has ten working days to bring court proceedings against the importer or convince the importer to agree to forfeit the goods, failing which the goods will be released to the importer.
Relationship to other treaties

- TRIPS:
  - Art 59 similarly requires that authorities have power to order destruction of infringing goods.
  - In TRIPS, art 59 specifically references the principles of art 46 of TRIPS which brings in some important principles: deterrence, destruction without compensation, but also a consideration of the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties.
  - TRIPS' reference to art 46 incorporates that reference to simple removal of the infringing trade mark not being enough.

- ACTA:
  - Art 18.76.7 is very similar to ACTA art 20.1 and 20.2 combined.

- AUSFTA:
  - AUSFTA art 17.11.23 is stronger than TPP art 18.76.7: AUSFTA requires that goods found to be counterfeit or pirated shall be destroyed except in exceptional cases; it also states that exportation shall not be allowed or other movement.

Comment

Destruction of infringing goods is standard at an international level. Two questions are worth thinking about. First, the strength of the provision. This article reflects the multilateral standard – giving power but not requiring destruction.

Another point to note relates to destruction of goods that are infringing by reference to the Party’s law (by reason of footnote 115). In ‘in-transit’ seizures, where goods are not infringing at source or destination, destruction ought not to be the default – but of course it need not be, given that all that is required here is that the power to order destruction.

3.8 Fees and costs

Article 18.76. Special Requirements Related to Border Measures

8. If a Party establishes or assesses, in connection with the procedures described in this Article, an application fee, storage fee, or destruction fee, such fee shall not be set at an amount that unreasonably deters recourse to these procedures.

Relationship to other treaties:

- TRIPS: no equivalent provision, but note general obligation in art 41 to ensure that procedures should not be 'unnecessarily complicated or costly'
- ACTA: very similar to ACTA art 21
- AUSFTA: very similar to AUSFTA art 17.11.24.

Comment

This is broadly consistent with TRIPS art 41.2. It is unlikely to be justiciable except in extreme cases.
### Article 18.76. Special Requirements Related to Border Measures

9. This Article shall also apply to goods of a commercial nature sent in small consignments. A Party may exclude from the application of this Article small quantities of goods of a non-commercial nature contained in travellers' personal luggage.  

124 For greater certainty, a Party may also exclude from the application of this Article small quantities of goods of a non-commercial nature sent in small consignments

### Relationship to other treaties:
- TRIPS: TRIPS art 60 allows Parties to exclude both small consignments and small quantities of goods of a non-commercial nature
- ACTA: TPP art 18.76.9 is equivalent to ACTA art 14
- AUSFTA: no similar provision

### Comment
An exception for 'personal imports' is important to include – no traveller relishes the prospect of border iPod, laptop or bag searches, which could also be used as an excuse to detain people at the border. Exempting personal luggage may be particularly important in the context of a system such as that in Europe or Australia where seizure may lead to automatic destruction of goods in the absence of the owner of the goods following the necessary process and lodging a claim for the goods in the appropriate form. Consumers ought not be expected to follow such processes. Remember that in most countries it is not an infringement to buy or possess IP-infringing goods, therefore a consumer carrying such goods has ordinarily committed no legal wrong.

### 3.9 The absent TRIPS border measure safeguards

One interesting feature of the TPP text is the way that it includes and expands on obligations to provide enforcement at the border from TRIPS, it does not include even mandatory safeguards from the TRIPS text designed to reduce the negative impacts of border measures on importers and consignees. These safeguards are important because although detention of goods at the border is very effective against counterfeits, it has considerable commercial impacts on wholesalers, retailers and consumers (as well as customs which must store the goods). Like all provisional remedies, it is a drastic intervention prior to any determination on the merits of the case, and should used with circumspection. The impact of non-inclusion of TRIPS safeguards is discussed earlier.  

Given article 1.1 of the TPP it seems likely that the TRIPS safeguards still apply. Non-inclusion of basic safeguards contributes to a lack of balance in the chapter.

Here is a list of various safeguards not included in the TPP:
- Art 53.2: requiring release in certain circumstances of goods involving industrial designs, patents, layout-designs or undisclosed information;
- Art 54: the importer (and applicant) shall be promptly notified of the suspension of the release of goods (this applies also to ex officio seizures: art 58(b));
- Art 55: requiring release of the goods if within 10 working days (or 20, if extended), if the authorities have not been informed that proceedings have been initiated, or that the 'duly empowered authority has taken provisional measures prolong the suspension';

75 Above Part 1.5, page 9ff
• Art 55: If proceedings have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether suspension measures shall be modified, revoked or confirmed (these to apply also to *ex officio* seizures: art 58);

• Art 56: authorities to have the power to order the applicant to pay the importer, consignee and owner of the goods compensation for any injury caused to them through the wrongful detention of goods;

• Art 57: competent authorities shall have the authority to give the right holder and importer sufficient opportunity to have any detained goods inspected in order to substantiate the right holder’s claims. The competent authorities shall also have authority to give the importer an equivalent opportunity to have any such goods inspected;

• Art 58: with *ex officio* seizures, Parties are only allowed to exempt public authorities/officials from liability for remedial measures in those cases where actions are taken or intended in good faith (art 58(c)).

