



COUNCIL OF  
THE EUROPEAN UNION

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EXT 1**

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- Chapter 2 Section 3 "Criminal Enforcement"

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Delegations will find attached the partially declassified version of the above-mentioned document.

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**ANNEX**

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**Brussels, 8 July 2010**

**11932/10  
EXT 1 (1.10.2012)**

**DROIPEN 75  
WTO 250  
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**NOTE**

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from : Presidency  
to : delegations  
Subject : Pluri-lateral Anti-Counterfeiting Trade Agreement (ACTA)  
- Chapter 2 Section 3 "Criminal Enforcement"

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The criminal enforcement Section of the Anti-counterfeiting Trade Agreement (ACTA) was among the items discussed during the 9<sup>th</sup> Round of negotiations held in Lucerne on 28 June-1 July 2010.

At the end of this 9<sup>th</sup> Round of negotiations, it has been decided to have a technical inter-sessional meeting at the end of July (probably between 27 and 29 July) in the US and a final round in Japan around the 2<sup>nd</sup> week of September (probably between 9 and 16 September).

It is understood that the inter-sessional meeting scheduled for the end of July should make it possible to overcome all "technical" difficulties so that the final round in Japan can focus on substantial problematic issues.

It is at this stage not clear yet among ACTA partners whether criminal law provisions will be discussed during the inter-sessional meeting or only at the final round.

The Presidency submits in the present document new proposals in order to detail further the EU position on criminal law provisions, taking into account the debate held in Lucerne and with a view to making progress (already at the inter-sessional meeting if criminal law provisions are on the agenda) and in order to be in a position to reach agreement in the final round.

## **1. Definition of commercial scale**

### 1.1. Main EU position:

The definition of commercial scale in Art. 2.14.1 has been discussed during the round in Lucerne. Compared to the discussion in April in Wellington, the EU Member States seem now less isolated in their opposition to a definition. Several delegations have expressed in Lucerne their support for the EU position (**NOT DECLASSIFIED**).

Therefore, the first position for EU Member States - avoiding any definition of the terms “commercial scale” – should be maintained.

### 1.2. Fallback position

However, it is likely, as explained before, that it will become very difficult to avoid any definition of the terms “commercial scale”. As agreed at the Friends of Presidency meeting on 23 June 2010, the Spanish Presidency, while reaffirming its opposition to a definition, already indicated in Lucerne that, should there be a definition, it could be acceptable along the following wording :

*“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 excludes acts carried out by end-consumers acting in good faith.”*

From the discussion in Lucerne on the basis of the EU proposal, it emerged that a definition of the terms “commercial scale” would include:

- a positive part (what should be included) which is reflected as follows in the consolidated text :

*[EU: [**NOT DECLASSIFIED**]: For the purpose of this Agreement,] [**NOT DECLASSIFIED**]: Infringements] Acts [**NOT DECLASSIFIED**]: of piracy] carried out on a commercial scale are [**NOT DECLASSIFIED**: include at least] those carried out in the context of commercial activity for direct or indirect economic or commercial advantage;*

### **NOT DECLASSIFIED**

**Delegations are invited to agree on this and to indicate whether flexibility on this could be nevertheless envisaged as a last resort to reach a global compromise on the agreement.**

- a negative part (what should/could be excluded) which is reflected as follows in the consolidated text :

*“[**NOT DECLASSIFIED**: however a Party may exclude] [EU: this excludes] such acts carried out by end consumers.] [**NOT DECLASSIFIED**: Each Party may treat acts carried out by end consumers as outside the scope of this Section.]”*

The Presidency is of the opinion that the objective should be to avoid any wording going in the sense of an “opt out”, where the normal rule would be to include acts carried out by end consumers. For this reason, both wording proposed by **NOT DECLASSIFIED** should be rejected. However, it is also clear that the current EU proposal is difficult to accept for **NOT DECLASSIFIED** and other partners because it may be regarded as making it difficult to include end consumers behaviour. Legally speaking, with the EU position, ACTA parties would still be able to go further. **NOT DECLASSIFIED** The Presidency is of the opinion that a compromise solution could be acceptable, based on greater flexibility in the wording. The negative part of the definition would be worded as follows:

*“Each Party shall decide whether to include or exclude such acts carried out by end consumers.”*

**Delegations are invited to confirm that, should the EU wording pose difficulties, this compromise solution would be acceptable.**

**The Presidency also invites delegations to indicate whether they find this second part absolutely necessary taking into account the fact that this provision already applies to willful counterfeit counterfeiting of copyright or related rights piracy**

## **2. Importation and domestic use of labels**

The insertion of this provision on labels is now accepted by all ACTA partners. At the end of the discussions, a wording based on the EU proposal has been proposed (underlined parts and ~~deleted parts~~ highlight the changes made to the EU proposal) :

*Each Party shall provide for criminal procedures and penalties to be applied in cases of wilful and unauthorised [importation]<sup>1</sup> and domestic use, in the course of trade and on a commercial scale, of labels or packaging:*

- a. *to which a mark has been applied without the consent of the right holder which is identical to or cannot be distinguished from a trademark registered in its territory<sup>2</sup>; and*
- b. *which are intended to be used in the course of trade on goods or in relation to services which are identical to goods or services for which the trademark is registered.*

**Delegations are requested to confirm that they can accept this new wording, including the footnote accompanying the term “importation” in the first part of the provision with the footnote (under the word “importation”) as it currently stands.**

### **3. Liability of legal persons**

EU Member States have put forward a proposal according to which 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. The EU-proposal also contains a sentence which clarifies that this liability “may be criminal or non-criminal”.

