



**COUNCIL OF
THE EUROPEAN UNION**

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Delegations will find attached the declassified version of the above document.

The text of this document is identical to the previous version.

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NOTE

from:	Presidency
to:	delegations
Subject :	Pluri-lateral Anti-Counterfeiting Trade Agreement (ACTA) -Chapter 2 "Criminal Enforcement"

Delegations find attached the draft text of the Criminal Enforcement Chapter of the above mentioned Agreement, as proposed by the Presidency in follow-up to the previous meeting of the "Friends of Presidency" Group and taking into account the bilateral discussions of the Presidency with Japan and the USA.

The aim of this document is to prepare the Criminal Enforcement Chapter for the final round(s) of negotiations on the ACTA Agreement. It tries to approach the pending issues pragmatically, taking into account the general feeling among the ACTA partners in the previous rounds, the Member States' "Friends of the Presidency" Group meetings and the bilateral talks with Japan and the US.

The Presidency strongly requests Member States to consider the options set forth in this document. Member States are furthermore requested to bear in mind that the Presidency will need some margin of manoeuvre in order to properly negotiate in Lucerne with the aim of reaching the best possible results.

Section 3: Criminal Enforcement¹

ARTICLE 2.14: CRIMINAL OFFENSES

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.² Willful copyright or related rights piracy on a commercial scale includes:

- [(a) significant willful copyright or related rights infringements that have no direct or indirect motivation of financial gain; and
- (b) willful copyright or related rights infringements for purposes of commercial advantage or financial gain.³]

¹ Negotiator's Note: Definitions of "counterfeit trademark goods" and "pirated copyright goods" provided for in footnotes 12 and 13 of Section 2 (Border Measures) should be used as context for this Section. DE: reservation on this footnote arguing it is not concrete enough.

² Each Party shall treat willful importation [or exportation] of counterfeit trademark goods or pirated copyright goods on a commercial scale [J: in accordance with its laws and regulations,] as unlawful activities subject to criminal penalties under this Article. A Party may comply with its obligation relating to [exportation] of pirated copyright or counterfeit trademark goods through its measures concerning distribution.

OPTION 1: Deletion. This option does not seem feasible.

OPTION 2: To keep this footnote if the Japanese proposal is accepted . Furthermore, other possibilities to narrow the effects of the Article could be to limit the scope to "importation for distribution" (language used by the 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), excluding exportation from the scope. If exportation is maintained, the second sentence might be needed to gain some flexibility.

Another issue that has to be addressed is if the content of this footnote should be transferred to the Articles bearing in mind that it is a substantive provision.

³ For purposes of this Section, financial gain includes the receipt or expectation of receipt of anything of value.

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OPTION 1: Deletion of the definition of commercial scale

The EU has always asked for the deletion of this definition on commercial scale for the following reasons:

- This term is commonly used in different legal instruments, including TRIPs, without being defined, and
- It is not easy to find a common definition on commercial scale. In this context attention should be drawn to the WTO panel report on the US-China dispute over intellectual property rights issued on 26 January 2009 (WT/DS362/R). One of the questions in dispute was whether China was in violation of Article 61 TRIPs, which requires criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. The WTO panel report shows that it is not easy to define “commercial scale”.

However, this option does not seem acceptable for the US. Indeed, it is essential for the US to define the concept of commercial scale in order to prevent misinterpretation of this concept as, for instance, the US-China dispute referred to in the above mentioned WTO panel report.

In any case, the EU can not accept the definition proposed by the US. Indeed, this definition is too broad because it includes inter alia a reference to infringements without any motivation of financial gain, and because it could include end consumers.

OPTION 2: Proposal for a definition on commercial scale

The EU will maintain its request for the deletion of the definition on commercial scale. However, if ACTA partners strongly defend the need for a definition of “commercial scale”, the Presidency suggests exploring the possibility of using a wording in line with the recital 14 of the Directive 2004/48 on the enforcement of the intellectual property rights:

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“Acts carried out on a commercial scale are those carried out in the context of commercial activity for direct or indirect economic or commercial advantage; this [would] [normally] exclude(s) acts carried out by end-consumers acting in good faith.”

Nevertheless, we would suggest deleting the word “normally” in order to narrow the scope bearing in mind that the Directive deals with civil enforcement while we are, in the ACTA context, talking on criminal measures. We would also suggest deleting “would” in order to make sure that the end-consumers are not subjected to this chapter. It could also be helpful to complete the definition with a reference to “commercial activity”.

OPTION 3: Accepting a definition based on the one that is currently in the ACTA draft.

This is clearly not a desirable option. Therefore delegations are asked to reflect on the possibility to accept a definition on commercial scale based on recital 14 of the Directive 2004/48 on the enforcement of the intellectual property rights.