4 Criminal Enforcement

4.1 Scope of Criminal Liability

**Article 18.77: Criminal Procedures and Penalties**

1. Each Party shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright or related rights piracy on a commercial scale. In respect of willful copyright or related rights piracy, “on a commercial scale” includes at least:

   (a) acts carried out for commercial advantage or financial gain; and

   (b) significant acts, not carried out for commercial advantage or financial gain, that have a substantial prejudicial impact on the interests of the copyright or related rights owner in relation to the marketplace.\(^{125,126}\)

2. Each Party shall treat willful importation or exportation of counterfeit trademark goods or pirated copyright goods on a commercial scale as unlawful activities subject to criminal penalties.\(^{127}\)

125 The Parties understand that a Party may comply with subparagraph (b) by addressing such significant acts under its criminal procedures and penalties for non-authorised uses of protected works, performances and phonograms in its law.

126 A Party may provide that the volume and value of any infringing items may be taken into account in determining whether the act has a substantial prejudicial impact on the interests of the copyright or related rights holder in relation to the marketplace.

127 The Parties understand that a Party may comply with its obligation under this paragraph by providing that distribution or sale of counterfeit trademark goods or pirated copyright goods on a commercial scale is an unlawful activity subject to criminal penalties. Furthermore, criminal procedures and penalties as specified in paragraphs 1, 2 and 3 are applicable in any free trade zones in a Party.

*Further note: footnote 88 applies to this provision.* Footnote 88 provides:

88 For greater certainty, for purposes of this Article, Article 18.69 (RMI) and Article 18.77.1 (Criminal Procedures and Penalties), the Parties understand that a Party may treat “financial gain” as “commercial purposes”.

46
Relationship to other treaties:
- TRIPS: TRIPS art 61 requires criminal procedures and penalties at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. This provision seeks to redefine the scope of that concept.
- ACTA: TPP Art 18.77.1(b) is ACTA-plus. ACTA art 23.1 did seek to extend criminal liability to acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.
- AUSFTA: AUSFTA art 17.11.26 is very similar to TPP art 18.77.1.\(^{76}\)
- The EU IP Enforcement Directive does not address criminal liability or penalties.

Comment
This provision is significantly TRIPS-plus. It is also significantly ACTA-plus. And it is worrying from a policy perspective, as it seeks to re-write international IP law relating to criminal enforcement of IP. In essence, the US lost the argument that the TPP ‘interpretation’ of ‘commercial scale’ was the correct one: the TPP text is one plank in a US effort to obliterate the effect of that decision and the discretion the WTO Panel recognised that States have in employment of the tool of criminal enforcement.

TRIPS article 61 only requires criminalisation of willful trademark counterfeiting or copyright piracy on a commercial scale. Article 61 was the subject of a dispute brought by the US against China. The essence of the US complaint was that China was failing to ‘provide for criminal procedures and penalties to be applied’ in some cases of copyright piracy on a commercial scale, as required by article 61. The relevant measures established numerical thresholds, below which acts of trademark and copyright infringement were not subject to criminal procedures and penalties.\(^{77}\) The Panel held that the US had not established that China’s laws were in breach of article 61.

The essence of the disagreement in the case concerned the meaning of ‘commercial scale’. China argued that the phrase needed to be read together, and required criminal penalties only where there was a significant magnitude of infringement activity. China also argued strongly that the standard was a broad one, subject to national discretion and local conditions.\(^{78}\) China was concerned about interpretations of Article 61 that would be inconsistent with China’s legal system and/or that would require the diversion of enforcement resources.\(^{79}\)

The US on the other hand argued that ‘commercial scale’ in article 61 of TRIPS extends to two situations:
- Where an entity or person engages in commercial activities in order to make a ‘financial return’ in the marketplace. The US argued that such a person or entity is, by definition, operating on a commercial scale,\(^ {80}\) and

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\(^{76}\) In relation to non commercial infringements, AUSFTA requires criminal penalties for ‘significant willful infringements of copyright, that have no direct or indirect motivation of financial gain’. Australia has interpreted the term ‘significant’ as allowing Australia to limit criminal penalties to infringements with a substantial prejudicial impact on the owner of the copyright: *Copyright Act 1968 (Aust.) s 132AC(1)(c).


