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IMPACT OF COUNTERFEITING ON INTERNATIONAL TRADE

Comments on Anti-Counterfeiting Trade Agreement (ACTA)

INTERNATIONAL TRADE

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DISCUSSION REPORT
COMMENTS ON ANTI-COUNTERFEITING TRADE AGREEMENT (ACTA)

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Executive summary:

This study analyzes the main legal and policy issues surrounding the current negotiations of the “Anti-counterfeit trade agreement” (ACTA). After an analysis of the counterfeit provisions included in the most important international agreements (TRIPs/WTO and WIPO), the attention is focused to the improvement brought about by ACTA.

However, ACTA will not develop new legal norms, as it will promote IPR enforcement, especially in the customs sector that, at present, is characterized by lack of uniform procedures applied by States. The ACTA key components are (i) international cooperation among the parties leading to harmonised standards, (ii) better communication between national authorities, (iii) improved capacity building and technical assistance, and (iv) cooperation with the private sector.

In particular, the ACTA is considered an opportunity to add clarity to the TRIPs terminology, as the adoption of clear definitions of counterfeiting and piracy is a good approach to avoid legal uncertainty and potential abuse of enforcement measures.

However, the conclusion of another agreement in the field of Intellectual Property Rights raises some concerns: even if ACTA could be sharper than WIPO system (without the constraints of consensus building, developing countries and civil society groups) in next future, there is the risk of overlapping and duplicating existing IPR agreements, causing a fragmentation undermining the multilateral system for the regulation of IPRs.

The paper provides also some recommendations to the negotiators; in particular it is suggested that the EU has to solve first the problem of counterfeiting in its internal market and, second, should adopt a uniform policy and vision in the IPR sector that, at present, is fragmented and unclear.

Introduction.

The conclusion of the Trade-Related Aspects of Intellectual Property Rights (hereinafter “TRIPs”) Agreement in 1994 laid down the basis for a truly globalized intellectual property rights (hereinafter “IPR”) regime, introducing global minimum standards for the protection and the enforcement of intellectual property worldwide.

However, the lack of enforcement of IPRs in the legal orders of some emerging countries (and, in particular, in China), and the growing numbers of counterfeit products internationally traded led to the emergence of an intense international debate on this subject that, in the past decade, has turned into a political issue.

As the TRIPs agreement as well as other international instruments providing substantial rules for the protection of IPRs have already been implemented in the internal legal systems of most WTO Members, the issue at stake, now, is the proper enforcement of these rights. That’s why some WTO members, such as the European Union, Japan, the United States and Switzerland (as the main actors), consider the intellectual property enforcement a priority issue within G8 summits. Therefore, they jointly announced a plan for launching negotiations aimed to the conclusion of a new international anti-counterfeit treaty.

This report provides an analysis of the improved structure of IPR enforcement resulting from the recent new Anti-Counterfeiting Trade Agreement (hereinafter “ACTA”) negotiations and the relevant issues for the European Union.

1. Legal and economic background.

The proper enforcement of intellectual property rights requires the following steps to be accomplished:

- The enactment of substantive laws aimed at safeguarding the interests of third parties and the public at large, providing adequate limitations on and exceptions to rights conferred by intellectual property, and regulating anti- competitive practices;
- procedural rules fair and equitable for all interested parties.

The TRIPs Agreement contains a detailed chapter setting minimum standards of IPR enforcement to be adopted by all of its Parties [see *infra*]: although most of WTO Members have already adopted legislative and regulatory acts implementing such minimum standards, the level of piracy and counterfeiting steadily increased in the last few years¹.

As it is well known, IP violations damage right holders² that are deprived by their investment revenue and, moreover, crack the viability of the most innovative and creative companies³.

States may assist a right holder in enforcing such rights⁴: however, it is up to the right holders to both assume the initiative and bear the costs for the enforcement of their private rights⁵.

Most national legal systems make available various procedures and remedies for intellectual property enforcement, such as the injunction or damages, that are often more useful for the right holders than criminal punishment⁶.

Pirated and counterfeit goods can have a serious impact on health and consumer protection.

The case laws of many EU countries show that criminal law usually plays a limited role in dealing with intellectual property infringements: moreover, criminal decisions are rarely passed in such cases (this is true, in particular, regarding patent law). Criminal law is usually applied for intellectual property infringement that should be wilful and on a commercial scale, or if there are other major threats to the state or its citizens. Moreover, unless the scale and damage of the infringement merits it, and given the lengthy and expensive nature of litigation processes, the complainant would not take any action at all against the infringer or would rather settle the dispute out of court.

An effective enforcement of IP rights should be an essential tool to attract foreign investment, transfer of technology and know how.

¹ The most recent study on the economic impact of the counterfeiting and piracy is a OECD Committee on Industry, Innovation and Entrepreneurship report (OECD, *The Economic Impact of Counterfeiting and Piracy*, DSTI/IND (2007) 9/PART4/REV1, June 4, 2007). This study was also quoted by the European Commission, on 23 October 2007, asking the mandate to negotiate the ACTA to the States (IP/07/1573). OECD, *The Economic Impact of Counterfeiting and Piracy*, DSTI/IND (2007) 9/PART4/REV1, June 4, 2007.

² Intellectual property rights are, in fact, rights conferred on individuals by law and rely on the private right holder for their enforcement.

³ Referring to the reasons for granting IPRs, see SHERWOOD R.M., *Intellectual Property and Economic Development*, Westview, 1990, pp. 11-39.

⁴ The preamble of TRIPs Agreement expressively recognizes intellectual property rights as private rights.

⁵ Commission on Intellectual Property (2002), p. 165.

⁶ See SCHANKERMAN M., SCOTCHMER S., *Damages and injunctions in protecting intellectual property*, in *RAND Journal of Economics*, 32, No. 1, Spring 2001, pp. 199 – 220.

2. G8's initiatives towards the creation of an harmonized set of rules for IPRs enforcement.

In the G8 Leaders Summit in St. Petersburg (2006), member States announced the launch of a comprehensive intellectual property rights enforcement strategy based on a previous strategy already adopted in 2005⁷. The G8 Statement on *Combating IPRs Piracy and Counterfeiting*⁸ has several objectives, namely:

- «[...] to strengthen individual and collective efforts to combat piracy and counterfeiting, especially trade in pirated and counterfeit goods and note that such efforts will contribute to the sustainable development of the world economy, including through innovations, as well as to health and safety of consumers all over the world»;
- «[to combat] trade in pirated and counterfeit products is a complex problem which assumes, in the context of globalization, a transborder character, and can only be solved through individual and joint efforts by all nations and relevant international organizations. In that regard, we note the usefulness of international congresses and workshops devoted to effective protection and enforcement of intellectual property rights»;
- «to continue the anti-piracy and anti-counterfeiting activities, [...] consider it necessary to enhance cooperation in that area among the G8 and other countries, as well as competent international organizations, notably the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO), the World Customs Organization, Interpol, the Organization for Economic Co-operation and Development (OECD), and the Council of Europe»;
- «[...] to give priority to promoting and upholding laws, regulations and/or procedures to strengthen intellectual property enforcement, raising awareness in civil society and in the business community of the legal ways to protect and enforce intellectual property rights and of the threats of piracy and counterfeiting, and also to providing technical assistance in that area to developing countries. Close cooperation between law enforcement agencies, including customs authorities, is also of great importance»⁹.

⁷ The summit was held at Gleanogle on July 7, 2005. See the related G8 document *Reducing IPR Piracy and Counterfeiting through more Effective Enforcement*, available at <http://usinfo.state.gov/ei/Archive/2005/Jul/08-989233.html>.

⁸ Document available at <http://en.g8russia.ru/docs/15.html>.

⁹ In particular, to refer relevant law enforcement work (including online piracy) to the Lyon-Roma Anti-Crime and Terrorism Group (LR/ACT).