[EU: 2. Each Party shall provide for criminal procedures and penalties to be applied in cases of [EU/US: willful], [unauthorized] [importation] and [US/NZ/AUS: or] [domestic] [J/US/NZ/AUS: trafficking] [J: conducted] [use in the course of trade] [on a commercial scale] of labels [MOR/NZ/US: or packaging],

- (a) to which a mark has been applied [CAN/US/NZ: without consent of the right holder] which is identical to or cannot be distinguished [J: in its essential aspects] from a trademark registered in [its territory] [J: the Party in respect of certain goods or services], and

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(b) which are intended to be used [AUS/NZ: by the importer or user or, by a third party with the knowledge of the importer or user, for willful trademark counterfeiting] [on [either] the goods or [in relation to] services [J/NZ: for which is registered] [which are identical to goods or services for which the trademark is registered.]

The US as well as other ACTA partners appear to have a big interest in adding “packaging”. The Presidency suggests to be flexible on this point.

[3. Each Party shall provide for criminal procedures and penalties to be applied [J: in accordance with its laws and regulations,] against any person who, without authorization of the holder of copyright [or related rights] [CAN: or the theatre manager] in a [motion picture or other audiovisual work], [CAN: cinematographic work] [knowingly] [uses an audiovisual recording device to transmit or make] [J: makes] a copy of [J: , or transmits to the public] the motion picture or other audiovisual work, or any part thereof, from a performance of the motion picture or other audiovisual work in a motion picture exhibition facility open to the public.]

The US and Japan have strong interest in keeping this provision even if it is a non mandatory “may provision”. The US stated that they need this either here as a “may provision” or in the Chapter IV “Enforcement practises” as a declaratory provision of good practises. Bearing this into account two options are possible:

OPTION 1: “May” provision

A " may" provision will acknowledge that the Parties have the possibility to go further in accordance with the possibility already provided in Article 1.2.1 of Chapter 1, Section A¹.

¹ “...A party may implement in its domestic law more extensive protection and enforcement of intellectual property rights than is required by this Agreement, provided that such protection and enforcement does not contravene the provisions of this Agreement...”

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OPTION 2: Including a declaratory provision of good practises in the Chapter IV “Enforcement practises”

The aim would be to provide for a declaratory provision on the importance to pay attention to the unauthorized camcording. This declaratory provision would apply to both Civil and Criminal Enforcement.

Delegations are asked to reflect on both options in order to have fallback positions if the deletion of this Article cannot be agreed with the ACTA partners.

LEGAL PERSONS AND ARTICLES 2.14 AND 2.15

There are some difficulties from the rest of the ACTA partners in understanding our specificities regarding legal persons liability and sanctions. Furthermore, the US seem ready to accept the particularities of the legal persons criminal treatment but they do not want to mix them with the penalties Articles. Taking this into account, several options are possible:

OPTION 1:

Move paragraph 2.15.1 and 2.15.2 to Article 2.14 with their wording. Articles 2.14 and 2.15 would read as follows:

Article 2.14

- 1. (Scope) Each Party shall provide...*
- 2. (Labels) Each Party shall provide...*
- 3. The provisions of this section shall apply to [inciting,] aiding and abetting the offences referred to in Article 2.14.1 and 2.14.2.*

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4.

(a) *Each Party shall adopt such measures as may be necessary, consistent with its legal principles, to establish the liability of legal persons for the offences referred to in Article 2.14.1 to 2.14.3.*

(b) *Subject to the legal principles of the Party, the liability of legal persons may be criminal or non-criminal.*

(c) *Such liability shall be without prejudice to the criminal liability of the natural persons who have committed the criminal offences.*

5. *(Cam-cording) Each party may provide...*

Article 2.15

For the crimes referred to in Article 2.14.1 to 2.14.3 each Party shall provide penalties that include imprisonment [as well as] [and] monetary fines¹ sufficiently high to provide a deterrent to future acts of infringement.

Article 2.15 would not deal with the sanctions to legal persons. The only provision for legal persons will be the Article 2.14.4 and does not directly address penalties or sanctions for them. Therefore, each Party will be able to provide for penalties or sanctions to the legal persons according to their legal principles.

Regarding the wording, taking into account the fact that the need for effective and proportionate penalties can already be included in Article 2.X.3² in Chapter 2, which covers this entire Chapter, we suggest to ask for the inclusion of the term “penalties” in Article 2.X.3 of Chapter 2 and to accept the deletion of these terms in this Article. If it is not the case, it seems to the Presidency completely necessary to keep at least the notion of proportionality in Article 2.15.

¹ [Negotiator’s note: [US: It is understood that there is no obligation for a Party to impose both imprisonment and monetary fines in parallel] [EU: This does not imply an obligation for a Party to provide for the courts a possibility to impose both penalties in parallel.]

² See ACTA Consolidated text on 16 April 2010, Article 2.X.3. “Those measures procedures, penalties and remedies shall also be [effective, proportionate] [fair and equitable] and [deterrent]”.

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OPTION 2:

US has suggested to move Article 2.15.1 (liability of legal persons) to a footnote to Article 2.14 .

OPTION 3:

US has also proposed to move the liability of legal persons to a footnote to the definition of person in Article 1.X of Chapter 1, Section B, General Definitions.