\(^{78}\) Ibid, 98 [7.481].

\(^{79}\) Ibid.

\(^{80}\) Ibid. Australia took a similarly broad view in the dispute, arguing that ‘commercial scale’ encompasses any act or series of acts of trademark counterfeiting or copyright piracy that adversely affects the financial rewards available to a right holder.
• Where a person’s or entity’s actions, regardless of motive or purpose, are of a sufficient extent or magnitude to qualify as ‘commercial scale’ in the relevant market.\footnote{81}

In other words, according to the US, even infringement occurring in small quantities of would be ‘commercial scale’ if done for a commercial purpose. But commercial scale also comprehended infringement of a scale sufficient to have a significant impact on the copyright owner’s markets. The US did recognise that some activity would be so trivial or of a de minimis character so as not to be ‘on a commercial scale’, in particular, occasional infringing acts of a purely personal nature carried out by consumers, or the sale of trivial volumes for trivial amounts.\footnote{82} The US argued that ‘the IPR infringer must be actually engaged in pursuing financial gain through non-trivial commercial activities in the marketplace, as opposed to, for example, a one-off entry into the marketplace of a limited nature.’\footnote{83}

Some other third countries who intervened in the case took a variety of views, somewhat supporting the US view although using a range of formulations. Canada argued that ‘commercial scale’ relates to more than just industrial production and includes cases of willful trademark counterfeiting and copyright piracy undertaken on sufficient scale to constitute the pursuit of profit or the carrying out of a business,\footnote{84} complaining that China’s thresholds in the case were ‘arbitrary, too high and inflexible’ and hence did not capture all commercial scale activity. The European Union and Japan also argued that offences needed to cover situations where there was ‘indications of business organization or profit orientation’.\footnote{85}

The Panel in the US–China dispute found the term ‘scale’ in Article 61 ‘compares certain things or actions in terms of their size. Some things or actions will be of the relevant size and others will not’.\footnote{86} ‘Commercial’ acts were interpreted to mean acts ‘engaged in buying and selling, or pertaining to, or bearing on, buying and selling’. The Panel rejected the US argument which focused entirely on the commercial nature of the activity, noting that TRIPS uses the concept of ‘commercial purposes’ elsewhere in the agreement, and that:

“If “commercial” is simply read as a qualitative term, referring to all acts pertaining to, or bearing on commerce, this would read the word “scale” out of the text. Acts on a commercial scale would simply be commercial acts. The phrase “on a commercial scale” would simply mean “commercial”. Such an interpretation fails to give meaning to all the terms used in the treaty and is inconsistent with the rule of effective treaty interpretation.”\footnote{87}

Commercial scale, therefore, must contain some reference to quantity and not just the quality of being commercial or occurring in a commercial context. The Panel concluded that:

\footnotesize{\begin{itemize}
\item 81 Ibid, 97 [7.480].
\item 82 Ibid
\item 83 Ibid, [7.550].
\item 84 Ibid, 99 [7.487].
\item 85 Ibid, 99 [7.488]. South Korea similarly argued that commercial scale described ‘a level of magnitude that is realized by operating or maintaining a business activity, large or small, for the purpose of gaining financial return through IPR infringement in a somewhat systematic fashion’: ibid at [7.490].
\item 86 Ibid [7.533].
\item 87 Ibid [7.538].
\end{itemize}}
a "commercial scale" is the magnitude or extent of typical or usual commercial activity. Therefore, counterfeiting or piracy "on a commercial scale" refers to counterfeiting or piracy carried on at the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market. The magnitude or extent of typical or usual commercial activity with respect to a given product in a given market forms a benchmark by which to assess the obligation in the first sentence of Article 61. It follows that what constitutes a commercial scale for counterfeiting or piracy of a particular product in a particular market will depend on the magnitude or extent that is typical or usual with respect to such a product in such a market, which may be small or large.88

The TPP text embodies the most extreme version of the rejected US argument put in the WTO dispute with China. It changes the meaning of ‘commercial’ as interpreted by the WTO, by removing the emphasis on buying and selling, to extend criminal activity to acts done for commercial advantage (which are not necessarily acts pertaining to buying or selling). But footnote 88 is important. Footnote 88 provides that ‘a Party may treat “financial gain” as “commercial purposes”,’ which converts the test to state that criminal liability must be applied to acts for commercial advantage or for commercial purposes. This is helpful: ‘financial gain’ could arise even in non-commercial contexts. For example, if a person copies a friend’s CD and in doing so avoids buying the CD themselves, arguably they have made a copy ‘for financial gain’. Under the TPP text there is no requirement that such acts be criminal.