In June 2007, during the Heiligendamm summit, the G8 approved specific initiatives aimed at improving and deepening the cooperation among G8 members and delivering real enforcement results¹⁰. The summit final document provided that G8 members should endorse the *Guidelines for Customs and Border Enforcement Cooperation* designed to strengthen the cooperation and coordination among national customs and law enforcement administrations, and to develop an effective information exchange system (if appropriate) in close association with the World Custom Organization which will lead to improved cooperation among the relevant enforcement authorities worldwide. G8 members adopted new *Guidelines for Technical Assistance on intellectual property rights protection* to interested developing countries, as well as a mechanism to better coordinate existing G8 technical assistance to such countries with a view (of) to building the necessary capacity to combat trade in counterfeited and pirated goods in order to strengthen intellectual property enforcement.

The G8 members committed to follow the recommendations designed for improving actions to combat serious and organized intellectual property rights crimes and the further work on their basis to facilitate structured international cooperation regarding the investigation and prosecution of those crimes.

During the summit, it was established an *IPR Task Force* focused on anti-counterfeiting and fighting piracy, in order to look together at how best improve international IPRs protection and enforcement, and produce recommendations for action including improved peer review.

The members intends to place the recommendations emerging from the IPR Task Force for discussion as part of the *Heiligendamm Process*, that is a new two-year high-level dialogue between the G8 countries and emerging countries, mainly Brazil, China, India, Mexico and South Africa. The platform for the dialogue will be the Organization for Economic Cooperation and Development (OECD)¹¹.

Intellectual property rights protection and enforcement is not an integral part of the issues that make up the Heiligendamm dialogue. The joint statement of the G8 and the Heads of State and/or Government of Brazil, China, India, Mexico and South Africa in Heigendamm on the 8 June 2007 clearly specified that the dialogue is limited to the promotion of cross border investment, the support of research and innovation, the fight to climate change and the energy development.

¹⁰ See Summit Declaration, *Growth and Responsibility in the World Economy*, 7 June 2007, G8 Summit Heiligendamm, p. 10 - 12.

¹¹ See Joint Statement by the German G8 Presidency and the Heads of the State and/or Government of Brazil, China, India, Mexico and South Africa on the occasion of G8 Summit Heiligendamm, June 8, 2007.

The commitment to cooperate in promoting research and innovation includes a positive exchange of views on international experiences related to intellectual property protection and the implementation of agreed international intellectual property rights' protection standards. However, it does not envisage the strengthening of intellectual property rights protection and enforcement, or the discussion focused on the recommendations provided by the G8 IPR Taskforce on anti-counterfeiting and piracy. Indeed, the Joint Statement of Heiligendamm provides a more balanced approach to the expected dialogue.

This document highlights that in the exchange of views on international experience of intellectual property rights protection there is a «need to consider the protection of intellectual property rights in conjunction with the common good of human kind for the purposes of protecting the environment and supporting health. In this regard, we recall the Doha Declaration on the TRIPS Agreement and Public Health»¹².

The joint statement even clarified that the discussions among the participants to the Heiligendamm dialogue, while «fully respecting the mandate, function and role of the component multilateral organizations, in particular WTO and WIPO” may also discuss initiatives aimed at strengthening the “intellectual property rights protection which should then be addressed in the appropriate fora»¹³.

On 23 October 2007, the Ministry of Foreign Affairs of Japan¹⁴, the European Commission¹⁵ and the Office of the United States' Trade Representative (USTR)¹⁶ separately announced their intention to bring about *a new international legal framework to strengthen the enforcement of intellectual property rights*.

The countries originally engaged in the discussion are EU (jointly with its 27 members), United States, Japan, Australia, Canada, Korea, Mexico, New Zealand, and Switzerland. After the meeting held in Berne the 12 and 13 March 2008, the countries involved are: Australia,

¹² *Ibidem*.

¹³ Summit Declaration, *Growth and Responsibility in the World Economy*, p. 13.

¹⁴ The Japan Prime Minister Declaration is available at:

http://www.mofa.go.jp/announce/announce/2007/10/1175848_836.html

¹⁵ Doc.: IP/07/1573.

¹⁶ The US Ambassador Schwab announcement is available at:

http://www.ustr.gov/Document_Library/Press_Releases/2007/October/Ambassador_Schwab_Announces_US_Will_Seek_New_Trade_Agreement_to_Fight_Fakes.html.

Canada, EU, Japan, Korea, Morocco, Mexico, New Zealand, Switzerland, United Arab Emirates, United States and Uruguay.

According to US Ambassador Schwab, «the ACTA would complement the Administration's work to encourage other countries to meet the enforcement standards of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the World Trade Organization, and to comply with other international IPR agreements. It will not involve any changes to the TRIPS Agreement. Rather, the goal is to set a new, higher benchmark for enforcement that countries can join on a voluntary basis. The negotiations represent a cooperative effort by the governments involved, and will not be conducted as part of any international organization»¹⁷.

The Japanese Government, as clarified by the Prime Minister, pointed out that the reasoning for the new treaty is that «worldwide proliferation of counterfeit and pirated products poses an ever-increasing threat not only to sustainable economic development but also to consumers' health and safety. Moreover, new issues have also been emerging rapidly on a global scale, such as the violation of intellectual property rights through the trading of counterfeit goods over the Internet»¹⁸.

Although the efforts in preparing and conducting the various meeting, the participating States have not prepared a draft text of the proposed agreement.

However, some basic information regarding the new proposed treaty are provided by a discussion paper on ACTA prepared by the Australian Department of Foreign Affairs (DPFA) and Trade¹⁹ as well as by the USTR Fact Sheet on ACTA.

This document is based on an OECD study cited above that showed the wide-ranging negative impacts of counterfeiting, creating significant costs for governments, international trade and economies²⁰.

¹⁷ See also the USTR Fact Sheet (related to proposed ACTA) available on the USTR website.

¹⁸ See footnote 14.

¹⁹ This document is available on the DPFA website.

²⁰ OECD, (2007).

The OECD study identifies several socio-economic impacts of counterfeiting and piracy, such as:

- i) negative impacts on innovation and growth as IPR holders have a decreased ability to capture the benefits of their innovation that would enable them to reinvest profits in research and development activities;
- ii) criminal activities encouraged by the relatively high margin/low risk profile of IPR infringement, including association with organised crime and funding of terrorist activities;
- iii) environmental damage by counterfeiting and piracy through the significant waste produced through destroying infringing items. Environmental harm is also caused when substandard products are made that do not comply with environmental standards – e.g. unsafe counterfeit fertilizers;
- iv) reduced employment in legitimate industries which are undermined by decreased demand for their products, and poor employment conditions in the illegitimate market;
- v) decreased foreign direct investment where infringing products have a strong presence in the market;
- vi) undermining of legitimate trade by trade in illegitimate goods.

Negative impacts on IPR holders identified by the OECD report include: i) decreased sales volumes, prices and royalties; ii) endangered brand values and firm reputation; iii) impaired ability of firms to invest in research and development; iv) inability of firms to decrease costs and expand the scope of their operations.

Impacts on consumers identified by the OECD report include: i) health and safety risks (e.g. counterfeit medicines, car and aeroplane parts); ii) impaired fitness of products for their purpose.

Impacts on governments identified by the OECD report include: i) decreased tax revenues; ii) increased expenditure on preventing and dealing with IPR crimes; iii) corruption encouraged by IPR crimes.

According to USTR Fact Sheet and DPFA discussion paper, the ACTA key components are the promotion of the international cooperation among the parties leading to harmonised standards, a better communication between national authorities (including Customs and other

relevant authorities) the improvement of the capacity building through technical assistance, and fostering cooperation with the private sector.

Moreover, in the intentions of the proponents, ACTA would also establish enforcement practices promoting a strong intellectual property protection in coordination with right holders and trading partners; furthermore, there is a particular emphasis on a stronger pressure to other countries (in particular, to China) to enforce anti-counterfeiting legislation and to create a modern legal framework which reflects the changing nature of intellectual property theft.