The EU objective can be summarised as follows:

- providing emphasis on the liability of legal persons<sup>3</sup>;
- while at the same time avoiding mandatory criminal liability of legal persons.

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<sup>1</sup> A Party may comply with its obligation relating to importation of labels or packaging through its measures concerning distribution.

<sup>2</sup> To be checked in legal scrubbing.

<sup>3</sup> See the Outcome of consultations of the Friends of Presidency on 3 September 2009 provided for in the document 12968/09 DROIPEN 87 WTO 172 PI 83.

The provision proposed by EU is in line with commonly used language in criminal law instruments, both at EU and international level<sup>1</sup>.

Due to the difficulties for **NOT DECLASSIFIED** to agree on this provision, the EU has proposed, at the 9<sup>th</sup> round of Negotiations, to move paragraphs 2.15.1 in Article 2.14.3 in accordance with the EU position agreed on 23 June<sup>2</sup>.

**NOT DECLASSIFIED** have accepted this EU proposal regarding the structure. Nevertheless, they can not agree on the current wording of this provision. The main argument is that this section only deals with criminal law provisions. Moreover, the sections on border measures and on civil enforcement include already the liability of legal persons. In that context, Article 2.15.1 as proposed by the EU is considered as redundant. Therefore, the other ACTA-partners asked for a new wording.

Based on this, the Presidency would like to envisage possible flexibility regarding this provision.

### 3.1. Main EU Member States position

The agreed EU position as it arose from the discussions in the Friends of Presidency meeting on 23 June is the following:

Art. 2.14.4 :

- (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.*

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<sup>1</sup> See United Nations Convention against Transnational Organized Crime (2000), Article 10; United Nations Convention against Corruption (2003), Article 206; Council of Europe Convention on the Prevention of Terrorism (Warsaw, 15.05.2005), Article 10.

<sup>2</sup> See Document 11203/10 DROIPEN 67 WTO 230 PI 68 on 17 June 2010.

- (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.*

Art. 2.15.: deletion of the following sentence : “*For legal persons held liable under Article 2.15.1, each Party shall provide for effective, proportionate and dissuasive sanctions, including monetary sanctions.*”

### 3.2. Fallback position 1

**NOT DECLASSIFIED**

“*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*”

**NOT DECLASSIFIED**

**Delegations are invited to confirm that, should the EU wording pose difficulties, this first fallback position would be acceptable.**

### 3.3. Fallback position 2

In their proposal on criminal law provisions, **NOT DECLASSIFIED** did not provide any reference to the liability of legal persons. An option would be to keep this initial solution.

This position would mean that the emphasis on liability of legal persons, which is important for the EU, would not clearly appear in this section. However, the Presidency would like to underline that the deletion of any reference to the liability of legal persons in the chapter on criminal law is better than a deletion of the word ‘or non-criminal’, which is the change that several ACTA partners would like to bring to the EU proposal.

The Presidency believes that, in international law, without explicit reference to the criminal liability of legal persons, provisions on criminal law can not be read as entailing such liability<sup>1</sup>.

It should be noted that, in the definitions contained in the first part of the draft agreement, the term “person” is defined as “*either a natural person or a juridical person*”. However, the term “person” does not appear in the section on criminal law (except in the paragraph on camcording).

Consequently, the Presidency suggests that, as a second fallback position, all references to legal persons in the chapter on criminal law should be deleted (= deleting art. 2.14.4 and the second sentence of art. 2.15.1.).

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<sup>1</sup> See for example Art. 61 TRIPS, which does not refer to legal persons and can not be read as entailing criminal liability of legal persons.

**Delegations are invited :**

- **to agree on this second fallback position and**
- **to indicate whether, in this case, a clarification should be brought to the definition of the term “person”, for example with the following footnote : “It is understood that there is no obligation for a party to provide criminal liability for legal persons”.**

#### **4. Unauthorized camcording**

**NOT DECLASSIFIED**

*“3. Each Party may provide for more specific criminal procedures and penalties to be applied against any person who, without authorization, makes a copy of a cinematographic work for private use from a performance or a movie theatre.”*

**NOT DECLASSIFIED**

## **5. Penalties**

### 5.1. "Effective, proportionate and dissuasive"

The EU-proposal as currently reflected in the last consolidated version of ACTA is worded as follows :

*For the offences referred to in Article 2.14.1 to 2.14.3, each Party shall provide effective, proportionate and dissuasive penalties that include imprisonment and monetary fines<sup>1</sup>.*

The **NOT DECLASSIFIED** proposal establishes an obligation for each Party to provide penalties 'sufficiently high to provide a deterrent to future acts of infringement, with a view to removing the monetary incentive of the infringer'.