There are some difficult questions here. Art 18.77.1(a) of the proposal treats any infringing act done for a commercial purpose as criminal. This not only reads the concept of scale or quantity out entirely (contrary to the conclusion in the US-China dispute), but potentially, but not necessarily, goes a step further. The interesting question here is: when is an act ‘carried out for commercial advantage or financial gain’? Acts involving infringement can occur on a spectrum in their relationship to commerce, including, at least:

1. Acts where the infringement leads directly to profit from the infringement: the archetype is where the infringing copy is sold or access to a trove of content is subject to a charge.
2. Acts where infringement is at the heart of a money-making enterprise: eg, infringing content is the lure to sites where funds come from advertising or other sales;
3. Acts where infringement is preparatory to a commercial act: camcording that moves into sale;
4. Acts where infringement is part of a commercial object but not its primary object: eg an infringing photo included in the commercially published book;
5. Acts where infringement is part of commercial activity but perhaps not the object of that commercial activity: eg an infringing photo used in promotional material for tourism services; a company reproduces publications by, or about its employees for promotional purposes but where those publications belong to someone else (a newspaper; a professional journal);
6. Acts where infringement occurs in the course of commerce but does not contribute to commercial activity or profit: eg an employee infringes copyright in the course of their employment but not in any way that contributes to the commercial enterprise (they share a funny photograph in an employee newsletter).

88 Ibid [7.577]
Which of these infringements is 'carried out for commercial advantage or financial gain'? It is easier to see the acts in (1) and (2) above as being 'for commercial advantage', and probably (3). But what of (4)–(6)? A line needs to be drawn somewhere, and should be drawn mindfully. Note also that even within a category there are degrees of seriousness and cases where criminal liability is not appropriate: consider, for example, a company which, having commissioned promotional photographs for one purpose, decides to use them for another purpose (a second book, a different website, a different conference) without getting the necessary further permission. Or consider a case where a company employee incorporates some potentially infringing code into the company's product; the company is informed by a claimant that the code is alleged to be infringing but continues to use the software while the dispute is investigated and addressed.

It will be argued, no doubt, that these are extreme examples and constitute 'scare-mongering'; and that, for example, prosecutorial discretion can be counted on to ensure that trivial infringements are not prosecuted. However, the presence of criminal provisions can have (indeed, is intended to have) a chilling effect on business activities; can be used to pressure companies into agreeing to licences; and could have insurance implications (criminal acts may not be covered by various forms of business insurance including litigation-related insurance).

That internal company uses that do not enter the market are intended to be covered at least by the US is evident from the process that occurred when Australia was implementing its free trade agreement with the US in 2004. Australia’s original implementation of the criminal provisions of AUSFTA was questioned by the US, which was concerned that Australia’s criminal provision on ‘commercial dealings’ with infringing copies was not sufficiently broad. The US had two concerns:

- One was that the US wanted Australia to ensure that both acts by way of trade and acts with the intention of obtaining a commercial advantage or profit were criminalised;
- The second was that the US wanted Australia to criminalise making a copy ‘with the intention of obtaining a commercial advantage or profit’, as well as making a copy for sale or hire.

The US was adamant about the last point in order to ensure that ‘end user piracy’ (eg, making copies of software for business use without copyright owner authorisation) was criminalised. The US insisted on these (and other) changes being made before bringing AUSFTA was brought into effect, and in an exchange of letters made it clear that the US was proceeding with bringing AUSFTA into effect on the basis that Australia had undertaken to change its law.

A further point to be aware of is that while ‘copyright piracy’ is not a defined term in the TPP, ‘pirated copyright goods’ is defined (footnote 115) using the TRIPS language of ‘copies made without the consent of the right holder … and that are made directly or

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89 This is evident from the exchange of letters between Australia’s Trade Minister Mark Vaile and the US Trade Representative Robert Zoellick that occurred in late 2004, available at [http://www.ustr.gov/archive/Trade_Agreements/Bilateral/Australia_FTA/Implementation/Sect ion_Index.html](http://www.ustr.gov/archive/Trade_Agreements/Bilateral/Australia_FTA/Implementation/Sect ion_Index.html), including an interpretive note provided by the Australian government to the US to explain exactly how end user piracy would be criminalised, available at [http://www.ustr.gov/archive/assets/Trade_Agreements/Bilateral/Australia_FTA/Implementati on/asset_upload_file768_6948.pdf](http://www.ustr.gov/archive/assets/Trade_Agreements/Bilateral/Australia_FTA/Implementati on/asset_upload_file768_6948.pdf).