It is crucial, according to the ACTA proponents, to promote a strong and modern legal framework so that the law enforcement agencies, the judiciary and private citizens have appropriate tools to deal effectively with counterfeiters. Some areas that ACTA should focus to are criminal enforcement, customs border measures, civil enforcement, CD and DVD disc piracy, internet distribution and information technology²¹.

It is possible, based on the USTR's Fact Sheet and on DPFA discussion paper, to identify the three main areas of intervention of ACTA as follows:

- 1) international cooperation and government spying;
- 2) enforcement practices and propaganda campaigns;
- 3) new civil and criminal legal framework for internet and digital technology.

3. IP enforcement: the international context.

There is a number of international agreements and international organizations playing a role in IPR enforcement: the most important are:

- the World Trade Organization (WTO): part III of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) provides for minimum standards for IPR enforcement to be implemented by WTO Members. The WTO TRIPS Council monitors the implementation of TRIPS and the WTO dispute settlement mechanisms can be activated in case of violation of enforcement provisions by one WTO Member;

²¹ See DPFA discussion paper, p. 5.

- the World Intellectual Property Organization (WIPO) provides a non-binding forum for discussion of enforcement issues through its Advisory Committee on Enforcement;

However, other multilateral organisations even provided guidelines on anti-counterfeiting and piracy. Among the others, the World Customs Organization (WCO) developed in 1995, and subsequently updated, a non-binding instrument to guide the application by national authorities of border measures for the protection of IPR. Interpol adopted its first non-binding resolution on intellectual property crimes in 1994, and reiterated it in 2000, providing guidance to stakeholders, industries and Member countries concerned with IP crime. The Asia-Pacific Economic Cooperation (APEC) forum's Intellectual Property Experts Group (IPEG) has also developed guidelines on enforcement²².

3.1. The Intellectual Property Enforcement in TRIPs Agreement.

The TRIPs Agreement defines counterfeit and pirated goods as follows:

- a) “counterfeit trademark goods” shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;
- b) “pirated copyright goods” shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which 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 country of importation»²³.

Thus, counterfeit goods so closely mirror the appearance of legitimate goods that it is often extremely difficult or impossible to distinguish a true product from a counterfeit copy²⁴.

²² In 2004, WIPO, the WCO and Interpol coordinated to host the first Global Congress on Combating Counterfeiting (GCCC). The Congress has now met three times, and is due to meet again in February 2008 in Dubai. At the 2nd and 3rd Congresses Japan proposed the establishment of a new international treaty on IPR enforcement. In the Lyon Declaration from the 2005 Congress, and in 2006 follow-up, the Congress recommended consideration of Japan's suggestion to develop an international treaty on IPR enforcement.

²³ See Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 51, footnote 14.

²⁴ Each year, intellectual property theft costs businesses in the United States at least 750,000 jobs and at least \$ 250 billion (Press Release, Hon. Carlos Gutierrez, Secretary, United States Department of Commerce, Commerce Secretary Carlos Gutierrez Unveils Initiatives to Fight Intellectual Property Theft - Sept. 21, 2005 -, <http://www.commerce.gov>).

The TRIPs Agreement dedicates a whole section (Section III) to the enforcement of intellectual property rights.

The substantive obligations under the TRIPs Agreement are now being widely implemented in national legislations and so have become common denominators among member States of the WTO.

Some authors²⁵ pointed out that even if enforcement procedures of WTO recent member States, as China, comply with TRIPs standard, some actions are required to ensure more than taken enforcement in practice²⁶.

The TRIPs Agreement constituted a change in intellectual property rights enforcement: prior to the TRIPs Agreement international treaties for the protection of intellectual property rights included few enforcement obligations²⁷, none of them explicitly dealing with intellectual property enforcement; nor did these instruments provide for any mechanism for settling disputes that could arise between States over intellectual property-related obligations, including those concerning enforcement.

Moreover, the Paris Convention for the Protection of Industrial Property (Paris Convention, 1883) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention, 1886), required Member States only to implement in their internal legal system minimum standards, i.e. the so-called national treatment in enforcing IPR protection. As it is well known, national treatment does not oblige the State to improve the quality of IPR enforcement, but is simply requires the internal legislation not to discriminate between national and foreign IPRs holders.

The World Customs Organization estimates that five to seven percent of global goods traded are counterfeit. The counterfeit market led to a worldwide loss of sales as great as \$ 512 billion in 2004. The sale of counterfeit goods spans nearly every trade and industry.

China was the source of 83% of counterfeit goods intercepted at EU borders in 2006. Some European manufacturers estimated in April 2007 that Intellectual property right infringements in China cost EU manufacturers operating there one euro in every five that they earned. In 2006, seven in every ten businesses operating in China had a serious problem related to intellectual property theft. Efforts have been made by China to improve intellectual property protection and enforcement but progress is disappointing and slow (Eu Trade Commissioner Mandelson in China November 23 - 27, 2007, doc. Reference: IP/07/1753).

²⁵ See, *ex multis*, VOLPER E. T., *TRIPs Enforcement in China*, Brooklyn J. Int'l L., 2007, p. 330, where quotes Reichmann J. H., *Enforcing the Enforcement procedures of the TRIPs Agreement*, Virginia. Journ.. Int'l L., 1997, p. 335 – 339: «adopting legislation that complies with international minimum standards becomes only the starting point. States must further apply these laws in ways that will stand up to external scrutiny [...] then they must adequately enforce them in compliance with detailed criteria concerning procedural and administrative matters [...]».

²⁶ However, recently, a Chinese court declared the infringement of an Italian famous fashion group's IPRs against a Chinese company that counterfeited the Italian brand goods.

²⁷ These include article 25 of the Paris Convention 1883, article 36 of the Berne Convention 1886, and article 26 of the Rome Convention 1961.

Contrarily, according to TRIPs, the adoption of a legislation complying with international minimum standard as well as with the national treatment provision is only the first step .

Domestic laws must be adequately enforced in compliance with the provisions concerning enforcement of intellectual property rights²⁸. However, the TRIPs Agreement clearly recognizes the existence of widely varying standards in the protection and enforcement of intellectual property rights among countries.

It only attempts to establish general standards to be implemented according to the mechanism determined by each Member²⁹.

The TRIPs Agreement includes both compulsory and optional provisions on intellectual property rights enforcement.

Most of the provisions do not establish straightforward obligations, but require Members to empower judicial or other competent authorities to order certain acts. The relevant national authorities may order certain procedural remedies, but they are not obliged to do so, and can exercise discretion in applying the mandated rules.

The enforcement provisions of the TRIPs Agreement (Articles 41-61 of TRIPs) provide the basis under the WTO regime for determining whether individual countries are adequately able to fight copyright piracy within and at their borders.

These provisions oblige WTO Member countries to provide enforcement procedures, including civil or administrative remedies, as well as criminal penalties, that permit effective action against any act of copyright infringement (including acts of copyright infringement that occur in the online environment) and that constitute a deterrent to further infringements.

In addition, enforcement provisions on copyright, crime, customs, tax and communications must effectively reduce high levels of commercial copyright piracy both domestically and at the borders of the WTO member countries.

The TRIPs enforcement standards require a regime that provides:

- effective action against infringements, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements (Article 41.1);

²⁸ REICHMANN J. H., Enforcing the Enforcement procedures of the TRIPs Agreement, 1997, p. 335.

²⁹ Article 1.1 of the TRIPs Agreement establishes that Members are free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice. In this regard, the Agreement does not attempt to harmonize procedural rules for enforcement of intellectual property rights.