OPTION 4:

Article 2.14 remains as in option 1 and Article 2.15 would read as follows:

For the offences referred to in Article 2.14.1 to 2.14. 3 each Party shall provide penalties and sanctions that include imprisonment and monetary fines¹ sufficiently high to provide a deterrent to future acts of infringement.

In this proposal of Article 2.15 the term “offences” replaces “crimes” and we have a reference to “penalties and sanctions” and not only to sanctions. This broader wording in combination with Article 2.14 clearly states that for the legal persons the Parties can, according with their national system consider one act as a crime or as an offence and therefore to establish penalties or sanctions.

This **option 4** could keep the current footnote 40: *It is understood that there is no obligation to provide penalties of imprisonment against legal persons for the crimes set forth in Article 2.14.1 to 2.14.3.*

¹ [Negotiator’s note: [It is understood that there is no obligation for a Party to impose both imprisonment and monetary fines in parallel] [This does not imply an obligation for a Party to provide for the courts a possibility to impose both penalties in parallel.]

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[EU: ARTICLE 2.16. SEIZURE, FORFEITURE[/CONFISCATION¹] AND DESTRUCTION

[1. *Seizure*]

(a) In case of an offence referred to in Article 2.14 [US/AUS: .1], each Party shall provide that its competent authorities shall have the authority to order [CAN: authorise] [CAN: at least for serious offences] the seizure of suspected counterfeit trademark goods or pirated copyright [or related rights] goods, any related materials and implements used in the commission of the alleged offence, documentary evidence relevant to the alleged offence and any assets derived from, or obtained directly or indirectly through the infringing activity [J: ²].

(b) Each Party shall, if a prerequisite for such an order, according to its national law, is the identification of the items, ensure that the order need not determine the items that are subject to seizure in more detail than necessary to allow their identification for the purpose of the seizure.] [US: Each Party shall provide that such orders need not individually identify the items that are subject to seizure, so long as they fall within specified categories in the relevant order.]

¹ Fallback position: delete the word “confiscation” in this Article.

² Each Party may provide that its judicial authorities have the authority to order [CAN: fines or] the seizure of assets the value of which corresponds to that of such assets derived from or obtained, directly or indirectly, through the infringing activity. EU coordinated position: flexibility on the possible acceptance of this footnote.

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[2. Forfeiture/Confiscation and Destruction]

(a) For the offences referred to in Article 2.14[US/AUS: .1], each Party shall provide that its competent authorities shall have the authority to order [confiscation/][forfeiture¹ [and/]or] destruction [CAN: where appropriate] of all counterfeit trademark goods or pirated copyright [or related right] goods, of materials and implements [CAN/CH: predominantly] used in the creation of counterfeit trademark goods or pirated copyright goods [or related rights goods], and [AUS/CAN: at least for serious offences] [NZ: forfeiture to the State] of the [US: any] assets derived from, or obtained directly or indirectly, through the infringing activity.

(b) Each Party shall [AUS: provide that its competent authorities shall have the authority to] ensure that the counterfeit trademark goods and pirated copyright [or related rights] goods that have been [confiscated/] forfeited [NZ: to the state] under this subparagraph shall, if not destroyed, be disposed of outside the channels of commerce, [under the condition that the goods are not dangerous for the health and security of persons.] [US/CH/NZ: in such a manner as to avoid any harm caused to the right holder.]²

(c) Each Party shall further ensure that [confiscation/]forfeiture and destruction under this subparagraph shall occur without compensation of any kind to the defendant.

(d) Each Party may provide that its judicial authorities have the authority to order the confiscation/ forfeiture [NZ: to the state] of assets the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the infringing activity.

¹ Japan to propose wording to clarify whether forfeiture to right holder or to state.

² EU's fallback position: to accept the US/CH/NZ proposal.

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ARTICLE 2.17: *EX OFFICIO* CRIMINAL ENFORCEMENT

Each Party shall provide that its competent authorities may act upon their own initiative to initiate investigation [AUS/NZ/US/J/CH/MX: or] [EU: and/or] legal action with respect to the [criminal] offenses described in [EU: Article 2.14] [Sections 3 and 4.] [EU: at least in cases of significant public interest, in accordance with national law.]

There is clear majority in favour of “or”. We should reflect on keeping our position on this point.

In the third line, the scope of the Article shall be restricted. With the current text it should refer only to 2.14.1 and 2.14.2. If the current 2.15. 1 and 2.15.2 are moved to Article 2.14 (option 1), the reference has to be done to Article 2.14.1 to 2.14.3.

No margin of manoeuvre regarding last line even if the US have big difficulties to accept “at least in cases of significant public interest”.

[ARTICLE 2.X. RIGHTS OF THE DEFENDANT AND THIRD PARTIES

Each Party shall ensure that the rights of the [defendants and] third parties shall be duly protected and guaranteed.]¹

¹ Mexico, US and NZ propose that this provision be reflected in the General Provisions of the Agreement. EU fallback position: accept this change.