90 The exchange of letters is available at [http://www.ustr.gov/archive/Trade_Agreements/Bilateral/Australia_FTA/Implementation/Sect ion_Index.html](http://www.ustr.gov/archive/Trade_Agreements/Bilateral/Australia_FTA/Implementation/Sect ion_Index.html).
indirectly from the article'. This definition does not seem to confine piracy to, for example, complete copies of copyrighted works which can operate as a full substitute for the original authorised copyright content. Footnote 115 is discussed above.91

The text as it relates to intention (‘wilful’ infringement) is important. I assume that a country would be entitled to define wilfulness to refer to the knowing and intentional infringement of copyright (rather than, say, wilful acts that happen to infringe).

4.2 Labels and Packaging

**Article 18.77: Criminal Procedures and Penalties**

3. Each Party shall provide for criminal procedures and penalties to be applied in cases of willful importation128 and domestic use, in the course of trade and on a commercial scale, of labels or packaging:129

(a) to which a mark has been applied without authorisation which is identical to, or cannot be distinguished from, a trademark registered in its territory; and

(b) that is intended to be used in the course of trade on goods or in relation to services that are identical to goods or services for which that trademark is registered.

128 A Party may comply with its obligation relating to importation of labels or packaging through its measures concerning distribution.

129 A Party may comply with its obligations under this paragraph by providing for criminal procedures and penalties to be applied to attempts to commit a trademark offence.

**Relationship to other treaties:**

- TRIPS: no equivalent
- ACTA: art 18.77.3 is almost identical to art 23.2
- AUSFTA: AUSFTA art 18.77.3 contains a narrower proscription on certain kinds of false/counterfeit labels in art 17.11.28 (referring only to labels designed to be affixed to phonograms, copies of computer programs (or their packaging) or copies of movies or other audiovisual works). It is clear that the main kinds of items targeted by this provision are those signs, stickers and the like produced in the music, film and software industries to identify ‘genuine products’ in the face of considerable counterfeiting; features such as Microsoft’s ‘Certificates of Authenticity’ – labels attached to the packaging to identify genuine Microsoft product.92

**Comment**

The provision seems intended to address situations in which goods and labels/packaging are separately imported with a view to later combination, which combination will be a counterfeit good. Used in this limited sense, the provision, although TRIPS plus and even ACTA plus, is not particularly troubling, especially since it (a) includes a requirement of intention and (b) is limited to situations of identical or near identical marks intended to be used on identical goods (and not merely ‘confusingly similar' marks).

91 Above Part 3.1, page 33ff (especially note 63).
92 For more detail see [http://www.microsoft.com/howtotell/](http://www.microsoft.com/howtotell/)
However, there are some circumstances in which this has the potential to be troubling, owing to the combination of a broad definition of ‘counterfeiting’ with a broader set of signs which may these days be registered as trade marks. Because colours and shapes may be registered as (separate) trade marks, there are circumstances in which an identical mark (ie, the same colour) will be used on packaging for a registered good but the good is not a mere imitative substitute but a competing and even non-confusing product. This could be limited by reference to general principles of fairness and equity, proportionality and consideration of the interests of third parties from earlier in the TPP text.

### 4.3 Camcording

**Article 18.77: Criminal Procedures and Penalties**

4. Recognising the need to address the unauthorised copying of a cinematographic work from a performance in a movie theatre that causes significant harm to a right holder in the market for that work, and recognising the need to deter such harm, each Party shall adopt or maintain measures, which shall at a minimum include, but need not be limited to, appropriate criminal procedures and penalties.

For the purposes of this Article, a party may treat the term “copying” as synonymous with reproduction.

**Relationship to other treaties:**

- There is no equivalent in TRIPS or AUSFTA
- In ACTA there is a camcording provision art 23.3 but it is optional, and worded differently:
  
  A Party 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.

**Comment**

It is interesting to compare art 18.77.4 to ACTA art 23.3. ACTA creates a quite specific offence (unauthorised copying in a movie theatre, notably, unlike most criminal offences in copyright law, unqualified by whether the copying is commercial or not, wilful or not, or causes prejudice to the copyright owner or not. The ACTA provision, therefore, creates a very broad offence which would capture a substantial range of potentially harmless activities (eg, capturing some film in the background while really filming activities of some audience members).

A key feature of the TPP provision is that while it specifies the problem (unauthorised copying in movie theatres, also known as camcording leading to distribution of new films) and the goal (deterrence of camcording) it does not specify any details beyond ‘there must be criminal procedures and penalties’. A Party could comply with this provision by focusing on later steps (distribution), or by proscribing camcording as an aggravating factor for an existing offence. In short, as long as there are criminal

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93 This issue is discussed in more detail in the discussion of the definition of counterfeit goods (TPP chapter 18 fn 115). See above part 3.1 page 33ff.
penalties attached that aim to deter the act of camcording (however applied and whatever stage of the copying-distribution process) this provision can be complied with. In many respects, this provision actually shows a better method of drafting – showing the problem and the goal without specifying the means by which enforcement/deterrence is to be achieved.