- procedures that are fair and equitable, are not unnecessarily complicated or costly, and do not entail any unreasonable time limits or unwarranted delays (Article 41.2);
- transparency in the form of written decisions on the merits, made available to the parties to a proceeding without undue delay (Article 41.3);
- adequate civil or administrative procedures and remedies, including the availability of civil injunctions (Article 44); the disposal or destruction of pirate goods (Article 46); and the disposal or destruction of materials and implements the predominant use of which has been in the creation of the infringing goods (Article 46);
- provisional measures, including the availability of *ex parte* civil search orders (Article 50);
- adequate border measures, such as applications to “suspend” the release of infringing goods at the border (Articles 51 and 52); and the disposal or destruction of infringing goods (Article 59);
- adequate criminal procedures, including deterrent penalties (Article 61); the availability of seizure, forfeiture and destruction of infringing goods (Article 61); and seizure, forfeiture and destruction of materials and implements the predominant use of which has been in the commission of the offense (Article 61)³⁰.

The intellectual property rights enforcement provisions also allow for certain exceptions. According to Article 44.2, where the remedies against infringements stipulated under the TRIPS Agreement are inconsistent with a Member’s law, the remedies shall be limited to declaratory judgments and payment of adequate compensation. Members also have significant leeway in determining what amount of compensation is ‘adequate.’ Similarly, under Article 44.1, Members are not required to grant injunctions in respect of intellectual property rights acquired by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.

³⁰ GEUZE M., *Patent Rights in the Pharmaceutical Area and their Enforcement. Experience in the Wto framework with the Implementation of the TRIPS Agreement*, The Journal of World Intellectual Property 1 (4) , 1998, p. 585–603, he suggested that the general enforcement obligations of Article 41 of TRIPS can be summarized in six “performance standards”:

1. enforcement procedures to permit effective action against infringement;
2. expeditious remedies to prevent infringements;
3. deterrence to further infringements;
4. enforcement procedures that are not unreasonably complicated;
5. enforcement procedures that are not unreasonably costly;
6. time limits that do not cause unwarranted delays or are not unreasonably fast.

Finally, the TRIPS Agreement provides a “checks and balances approach” to the application of procedures for intellectual property enforcement that safeguard the interests of third parties and of the public³¹.

3.2. The Intellectual Property Enforcement in WIPO.

In addition to enforcement provisions in WIPO treaties³², WIPO has established a permanent Committee mandated to discuss and share the different national experiences on intellectual property enforcement.

The WIPO Advisory Committee on Enforcement (ACE) was established in 2002, which structured the discussion on enforcement of copyrights and industrial property rights. The establishment of the ACE merged the Advisory Committee on Enforcement of Industrial

³¹ Article 48.1 of TRIPs empowers judicial authorities to order a plaintiff who has abused enforcement procedures to provide to the defendant adequate compensation for the injury suffered. Articles 50.3 and 53.1 also empower judicial authorities to request the applicant to provide security or other assurances sufficient to protect the defendant and to prevent abuse of proceedings for provisional measures. Judicial authorities must have the authority to impose certain requirements on the applicant of a provisional measure «in order to satisfy themselves that the applicant is the right holder and that the applicant’s right is being infringed or that infringement is imminent». A clear safeguard exists in Article 41.5 that attenuates the obligations on intellectual property rights enforcement. Members are not obliged to establish court divisions specialised on the enforcement of intellectual property rights and to allocate resources separately for intellectual property rights enforcement. The provision relieves Members from any duty to beef up their overall judicial and administrative structures to emphasize and/or prioritize the enforcement of intellectual property rights over the enforcement of law and order in general.

³² See for example:

- Articles 9 and 10 of the Paris Convention for the Protection of Industrial Property that require seizure or equivalent measures on importation of goods unlawfully bearing a trademark or trade name or certain false indications;
- Article 10 *ter*(1) of the Paris Convention providing that members of the Paris Union «undertake to assure to nationals of the other countries of the Union appropriate legal remedies effectively to repress» certain acts which are prohibited under Articles 9, 10 and 10 *bis* of the Convention.
- Article 15 of the Berne Convention for the Protection of Literary and Artistic Works contains a presumption that the person whose name appears on the work is entitled to institute infringement proceedings in the countries of the Union for the purpose of enforcing right protected under the Convention. A
- Article 16(1) and (2) of the Berne Convention provides that infringing copies of a work are subject to seizure in any country of the Berne Union where the work enjoys protection, even when the copies originate from a country where the work is not or no longer protected.
- Article 13(3) of the Berne Convention also provides for the seizure of copies of certain recordings of musical works imported without the permission of the author or other owner of copyright in the country of importation.
- Article 11 of the WIPO Copyright Treaty (WCT) and Article 18 of the WIPO Performances and Phonograms Treaty (WPPT) require Contracting States to provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures. Moreover, Article 12 of the WCT and Article 19 of the WPPT require Contracting States to provide adequate and effective legal remedies with respect to certain obligations relating to the protection of rights management information.

Property Rights and the Advisory Committee on Management and Enforcement of Copyright and Related Rights in Global Information Networks into a single forum.

When the ACE was established, it was agreed that its mandate would be limited to discussions on technical assistance and coordination. It was specifically agreed that the mandate would not include norm-setting in the field of enforcement as several members were of the view that the issue of enforcement had to be seen in the broader context of the public interest and the obligations of right holders, and not just in the context of combating infringement of protected intellectual property rights.

Although the formal statement included in the statute, ACE present activity is even focused on strengthening the enforcement of intellectual property rights, with particular attention to the problems faced by right holders in enforcing their intellectual property rights.

Recently, in September 2007, WIPO's Japan Office concluded a study on the economic impact of intellectual property systems in six Asian countries– China, India, Japan, Malaysia, the Republic of Korea and Vietnam – aimed at assessing and developing a sound methodology for carrying out such economic research³³. One of purposes of the study is to provide a methodology that could be applied in other regions of the world, offering a useful tool for Members States wishing to conduct similar projects.

3.3. The Intellectual Property Enforcement in the European Union.

The EU adopted one Regulation (Reg. 1383/2003 on the enforcement of intellectual property rights) and nine directives disciplining some aspect of intellectual property rights enforcement³⁴, aimed, in particular, to harmonize standards and institutional mechanisms for intellectual property rights enforcement.

³³ In May 2007, WIPO and the United Nations University, in cooperation with the United Nations Information Centre (UNIC) and the Japan Patent Office (JPO), held an open symposium in Tokyo, at which the experts from the six participating countries presented their findings to date. While most of the experts were still at the second stage of the research process, they reported initial results indicating a positive correlation between the strengthening of the IP system and subsequent economic growth, particularly in the areas of research and development, foreign direct investment and technology transfer.

³⁴ Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights, O.J. L 195 , 02 June 2004, p. 16 - 25, Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art, O.J. L 272, 13 October 2001, p. 32 - 36, 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 - it is intended to implement the WIPO Copyright Treaty -, O.J. L 167/10 of 22 June 2001, Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, O.J. L 077 , 27 March 1996, p. 20 - 28, Council Directive 93/83/EEC of 27 September 1993 on the

The most important instrument is the Regulation 1383/2003, providing (i) customs action that can be activated against goods suspected of infringing certain intellectual property rights, and (ii) the measures that can be taken against goods found to have infringed such rights, entered into force³⁵.

The regulation extends the scope of intellectual property rights subject to action by customs authorities, including, besides trademark counterfeit goods and copyright piracy goods as required by the TRIPs Agreement, goods infringing a patent, a supplementary protection certificate (plant protection or medicinal products) and geographical indications.

The regulation also extends the scope of the boarder instruments/actions that can be activated by customs authorities.

The actions includes the suspension of the release of goods in the European market, the detention of the goods for three days or their destruction without awaiting the outcome of final legal proceedings, in case the holder or the declarants agree. Moreover, the regulation provides (i) a safeguard against the potential abuse of the border measures and (ii) rights for the declarant, importer or consignee of the goods. For example, under Article 4 of Council Regulation 1383/2003, customs authorities act only at the right-holder's request. The customs authority may also ask the right holder to provide information in the application for customs action before taking any action on the suspected infringing good. The importer, holder or consignee of the goods can obtain release of the goods if proceedings for a substantive decision are not taken within 10 days.,.