During the meeting of the Friends of the Presidency meeting of 23 June, the following compromise proposal was accepted :

*For the crimes referred to in Article 2.14.1 to 2.14.3 each Party shall provide effective, proportionate and dissuasive penalties that include imprisonment [as well as] [and] monetary fines<sup>2</sup> sufficiently high to provide a deterrent to future acts of infringement, with a view to removing the monetary incentive of the infringer .*

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<sup>1</sup> Negotiator's note: This does not imply an obligation for a Party to provide for the courts a possibility to impose both penalties in parallel.

<sup>2</sup> Negotiator's note: This does not imply an obligation for a Party to provide for the courts a possibility to impose both penalties in parallel.

This proposal was to be read together with Art. 2.x.3 (General obligations with respect to enforcement). Though Article 2.x.3. has changed<sup>1</sup>, the Presidency is of the opinion that this EU position should be maintained because Article 2.x.3. will keep the notion of proportionality, which is the most important.

**Therefore, the Presidency invites delegations to confirm that the text of Art. 2.15.1. as agreed during the meeting of the Friends of the Presidency of 23 June should be maintained.**

### 5.2. Use of the terms “offences/ crimes/criminal offences”

The current EU position is the use of the wording ‘offences’, whilst **[NOT DECLASSIFIED]** prefer the wording ‘crimes’. A rapid look into international conventions<sup>2</sup> shows that there is no standard wording at international level and that the terms ‘crimes’, ‘offences’ and ‘criminal offences’ may be used.

The Presidency suggests to

- express a preference to the terms “criminal offences” but with a flexible approach towards “crimes” or “offences” ;
- request that the term chosen is used throughout the section on criminal law .

*Delegations are invited to agree on this proposal.*

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<sup>1</sup> In the last Consolidated Text of ACTA two options are provided concerning Article 2.x.3:  
Option 1: [NOT DECLASSIFIED]: 3. In respect of civil remedies and criminal penalties for enforcement of intellectual property rights, each Party shall take into account, as appropriate, the need for proportionality between the seriousness of the infringement, the interests of third parties and the applicable remedies or penalties.]

Option 2: [EU/ NOT DECLASSIFIED]: 3. In respect of measures, procedures and remedies adopted, maintained or applied to implement this Chapter, each Party shall ensure the need for proportionality in relation to the infringement.]

<sup>2</sup> See for example TRIPS, United Nations Convention against Transnational Organized Crime, United Nations Convention against Corruption.

## **6. Seizure, forfeiture and destruction (Art. 2.16)**

### 6.1. Various issues related to Art. 2.16.

At the 9th round of negotiations, the EU has maintained on several points related to Art. 2.16. a more ambitious position than **NOT DECLASSIFIED**. The Presidency intends to maintain the EU position on these different points. Nevertheless, the Presidency would like to identify clearly the margin of manoeuvre in order to be able to use possible compromise on some of these points as leverage on other issues.

*Delegations are therefore invited to indicate whether, in the search for a global compromise, they could accept changes to the EU position with regard to the following points:*

a) Reference to all or some offences of Art. 2.14: The EU position is that Art. 2.16.1 (seizure) and 2.16.3. (forfeiture or destruction) should apply to all offences referred to in Art. 2.14. On the contrary, **NOT DECLASSIFIED** is of the opinion that it should not apply to Art. 2.14.3 (camcording) and is still reflecting on whether it should apply to Art. 2.14.2. (importation and domestic use of labels and packaging).

In order to solve this issue, **NOT DECLASSIFIED** has proposed to delete any reference to Article 2.14 or 2.14.1 in Art. 2.16.1. and 2.16.3.

b) “Predominantly” (Art. 2.16.3.): **NOT DECLASSIFIED**

c) “At least for serious offences” (Art. 2.16.3.): **NOT DECLASSIFIED**

## 6.2. Disposal of confiscated goods outside the channels of commerce (Art. 2.16.4)

There is agreement on the fact that confiscated goods shall, if not destroyed, “be disposed of outside the channels of commerce”. The EU insists however to provide that such disposal of confiscated goods outside the channels of commerce should be subject to “the condition that the goods are not dangerous for the health and security of persons”. **NOT DECLASSIFIED**

*Delegations are invited to indicate their views on this.*

## **7. Ex officio criminal enforcement**

The **NOT DECLASSIFIED** joint proposal contains a provision according to which its authorities shall be able to act *ex officio*. The EU has initially proposed the provision to be deleted due to the fact that some Member States do not provide for ex officio criminal enforcement.

In order to accept this provision, the EU has proposed to add a sentence providing some discretion for the authorities to apply it: “at least in cases of significant public interest, in accordance with national law”.

**NOT DECLASSIFIED**

*Delegations are invited to indicate their views on this.*