4.4 Aiding and abetting/secondary criminal liability

Article 18.77: Criminal Procedures and Penalties

5. With respect to the offences for which this Article requires a Party to provide for criminal procedures and penalties, that Party shall ensure that criminal liability for aiding and abetting is available under its law.

Relationship to other treaties

- TRIPS: no equivalent
- ACTA: TPP art 18.77.5 is very similar to ACTA art 23.4, with slightly different scope: the TPP requires aiding/abetting liability only for offences required by the rest of art 18.77; ACTA requires aiding/abetting liability with respect to offences for which a Party does provide criminal liability (thus, for example, aiding/abetting liability would be required for ACTA’s camcording provision, which is optional);
- AUSFTA: no equivalent
- No equivalent in EU IP Enforcement Directive (which does not deal with criminal liability).

Comment

This is a significant expansion of international rules relating to criminal liability for copyright and trade mark infringement, with potential to capture a very wide range of possible offenders, depending on how it is applied. Criminal liability in IP law is relatively poorly understood; the concept of secondary or aiding/abetting liability even less well understood.

It is not difficult to imagine scenarios that ought to be troubling. Consider that selling even a single counterfeit product on eBay is a criminal offence. Under what circumstances could eBay be criminally liable – particularly once knowledge is conferred through notice? Aiding and abetting liability could add a strong, chilling, criminal law incentive to online service providers to cooperate with rights holders. This depends on how aiding/abetting liability is applied. In implementing the provision a series of questions should be considered:

- What level of knowledge and wrongful intent is required?
- Should incitement or the elements of conspiracy be required for liability, or is facilitating enough?
- What defences are needed? For example, should there be a defence for parties that take reasonable steps to prevent, or terminate, the wrong? Are other defences necessary to ensure that innocent (or merely negligent) intermediaries do not become criminals?

One obvious response is that the police are not going to be prosecuting eBay or any other legitimate online intermediary any time soon, and hence the threat of criminal sanctions is not real. However, engaging in conduct known to be potentially criminal can
have other implications: for example, when insurance is sought. Warranties that all relevant laws are being complied with are not uncommon in various commercial contracts. In other words, the commercial impact of expanded criminal liability does not arise only from prosecution. In short, the risk of such criminal liability adds a significant disincentive to engage in conduct which might arguably be infringement. This will likely chill a great range of legitimate commercial and innovative activities (one suspects it will deter underground and genuinely criminal activities considerably less: what is another set of criminal provisions to those already engaged in criminal infringement?).

Nor would the risk of liability be confined to the online or commercial context. Intermediaries who should be concerned include libraries, universities, schools, couriers and warehousing companies, eBay and other online auction houses where trade mark infringements may occur, The Trading Post which publishes advertisements for a company said to be engaging in infringement.

It is very important to note that this provision does not require broad aiding/abetting liability: only that some such liability exists. There is very considerable room to draft any provisions (and defences) very carefully to ensure that only active co-conspirators are captured, rather than innocent (or merely negligent) service providers.

General principles of fairness and equity, proportionality and consideration of the interests of third parties from earlier in the TPP text apply to limit the potential draconian impact of this provision.

### 4.5 Criminal Penalties: fines and imprisonment

<table>
<thead>
<tr>
<th>Article 18.77: Criminal Procedures and Penalties</th>
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<tr>
<td>6. With respect to the offences described in paragraphs 1 through 5, each Party shall provide the following:</td>
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<tr>
<td>(a) Penalties that include sentences of imprisonment as well as monetary fines sufficiently high to provide a deterrent to future acts of infringement, consistent with the level of penalties applied for crimes of a corresponding gravity.</td>
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<tr>
<td>(b) Its judicial authorities have the authority, in determining penalties, to account for the seriousness of the circumstances, which may include circumstances that involve threats to, or effects on, health or safety.</td>
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</table>

131 The Parties understand that there is no obligation for a Party to provide for the possibility of imprisonment and monetary fines to be imposed in parallel.

132 A Party may also account for such circumstances through a separate criminal offence.

**Relationship to other treaties**
- TRIPS: TRIPS art 61 gives imprisonment and fines as possible alternatives for a country to implement, stating that: ‘[r]emedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity’. There is no reference to issues such as health or safety although nothing to stop a TRIPS Member from making these aggravating factors or separate offences.
• ACTA: ACTA art 24 is almost identical TPP art 18.77.6(a). ACTA contains no equivalent to art 18.77.6(b)'s reference to health/safety.
• AUSFTA: AUSFTA art 17.11.27(a) is similar to TPP art 18.77.6(a), except that AUSFTA also tries to get at application as well as the rules by requiring each Party to ‘encourage its judicial authorities to impose fines at levels sufficient to provide a deterrent to future infringements’.