A second important instrument provided in the EC is the Directive 2004/48/EC on enforcement of intellectual property rights, entered into force April 2004, aiming to approximate the legislative systems of members so as to ensure an high, equivalent and homogenous level of protection of intellectual property rights in the internal market.

coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, O.J. L 248, 6 October 1993, p. 15 - 21, Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, O.J. L 346, 27 November 1992, p. 61 - 66, Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs, O.J. L 122, 17 May 1991, p. 42 - 46, Council Directive 87/54/EEC of 16 December 1986 on the legal protection of topographies of semiconductor products, O.J. L 24, 27 January 1987, p. 36 - 40.

³⁵ Council Regulation (EC) No. 1383/2003 of 22 July 2003, O.J. L 196 , 02 August 2003, pp. 7 – 14.

The Directive is applicable to any infringement of intellectual property rights that have been harmonized among the European Union, including those not covered by the TRIPS Agreement, such as utility model rights and the *sui generis* right of a database maker, and establishes penalties and remedies that must be available under civil law of each EC member.

Some of the “TRIPs plus”³⁶ elements of the Directive include: (1) the power for the authorities to seize documentary evidence relating to the suspected infringement and the suspected goods themselves, (2) an obligation for courts to provide information on the source of infringing goods, (3) interlocutory (preliminary) injunctions that may be provided in advance of a decision on the merits of a case, (4) the seizure of offenders' bank accounts and other assets and profits to ensure payment of due damages, (5) the recall of infringing goods at the offender's own expense, and (6) the choice for the right holder of either lump sum damages (up to double normal royalties or license fees) or compensation for lost profits.

The Directive underlines that it should not be used to restrict competition unduly in a manner contrary to the Treaty establishing the European Community.

The European Commission undertook several measures to ensure the correct implementation of the Directive, including the conclusion of cooperation agreements with trade representatives of the major transport companies, such as airlines, shipping companies and express carriers, with a view to improving information exchange on fakes traffic .

Recently, the attention of the EU has been focused on the proposal of a Directive on the harmonization of criminal measures with a view of improving the enforcement of intellectual property rights in the member States³⁷. The task proved to be quite complicated due to the

³⁶ The World Trade Organisation's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights substantially changed the international intellectual property regime by introducing the principle of minimum intellectual property standards. In effect, this principle means that any intellectual property agreement negotiated subsequent to TRIPs among and/or involving WTO members can only create higher standards – commonly known as “TRIPs plus”. The TRIPs-plus concept covers both those activities aimed at increasing the level of protection for right holders beyond that which is given in the TRIPs Agreement and those measures aimed at reducing the scope or effectiveness of limitations on rights and exceptions.

³⁷ Proposal for a European Parliament and Council Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights, July 12, 2005, COM(2005)276 final. The justification for the proposal considers that «counterfeiting and piracy, and infringements of intellectual property in general, are a constantly growing phenomenon which nowadays have an international dimension, since they are a serious threat to national economies and governments. The disparities between the national systems of penalties, apart from hampering the proper functioning of the internal market, make it difficult to combat counterfeiting and piracy effectively. In addition to the economic and social consequences, counterfeiting and piracy also pose problems for consumer protection, particularly when health and safety are at stake. Increasing use of the Internet enables pirated products to be distributed instantly around the globe. Finally, this phenomenon appears to be

divergences in this field among the national measures and policies applied by each EU member.. For this reason, after a long debate, the European Parliament enacted a legislative resolution amending and clarifying various provisions of the Directive. The resolution clarified that the Directive is not applicable to any infringement of an intellectual property right related to patents, utility models and supplementary protection certificates or to parallel imports of original goods which have been marketed with the agreement of a right holder in the third country.

Member States are also required (i) to ensure that the rights of defendants are duly protected and guaranteed; (ii) to prohibit and sanction the misuse of threats of criminal sanctions, and (iii) to prohibit procedural misuse, especially where criminal measures are employed for the enforcement of the requirements of civil law. These amendments have been justified by the fact that «the potential for a right-holder to deter potential infringers (i.e., competitors) increases considerably if he can threaten them with criminal penalties. Both international and European law require the prevention of misuse of intellectual property rights. Misuse disrupts free competition».

3.3.1. The interaction between competition law and intellectual property law as a tool for improving the enforcement of IPRs.

The growing consideration in Europe, testified by a number of decisions issued by the Commission, on the interaction between competition law and intellectual property law may in future impact the current framework for enforcement of intellectual property rights. Here following we describe some landmark cases:

- in the IMS Health case concerns the refusal to license to use a database in which copyright subsists despite an offer to pay valuable considerations for the license. The European Court of Justice stated that in order for the refusal to license to be abusive it is sufficient that three cumulative conditions be satisfied, namely, (1) the refusal prevented the emergence of a new product for which there was a potential consumer

increasingly linked to organised crime. Combating this phenomenon is therefore of vital importance for the Community. Counterfeiting and pirating have become lucrative activities in the same way as other large-scale criminal activities such as drug trafficking. There are high potential profits to be made without risk of serious legal penalties. Additional provisions to strengthen and improve the fight against counterfeiting and piracy are therefore necessary to supplement Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights. In addition to the civil and administrative measures, procedures and remedies provided for in Directive 2004/48/EC, criminal penalties also constitute, in appropriate cases, a means of enforcing intellectual property rights».

demand; (2) the refusal to license by the copyright owner was not justified by objective considerations; and (3) the refusal was such as to exclude any competition on a secondary market;

- in the Microsoft case, the European Commission rejected Microsoft's argument that its rights in intellectual property rights products should justify maintaining absolute discretion with respect to the licensing of its product, regardless of antitrust law. The Commission reasoned that lack of interoperability would lock in consumers to a specific product, that if Microsoft's strategy is successful new products will be confined to niche existence or not be viable at all, that there will be little scope for innovation, and that these reasons outweigh the mere protection of the proprietary interest if Microsoft's anti-competitive behaviour remains unfettered. The European Court sustained the decision of the Commission. Microsoft declared that it would comply with the ruling.
- recently the European Commission began an enquiry into the pharmaceutical sector in Europe to verify whether companies have undertaken anti-competitive practices, including the deliberate abuse of patent rights and patent-dispute settlements between companies to ward off competition. The enquiry so far has included a number of investigations such as Pfizer and GlaxoSmithKline. The enquiries were justified by the concerns raised by the declining number of new pharmaceuticals coming to market alongside the growing number of patents being granted.

In brief, the European Union is aggressively pushing to harmonize the legal mechanisms and facilitate the enforcement of intellectual property rights under a community rule. The effort of the European Union with regard to the enforcement of intellectual property rights is accompanied by the active role of the European Parliament in attempting to ensure that the European Commission regulations respect due process, balance interests and provide safeguard mechanisms. Moreover, Europe is emerging as the world's top regulator of competition, at least in cases involving Microsoft.

In 2005, the Commission of the European Communities adopted a communication on a *Custom response to latest trends in counterfeiting and piracy*, highlighting that «the health and safety of EU citizens, their jobs, Community competitiveness, trade and investment in

research and innovation are all under increasing threat from the industrialised production of fakes»³⁸.

The Commission stated that counter-measures are required at the national, community and international levels, in order to substantially reduce global trade in pirated and counterfeit goods, and combat the trans-national networks involved in this trade. The European executive professed this strong request on the basis of OECD studies³⁹ and on the reports that Member States' customs administrations transmitted as requested by Commission Regulation (EC) No. 1891/2004 of 21 October 2004⁴⁰, on their interception of fakes at Community borders provide a fairly accurate indication of changing patterns in counterfeiting and piracy in international trade⁴¹.

Relating to the international actions, the Commission proposed to negotiate bilateral agreements «[...]to share the practical tools (risk management guide, statistics, trends analysis etc.) developed in the EU with the EU's trading partners in order to tackle counterfeiting in key problem areas. Customs Co-operation Agreements and Partnership and Co-operation Agreements with a Mutual assistance component provide a legal basis to co-operate and exchange information»⁴².