Comment
The key innovation here (in terms of the multilateral framework) is the requirement of both fines and imprisonment rather than having these as options – TRIPS allows a country to focus on one form of penalty. It would be for an individual country to decide what kinds of offences would constitute ‘crimes of a corresponding gravity’ depending on priorities accorded to economic vs personal or violent crimes. It would also, for example, be open to a country to link the size of the fine or length of the prison term to the value of goods infringed – or, under (b), the impact on health/safety. As long as the law provides for both imprisonment and fines, I would expect that few TPP members would need to change their law to implement art 18.77.6(b): I would expect that most courts would have the power and capacity to take into account the seriousness of the circumstances.

Note that there is nothing in this provision that actually sets the length of the prison term or the level of the fine, provided that it is ‘sufficient’ to act as a deterrent.

General principles of fairness and equity, proportionality and consideration of the interests of third parties from earlier in the TPP text apply to limit the potential draconian impact of this provision.

4.6 Criminal Remedies: seizure

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<tr>
<td>6. With respect to the offences described in paragraphs 1 through 5, each Party shall provide the following: ...</td>
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<tr>
<td>(c) Its judicial or other competent authorities have the authority to order the seizure of suspected counterfeit trademark goods or pirated copyright goods, any related materials and implements used in the commission of the alleged offence, documentary evidence relevant to the alleged offence and assets derived from, or obtained through the alleged infringing activity. If a Party requires identification of items subject to seizure as a prerequisite for issuing a judicial order referred to in this subparagraph, that Party shall not require the items to be described in greater detail than necessary to identify them for the purpose of seizure.</td>
</tr>
<tr>
<td>(d) Its judicial authorities have the authority to order the forfeiture, at least for serious offences, of any assets derived from or obtained through the infringing activity.</td>
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<tr>
<td>(e) Its judicial authorities have the authority to order the forfeiture or destruction of:</td>
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<tr>
<td>(i) all counterfeit trademark goods or pirated copyright goods;</td>
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(ii) materials and implements that have been predominantly used in the creation of pirated copyright goods or counterfeit trademark goods; and

(iii) any other labels or packaging to which a counterfeit trademark has been applied and that have been used in the commission of the offence.

In cases in which counterfeit trademark goods and pirated copyright goods are not destroyed, the judicial or other competent authorities shall ensure that, except in exceptional circumstances, those goods are disposed of outside the channels of commerce in such a manner as to avoid causing any harm to the right holder. Each Party shall further provide that forfeiture or destruction under this subparagraph and subparagraph (c) shall occur without compensation of any kind to the defendant.

(f) Its judicial or other competent authorities have the authority to release or, in the alternative, provide access to, goods, material, implements, and other evidence held by the relevant authority to a right holder for civil infringement proceedings.

133 A Party may also provide this authority in connection with administrative infringement proceedings.

Relationship to other treaties

- **TRIPS**: the TRIPS art 61 text on seizure in a criminal procedural context is more qualified:
  - It requires a power of seizure only 'in appropriate cases' (which could be defined by the TRIPS member in question);
  - It provides only for seizure of infringing goods not suspected infringing goods (although that difference may be technical rather than real: it may not be possible at the moment of seizure to determine infringement);
  - TRIPS makes no reference to seizure of documentary evidence, assets, or labels or packaging;
  - TRIPS makes no reference (in the criminal context) of ensuring destruction of disposal outside the channels of commerce (cf in the civil context art 46).

- **ACTA**: TPP art 18.77.6(c) is almost identical to ACTA arts 25.1 and 25.2;
  - TPP art 18.77.6(d) and (e) are almost identical to ACTA art 25.3 and 25.4. The main difference is that in relation to assets through infringing activity, ACTA refers to assets obtained derived from or obtained directly or indirectly through infringing activity. The TPP refers only to assets derived from or obtained through infringing activity;

- **AUSFTA**: AUSFTA art 17.11.27 is broader and stronger:
  - It allows for seizure and forfeiture of assets traceable to infringing activity (rather than assets 'derived from or obtained through' infringement);
  - It requires that the judicial authorities 'shall, except in exceptional circumstances, order the forfeiture and destruction of all goods found to be counterfeit or pirated, and, at least with respect to wilful copyright
piracy, order the forfeiture and destruction of materials and implements that have been used in the creation of the infringing goods.”

**Comment**
This represents a significant expansion in criminal remedies compared to TRIPS (although not for countries, like Australia, already subject to a US FTA post-2000). The biggest expansion is to assets derived from or obtained through infringement, although the expansion also to documentary evidence and labels/packaging are also significant. It is slightly odd that in the equivalent civil provision (TPP art 18.75.3) the obligation to allow for seizure of documentary evidence applies only to cases of trade mark counterfeiting; here in the criminal context it applies also to copyright piracy. It is also interesting in that connection to note that TPP art 18.77.6(f) requires that authorities be able to release or provide access to evidence seized for criminal prosecution for the purposes of enabling civil proceedings – which means that whether a copyright owner gets evidence to documentary evidence seized this way (as opposed to via usual civil procedures of document disclosure) depends on whether there were first criminal proceedings. It is a fairly minor inconsistency, but it is an inconsistency in this text.

There are very important questions of implementation that would need to be addressed: this provision could grant extremely broad powers or relatively narrow ones, depending on such issues as how broadly the law or courts interpret the concept of ‘assets derived from or obtained through infringing activity. Careful thought should be given to how to implement this, and, in particular, how broadly concepts of seizure apply in other areas of domestic law, either to ensure consistency with local law or to give thought to whether different principles ought to apply in cases of trademark counterfeiting and/or copyright piracy. General principles of fairness and equity, proportionality and consideration of the interests of third parties from earlier in the TPP text apply to limit the potential draconian impact of this provision.

### 4.7 Ex Officio criminal prosecution

**Article 18.77: Criminal Procedures and Penalties**

6. With respect to the offences described in paragraphs 1 through 5, each Party shall provide the following: ...

(g) Its competent authorities may act upon their own initiative to initiate legal action without the need for a formal complaint by a third person or right holder.

134 With regard to copyright and related rights piracy provided for under paragraph 1, a Party may limit application of this paragraph to the cases in which there is an impact on the right holder’s ability to exploit the work, performance or phonogram in the market.

**Relationship to other treaties:**
- TRIPS: no equivalent
- ACTA: ACTA art 26 provides a similar power to act *ex officio* without the limiting footnote found in TPP fn 134.

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94 On the meaning of ‘exceptional circumstances’, also arguably applicable here, see above Part 2.8, pp22ff; especially n 42 and accompanying text.
95 For the *civil* equivalent in the TPP see TPP art 18.75.3, discussed above Part 2.13, pp31ff above.
- AUSFTA: AUSFTA art 17.11.27(d) provides a similar power to act *ex officio* without the limiting footnote found in TPP fn 134.

**Comment**

Rightholders sometimes argue that the requirement of a formal complaint can hold up criminal investigations in bureaucratic red tape, sometimes in circumstances (such as with temporary markets or websites) where more rapid action is required. The most important thing here is probably **oversight** – it seems unlikely in most cases that police would act without *any* instigation from rightholders, but without a formal complaint mechanism it may not be possible to maintain a level of accountability regarding relations between police and rightholders or determine how often, or at whose instigation, police forces are acting. This may pose particular problems in countries where corruption is an issue. In implementation, consideration should be given to mechanisms for transparency/accountability associated with *ex officio* criminal investigation and prosecution.

### 4.8 Proceeds of crime

**Article 18.77:** Criminal Procedures and Penalties

7. With respect to the offences described in paragraphs 1 through 5, a Party may provide that its judicial authorities have the authority to order the seizure or forfeiture of assets, or alternatively, a fine, the value of which corresponds to the assets derived from, or obtained directly or indirectly through, the infringing activity.

**Relationship to other treaties:**

- **TRIPS:** no equivalent provision
- **ACTA:** TPP art 18.77.7 is very similar to ACTA art 25.5, although ACTA does not mention the possibility of a fine – but covers the same ground by allowing for the seizure and forfeiture of assets the value of which corresponds to assets derived from/obtained through infringement. The ACTA provision, like the TPP, is **optional**.
- **AUSFTA:** AUSFTA does not have an equivalent provision, but as noted above\(^96\), AUSFTA requires that authorities have the power to seize, and destroy or require forfeiture of, assets traceable to infringing activity so may well cover much of the same ground (and indeed more, since there is no limit in AUSFTA to the value of the assets which may be seized/forfeited).

**Comment**

This is an **optional** penalty. It is, in essence, a proceeds of crime provision: it allows for seizure of valuable assets (whether in the form of money, or movable or immovable property such as cars, land etc) if it can be shown that, say, profits derived from infringement have been converted to some other asset. Note that the provision only allows for seizure/forfeiture of assets the value of which corresponds to assets derived from infringement: it does not extend to forfeiture of an asset which is more valuable than the profits derived from infringement. General principles of fairness and equity, and proportionality from earlier in the TPP text apply to limit the potential draconian impact of this provision.

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\(^96\) Above Part 4.6, pp55ff.