Moreover, the Commission would have sought to include in the IPR chapter of future bilateral arrangements a commitment for the parties to apply customs controls not only on imports but also on exports, transit and transshipment of goods infringing certain Intellectual Property rights.

³⁸ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a Customs response to latest trends in Counterfeiting and piracy, COM(2005) 479 final, not published in O.J.

³⁹ Before the above mentioned 2007 OECD report, the economic and cooperation organization put out a report in 1998 on the Economic Impacts of Counterfeiting, available at <http://www.oecd.org/dataoecd/11/11/2090589.pdf>.

⁴⁰ Legislative measure laying down provisions for the implementation of Council Regulation (EC) No 1383/2003, O.J. L 328 , October 30, 2004, p. 16 - 49.

⁴¹ For an independent study of economic impact of counterfeiting and piracy, see YANG D., SONMEZ M., *Economic and Cultural Impact on Intellectual Property Violations: A Study of Software Piracy*, Journal of World Trade, 41(4): 731-750, 2007. The authors carried out an empirical analysis based on data from 76 countries.

⁴² *Ibid.*, para. 3.3.

4. The proposed ACTA.

Before analysing the issues covered by the new agreement, it is worthwhile to point out that:

- there is not enough evidence as to the extent or effects of international trade in “counterfeiting and pirated products”. There is a lack of reliable information and objective data as well as of harmonized definitions that would allow a proper quantification of the magnitude and impact of international trade in counterfeit and pirated goods and an adequate assessment of the problems it poses⁴³;
- While it is necessary that claims on intellectual property rights infringement be based on substantial evidence, the United States and the European Union are evaluating intellectual property enforcement in developing countries against levels of counterfeiting and piracy that are mainly based on estimated losses that their industries claim to exist according to their own surveys. The estimates of the levels of counterfeit and piracy are imperfect and tend to exhibit an upward bias. The difficulty in estimating levels of actual counterfeiting and piracy is exacerbated by the lack of common definition of TRIPs Agreement terminology. The problem in accounting the levels of counterfeiting and piracy and the upward bias in most industry-based figures were confirmed also in the recent OECD report.
- it is unclear from the use of the terms “counterfeit” and “piracy” what the new treaty would actually cover.

However, in order to provide an analytical framework with regard to the new agreement being negotiated, it is necessary preliminary remark that the general perspective can change depending on which view is considered: the negotiator (industrialized) countries point of view or, instead, the third countries - that, perhaps, will be involved later - point of view.

4.1. The new element brought about by the Anti Counterfeiting Trade Agreement (ACTA) in the fight against counterfeiting.

As highlighted above the most important element of the new agreement is that it would create additional value compared to the current situation: the ACTA does not develop new legal

⁴³ As we note, there are few independent economic studies on the impact of counterfeiting and piracy on international trade. Basing all the negotiation only on the OECD recent report could be prejudiced.

norms, but promote IPR enforcement, especially, in the first stage, in the customs sector where procedures could be developed further and made more uniform.

This request is particularly supported by the EU, as it is pointed out above⁴⁴.

The ACTA key components are (i) international cooperation among the parties leading to harmonised standards, (ii) better communication between national authorities, (iii) improved capacity building and technical assistance, and (iv) cooperation with the private sector.

The continued exchange of national information, experience and practice aimed at tackling counterfeiting and piracy is positive and desirable as a means of acquiring a better understanding of the problems and building common agendas. Current sharing of experience should be broadened to include the use of enforcement measures to ensure the exercise of limitations on and exceptions to intellectual property rights and to prevent abuse of intellectual property rights; the use of competition law; and analysis of related national case law.

The ACTA would also establish enforcement practices that promote strong intellectual property protection in coordination with right holders and trading partners, emphasize the pressure to other countries, like China, to enforce anti-counterfeiting legislation and to create a modern legal framework which reflects the changing nature of intellectual property theft.

In this field , the ACTA would promote also criminal enforcement, criminalizing non commercial infringements, ensuring, at the same time, legal due process rights during criminal proceeding.

4.2. The ACTA in the international law context.

Currently there are still different approaches between interested parties about the structure and the way to negotiate the ACTA. Whereas Japan would proceed step-by-step starting with less controversial issues like customs cooperation, the US prefers to begin the negotiations on all relevant aspects of IPR enforcement, particularly in the area of civil, criminal and

⁴⁴ On this point see the European Commission Communication on a Customs response to latest trends in Counterfeiting and piracy (footnote 34).

administrative enforcement. The European Commission, being now without a mandate, still participates at preparatory meetings in “silent mode”.

At the moment, elements on civil enforcement appear swift and non-controversial, whereas criminal enforcement probably will represent the most crucial topic of future negotiations. For instance, the terminology “infringement on a commercial scale” can have particular implications on the interpretation of the whole section on criminal enforcement so the current delegations agree on the importance to reach a clear and shared understanding how to interpret this term.

In particular, the ACTA is considered an opportunity to add clarity to the TRIPs terminology. Adopt clear definitions of counterfeiting and piracy is certainly a good approach to avoid legal uncertainty and potential abuse of enforcement measures.

Enforcement measures must be equitable and fair and must balance the intellectual property rights of their holders and the rights of third parties, and the limitations and exceptions provided in the intellectual property system.

From a US and EU governments point of view, the TRIPs does not seem to be the adequate forum to upgrade the level of protection. Firstly, developing countries form a more united front on intellectual property matters than they were back in 1994. Their coalition even led to the Doha Declaration on public health which, as modest as it is, represents a breakthrough in international negotiations. Moreover, developing countries now count on increasingly active NGOs in the field of intellectual property. For example, the campaign of Oxfam and *Médecins sans frontières* contributed in convincing pharmaceutical companies and the American government to withdraw their complaints against Brazil and South Africa.

As a result, we now observe another *forum shift* in the international regime of intellectual property. One such shift took place in 1994 when discussion on IP moved from WIPO to the WTO. The current forum shift is now occurring from the WTO to bilateral negotiations. While civil society and emerging developing countries exercises pressures to the WTO to maintain or even lower TRIPs standards, the United States and the Europeans countries have found in bilateralism a way to extend international IP protection.

The European Commission has created IP-specific dialogues with China and Russia and is developing a new one with Latin America. The Commission is even expanding the role of EU delegations on IP enforcement with an expanding network of IP experts, including officials already in Beijing and Moscow and a customs official who deals with IP in Bangkok.

4.3. Will/could ACTA create a “new WIPO” and a new layer of IPR standards in the first round or through engaging further signatory states in the future?

The adoption of the TRIPs Agreement under the WTO was the direct result of the demands of the information technology, biotech, pharmaceutical, entertainment and semiconductor industries in the advanced countries.

These industries continue to play an important role in the subsequent implementation of the agreement, upgrading the standards of protection and intellectual property rights enforcement.

From the industrialized countries perspective, international discourse is an important element in the strategy aimed at establishing harmonized standards of intellectual property protection and enforcement modelled at the international level on the normative framework of the United States, European Union and Japan, and which surpass the obligations of the TRIPs Agreement.

The objective is to achieve an international framework that acts as a deterrent to infringements of state-conferred intellectual property rights and to assist right holders to obtain quick and efficient remedies when infringements take place.

The aim is to make intellectual property rights enforcement cheaper, easier and more secure and to put right holders in a better position to earn profits from the export of their intellectual property rights-based products.

As a result, the industrialized countries approach to enforcement, in sharp contrast to a public policy approach that takes into consideration issues broader than industry interests in formulating policy, is one of the major emerging challenges for national intellectual property rights systems.

The current industrialized countries discourse, which is also reflected in the official stance of the United States⁴⁵ and the European Union⁴⁶, has taken a particular new form: a massive global campaign against ‘piracy and counterfeit’ based on claims of losses by industries⁴⁷.

⁴⁵ United States Trade Representative, Work on Intellectual Property webpage.

⁴⁶ European Commission Directorate General for Trade, Strategy for the Enforcement of Intellectual Property Rights in Third Countries, 2004.

While the terms ‘counterfeiting’ and ‘piracy’ do not follow a single agreed definition and are used in various ways, international business associations, developed country governments and WIPO refer to these terms as relating to the infringement of trademarks, in the case of ‘counterfeit’, whereas ‘piracy’ is associated with infringements of copyright or related rights⁴⁸.

However, more recently the term is being redefined to include patent infringement, which is not included in the definition of counterfeit and piracy in the TRIPS Agreement.

While it is clear that serious intellectual property rights infringement should be tackled, expanded claims of infringement based on loss of profit and a loose interpretation of enforcement rules without balanced and pro-competitive mechanisms are emerging as a challenge for developing countries. According to the proposed intellectual property enforcement Act of the United States, an attempt to infringe intellectual property rights could also entail criminal responsibility. As we have seen above, a similar approach was pursued, but later repealed, in the second European intellectual property Directive.

The most notable trend in intellectual property enforcement in emerging countries that are not taking part to the ACTA negotiation is the increase in awareness campaigns, the coordination of government agencies for enforcement of intellectual property rights, the establishment of specialized benches with jurisdiction over intellectual property rights, the undertaking of various administrative measures, police raids, and an extensive review of laws⁴⁹.

The establishment of a national mechanism for coordination of government agencies for the enforcement of intellectual property rights has been the major trend since 2000⁵⁰.

Some emerging countries are also establishing divisions in courts of law with jurisdiction exclusively over intellectual property rights⁵¹.

⁴⁷ It is important to note the specific language and linkages in the discourse. For example, while not making any distinction as to the types, areas and scope of the infringement, generally the arguments seek to connect intellectual property rights “piracy and counterfeiting” to theft, criminal activities and organized crime, even to terrorism. While there might be instances where this in fact occurs, it could distort the perspective of what intellectual property rights infringement is and what intellectual property rights enforcement is about.

⁴⁸ In relation to copyrighted works, piracy is said to occur mainly with respect to digital media, e.g., DVDs and CDs, as well as in the digital distribution of films, music and software on internet. In relation to trademarks, it is argued that counterfeiting takes place mainly in clothing, footwear, electronic devices, and pharmaceutical products.

⁴⁹ See the WIPO ACE reports, available at http://www.wipo.int/meetings/en/topic.jsp?group_id=142.

⁵⁰ *Ibid.*

Campaigns, police raids and sudden crackdowns have become the most reported government-led efforts in the enforcement of intellectual property rights. In China arrests related to intellectual property enforcement crimes increased by 36% and prosecutions by 75% from 2000 to 2004. During that period 5,305 criminal intellectual property infringement cases were brought to court⁵¹.

Administrative remedies are also used extensively to address infringements of intellectual property rights.

Therefore, there are a number of international organizations and international treaties (participated by both developing and developed countries) that already play a role in IPR enforcement.

In particular, the WTO by means of the TRIPs Agreement and its dispute settlement mechanism and WIPO that provides a non-binding forum for discussion of enforcement issues through its Advisory Committee on Enforcement and from 2004, together with WCO and Interpol, coordinates the GCCC (Global Congress on Combating Counterfeiting).

In the Lyon Declaration from 2005 Congress, and in the 2006 follow-up, the Congress paid special attention to Japan's proposal of developing an international treaty on IPR enforcement. This led to the adoption of the G8 document "Reducing IPR Piracy and Counterfeiting through more Effective Enforcement". Building on the GCCC and G8

⁵¹ Malaysia introduced court divisions dedicated to their enforcement in July 2007. Thailand has had intellectual property courts since 1997. The Vietnamese National Assembly passed the new Intellectual Property Law at the end of 2005 and it will come into force in July 2006. Vietnam also acceded to the Berne Convention at the end of 2004, thereby completing the international protection of intellectual property rights in the country. The scope of the new legislation is extraordinarily wide. In 261 articles, it covers not only the classical areas of intellectual property such as copyright (Part Two of the Law), trade marks, industrial designs and patents, but also business secrets and plant varieties. While plant variety protection is outlined in a separate part, perhaps one of the most difficult parts of the law is Part Three, which deals with all "industrial property rights" together. The enforcement of IPRs in Vietnam operates in the general framework of enforcement. There does not exist a special system for IPR enforcement in both civil and administrative procedures. As a matter of fact, resorting to administrative procedures and remedies to repress an IPR infringement is regarded more effective than taking a suit before a court. While a few of IPR cases are brought before the courts, a large number of cases are handled by the administrative enforcement authorities. Apart from the inadequacy in the particular civil procedures and remedies for IPR enforcement, the limited qualification and capacity of judges in dealing with IPR matters reduce the incentives of IPR enforcement under the civil procedures. In the context of the immature IPR knowledge of the enforcement bodies, the National Office of Intellectual Property plays an active role in preparing and disseminating the national policies and regulations on IPR enforcement. In practice, the enforcement bodies often consult with the National Office of Intellectual Property in handling the IPR related cases.

⁵² HUNTER K. C., *Here There Be Pirates: How China is Meeting Its Intellectual Property Enforcement Obligations under TRIPs*, San Diego International Law Journal, 2007, p. 545.

recommendations, the focus in the proposed ACTA is exactly on international cooperation, enforcement and legislation.

At the beginning, the EU Commission and Member States had doubts about the opportunity to negotiate this plurilateral Anti-Counterfeiting Trade Agreement because they preferred multilateral solutions in the framework of existing international organization. Otherwise, EU should not stay outside the negotiation of this Japan-US project, especially for the reason that it was not foreseen an extensive initiative in multilateral *fora* and because of industry interest for international fighting against counterfeiting,.

Nevertheless EU thinks necessary to establish appropriate safeguards to maintain open the possibility for participating in bilateral negotiations; to include strong IPR chapters in the Partnership Cooperation Agreement with China and all new generation of Free Trade Agreements with India, Korea, ASEAN and Latin America; to ensure the compatibility with the Heiligendamm process launched in G8 framework that represents an important way to dialogue with China, India, South Africa, Brazil, Mexico and Argentina on IP enforcement.

In conclusion, the ACTA could be sharper than WIPO system (without the constraints of consensus building, developing countries and civil society groups) but, in next future, it is probable that there will be overlapping and intermingled IP agreements (on bilateral, regional, plurilateral and multilateral basis) with consequent legal problems.

4.4. The prospective ACTA Member States.

In the EC guidelines set out for ACTA negotiation, the Commission indicated three phases. In the initial one, the ACTA will be negotiated among a number of trading partners interested in fighting the high levels of worldwide trade in counterfeit and pirated goods; preliminary contacts have already taken place between the US, Japan, Canada, Switzerland and EU. Germany encouraged the attempt of the EC to involve China, Russia and India in the first phase of the negotiation but, soon after, it was clear that this way was not feasible.

At the second phase, but still before the launch of the negotiations, it is intended to extend the dialogue to other developed and developing countries sharing the concerns of the above mentioned partners. This is the present stage and on March 11-12, 2008, in Berne, delegates

from Australia, Canada, the European Commission, EU Presidency (Slovenia), Japan, Korea, Morocco, Mexico, New Zealand, Switzerland, UAE, the US and Uruguay convened for an informal meeting on the ACTA.

At the third phase, once the ACTA is concluded, other countries would have the option to join the agreement and contracting parties will continue their work to push towards the extension of participation in ACTA to other countries.

This approach particularly penalizes developing countries as they do not have equal input to the agreement text they could adhere to. At this time developing countries are increasingly redirecting resources to strengthen the enforcement of intellectual property rights.

4.5. Can Europe set the global standards in anti-counterfeiting measures like it has done with many other international standards in trade and industry?

Besides counterfeiting and piracy, EC Member States intend to broaden the areas covered by the agreement adding specific measures regarding optical disc piracy, internet distribution and information technology and other means used for the infringement of IPR, including those regarding pharmaceutical products, industrial design and geographical indications.

As stated by many Member States in their comments, „a joint statement by the Council and the Commission concerning ACTA negotiations recognized that criminal enforcement disciplines should not include detailed provision on the types of punishment and the level of penalties and should not they apply to patents. On matters falling within the competence of Member States, when a common position cannot be reached on a given subject, it should be excluded from the negotiations. More generally, the provision of the ACTA shall be compatible with, mutually supportive and complementary to, the EC and Member States commitments under existing intellectual property agreements.

Therefore, it appears clear that the position of Europe will be fundamental in shaping the international IP standards outlined in the ACTA.

The United States and European Union are utilizing technical assistance as a means of strengthening intellectual property rights enforcement in third countries⁵³.

The examination of the submissions of developed countries to the TRIPS Council demonstrates that most of the technical assistance provided is now aimed at strengthening the capacity of developing countries to enforce the protection of intellectual property rights.

The European Union has undertaken extensive training in Asia and Latin America and the Caribbean and other countries⁵⁴.

The technical assistance involves legislative, judicial, administrative and enforcement agencies and institutions: special focus is put on enforcement capacity.

Moreover, the United States has increased the number of its official representatives abroad dedicated exclusively to intellectual property rights enforcement.

These US and EU approaches have an immediate impact on the emerging countries and it could be useful to extend these methods in order to improve the IPRs enforcement than a negotiation of a new agreement that could overlap the existing agreement on this matter.

4.6. How will this enhance the enforcement of rules, including the already existing set of rules and international obligations? Isn't enforcement the Achilles heel of IPR law?

It is well known that the protection of IPR is important for promoting innovation, creativity and, consequently, investment but, without effective means of enforcing IPRs, these goals fall short.

As demonstrated in the recent OECD report, IPR infringement is recognized as a problem in all economies to a varying extent. Apart from discouraging innovation and creativity, there are many other consequences of the infringements of IPRs such as threatening consumer health and safety (e.g., counterfeit medicines, car and aeroplane parts), providing an easy source of revenue for organized crime, depriving legitimate businesses and employment as well as loss of tax revenue.

⁵³ Under Article 67 of the TRIPS Agreement, developed countries are obliged to provide technical assistance in favour of developing countries and least developed countries (LDCs).

⁵⁴ See the European DG AIDCO and DG TRADE webpages.

In addition to tackling IPR infringement at national level, the proliferation of counterfeit and pirated goods in global economy requires also effective measures at international level.

As enforcement is the Achilles heel of IPR law, the ACTA will establish a common standard for IPR protection by increasing international cooperation and coordination among enforcement authorities, promoting technical assistance and partnerships with industry, defining the framework of practises that contribute to effective enforcement of IPRs and strengthening enforcement measures at least to those IP rights covered by Part III of the TRIPs Agreement. Indeed, ACTA will probably not include any rules providing the substantive protection of IPRs.

In contrast to substantive IP law, European harmonisation in the field of criminal law is not far advanced. This entails considerable risks regarding the – possibly diverging – understanding of certain notions (e.g. “intentional”; “aiding, abetting or inciting”) as well as the compatibility of the legal concepts underlying the recent directive proposal (e.g. criminal liability of legal entities) with the principles generally applying under criminal law.

Considering that the EU legislation can not be a useful benchmark in this field.

Referring to the criminal law EU competence, pursuant to the ECJ’s judgment of 13 September 2005 (C-176/03)⁵⁵, the Community is competent to take measures relating to the criminal law of the Member States when the application of effective, proportionate and dissuasive criminal penalties by the competent national authorities is considered necessary in order to ensure full efficiency of rules enshrining important Community policies. It is not put in doubt therefore that the Community as a matter of principle is competent to harmonise criminal law aspects of intellectual property (IP) rights.

The European Commission affirmed that the harmonization of the criminal enforcement of IPRs could solve problems related to consumer protection, considering that the counterfeiting and piracy phenomena appear to be increasingly linked to organised crime.

4.7. Concerns and Recommendations for future actions.

The nature, contents and structure of ACTA has not been developed yet; this part will address some concerns regarding the conclusion of a new international agreement on the issue of

⁵⁵ ECJ, *Commission of the European Communities v. Council of the European Union*, 13/09/2003, O.J.C 315, 10/12/2005, p. 2. See also Communication from the Commission to the European Parliament and Council on the implications of the Court’s judgment of 13 September 2005, 24 November 2005, COM(2005) 583 final/2.

counterfeit and will provide some recommendations and issues for future discussions.

- 1) It is crucial to promote, support and previously verify the consistency of the ACTA with WTO/TRIPs as well as with other international agreements (e.g. WIPO) dealing with the issue of IPRs. This in the perspective of avoiding both duplication and overlapping among different international agreements and the creation of other bureaucratic institutions.
- 2) It is important, from a strategic point of view, to clearly identify the objective and the scope ACTA will have in the future from a legal and a substantial point of view. In order to avoid any duplication and overlapping, ACTA should deal in particular with the customs' controls. With regard to the formal issues, some alternatives are available as follows:
 - a. ACTA could be an "OECD model" open treaty, similar to, for example, the 1997 "OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", that provides the institution of a working group mandated to ensure the compliance of member States with the Convention. The working Group, as in the case of the OECD, would be participated by experts delegates from each member and would not be a judiciary body. However it will exercise a "soft law" control on the proper implementation of the convention by the member States; this requires the convention to be linked with an existing international organizations (e.g. OECD)
 - b. ACTA could be a "pure" intergovernmental agreement without links with any international organizations. In this case the constitutive treaty should provide an independent monitoring system, similar to, for example, the trade policy review mechanism of the WTO. The "counterfeit trade policy review mechanism" will be managed by independent lawyers and economists (with no link with any ACTA members).
 - c. It is not worthwhile to negotiate and conclude ACTA within the WIPO/UN system, taking into consideration the mere consultative character and the conservative nature of the WIPO/Advisory Committee on Enforcement.
- 3) ACTA should not be an instrument to mask the inadequacies of the EC system for the protection of IPR.

- a. As it is well known, one of the major problem of the EU in this subject is that the competences regarding IPRs are spread among different EU Commission General Directions (DG). This raises problems regarding the implementation of a coherent and consistent policy for IPRs protection (with consequences even for the fight against counterfeit);
- b. The absence of an European unified strategy/vision on IPRs weaken the EC contracting power at international level (both for the protection and for the enforcement of IPRs, including the fight against counterfeit)
- c. The fragmentation of the instruments for IPRs protection as well as of the competencies in this area makes the general EU policies in this sector inefficient;

As a consequence, in order to properly fight against counterfeit it is necessary to realize, in the EU (as it is already stated in the Lisbon treaty) a serious and shared policy regarding the protection of IPRs, the promotion of innovation an knowledge and the enforcement of the substantive rights. Moreover, the EU should not forget that most of the problem in this area are caused by counterfeit in the internal market.

- 4) As ACTA negotiations will take place only among developed countries, concerns have been raised about the involvement of developing countries: should they be involved already in the negotiation phase? or, they should be involved only after the treaty conclusion (i.e. the treaty will be open to their membership but they will not participate to the negotiations). As most of the counterfeited goods are produced in developing countries, one may wonder whether they are genuinely interested both in participating to the negotiations and in becoming member.
- 5) Connected to point 4, it suggested that the EU should support the developing countries in the fight against counterfeit utilizing its trade policy instruments. It is suggested that the counterfeit issue should be included in the GSP of the EU, with incentives similar to those provided for developing countries fighting against the production and trade of drugs and arms (i.e. trade incentives for countries proving their efforts in fighting against counterfeit)
- 6) EU could provide incentives for developing countries, especially China, Vietnam and other countries often targeted by EU TDIs, through a “soft” application of antidumping, countervailing and safeguard measures. For example, countries or

companies showing a “clear” record or particular improvement in their internal legislation aimed to fight against counterfeit could benefit from a preferential treatment in TDIs procedures (e.g.: a lower AD duties; granting “market economy” status at a company level.

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