



**COUNCIL OF
THE EUROPEAN UNION**

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



ANNEX

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THE EUROPEAN UNION**

Brussels, 19 July 2010

**12295/10
EXT 1 (1.10.2012)**

**DROIPEN 80
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NOTE

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

The « Criminal Enforcement » Section of ACTA was discussed during the negotiating round in Lucerne (28 June – 1 July 2010). The next steps of the ACTA negotiation will include a technical round in Washington (possibly around 16-20 August) and a final round in Tokyo (possibly the week of 13 September).

The Friends of Presidency Group met on 15 July to discuss the Section on “criminal enforcement” of ACTA on the basis of document 11932/10 DROIPEN 75 WTO 250 PI 79 RESTREINT UE.

The Italian delegation entered a general reservation on the whole section.

Taking into account the late stage of the negotiation, the Presidency intends to continue the coordination of the position of the Member States during the meetings of the Friends of the Presidency scheduled for 22 July and 3 September.

Delegations will find in Annex the coordinated position, as amended following the meeting on 15 July. The text is based on the main position of Member States. Fallback positions already agreed are indicated in footnotes in bold. Other footnotes in bold reflect or clarify the position of Member States. Footnotes which are not in bold are footnotes existing in the consolidated text.

During the meeting on 22 July, the Presidency intends to discuss in particular the issues mentioned below. Depending on the time available, other issues raised by the latest version of the consolidated text of ACTA may also be discussed during the meeting.

1. Article 2.14.2 – “unauthorised” / “without the consent of the right holder”

In the latest version of the consolidated text on ACTA, Article 2.14.2 is worded as follows:

Each Party shall provide for criminal procedures and penalties to be applied in cases of wilful ~~and unauthorised~~ [importation]¹ 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 territory²; 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.*

During the meeting of the Friends of the Presidency of 15 July, the issue of the wording “and unauthorised” or “without the consent of the right holder” was not entirely solved.

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

² To be checked in legal scrubbing.

All ACTA partners agree on the fact that this requirement should not apply to the introductory sentence of the paragraph, as initially provided, but only to point (a). **NOT DECLASSIFIED** also prefer the wording “without the consent of the right holder”. Most delegations in the Friends of the Presidency meeting were flexible or even supported this new wording. **NOT DECLASSIFIED** expressed however preference for the wording “and unauthorised” (note: this exact wording can not be kept because the requirement is to be moved to point (a). It could therefore be changed into “without authorisation”).

The Presidency suggests to be flexible on this point and to follow **NOT DECLASSIFIED** and therefore to accept the wording “without consent of the right holder”.

Delegations are invited to agree on this.

2. Article 2.15 – proportionate penalties

During the meeting of 15 July 2010, an agreement was reached on the following wording:

For the offences referred to in Article 2.14.1 to 2.14.3, each Party shall provide proportionate penalties that include imprisonment and monetary fines¹ sufficiently high to provide a deterrent to future acts of infringement.

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

Delegations insisted on the need to maintain the reference to proportionality (even though it is already contained in the general provisions of the ACTA) to balance the reference to deterrence.

NOT DECLASSIFIED suggested as a possible fallback position to align the text on the wording used in TRIPS. The Article would be worded as follows:

For the offences referred to in Article 2.14.1 to 2.14.3, each Party shall provide ~~proportionate~~ penalties that include imprisonment and monetary fines¹ sufficiently high to provide a deterrent to future acts of infringement, consistently with the level of penalties applied for crimes of a corresponding gravity.

Delegations are invited to agree on this fallback position.

3. Article 2.16.3. – “Predominantly”

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

NOT DECLASSIFIED

Delegations are invited to confirm this.

4. Article 2.16.4. Disposal outside the channels of commerce under the condition that the goods are not dangerous for the health and security of persons

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”. During the meeting of the Friends of Presidency on 15 July, delegations indicated flexibility on this issue. **NOT DECLASSIFIED**

Based on this, the Presidency suggests the following position:

- the position of EU Member States is maintained and the following wording is therefore kept :
“*under the condition that the goods are not dangerous for the health and security of persons*”;
- nevertheless, the deletion of this wording is acceptable, as a last resort and in the search for a final compromise.

Delegations are invited to agree on this.

5. Article 2.16.1, 2.16.3 and 2.16.4 - Related rights

The notion of « suspected counterfeit trademark goods or pirated copyright [or related rights] goods” is used in Article 2.16.1 (seizure), 2 (forfeiture or destruction) and 4 (disposal outside the channels of commerce). **NOT DECLASSIFIED**

In the position of the Member States (see doc. 8282/10 DROIPEN 31 WTO 106 PI 35 RESTREINT UE), the wording “or related rights” appears in Article 2.16.1. but not in Article 2.16.2 nor in Article 2.16.3.

NOT DECLASSIFIED

It was also noted that the reference to “pirated copyright goods” needed to be consistent throughout the text. It would not make sense to have it only in Article 2.16 but not in other references to “pirated copyright goods”.

Therefore, the Presidency proposes the following solution:

- the wording “or related rights” is deleted from the text in Article 2.16
- a footnote is inserted under the heading of Article 2.16 providing, as under Article 2.14, that *“Definitions of “counterfeit trademark goods” and “pirated copyright goods” provided for in footnote 21 under Article 2.6 of Section 2 (Border Measures) are applicable to Article 2.16”*.

Delegations are invited to agree on this.

6. Article 2.16.6: Seizure/forfeiture of assets the value of which corresponds to that of such assets derived from the infringing or allegedly infringing activity

The last version of the consolidated text on ACTA contains an Article 2.16.6 worded as follows:

*Each Party may provide that its judicial authorities have the authority to order the seizure of forfeiture, of assets the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the infringing or allegedly infringing [**NOT***

DECLASSIFIED ~~or allegedly infringing~~] activity.

[Option **NOT DECLASSIFIED**: Each Party may provide that its judicial authorities have the authority to order:

- a) *the seizure of assets the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the allegedly infringing activity; and*
- b) *the seizure or forfeiture of assets, or the imposition of fines, the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the infringing activity.]*

The objective of both proposals made by **NOT DECLASSIFIED** is to make it clear that the wording “allegedly infringing activity” does not apply to forfeiture. The Presidency is of the opinion that this objective should be supported.

Delegations are invited to agree on this.

CHAPTER TWO

LEGAL FRAMEWORK FOR ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Section 3: Criminal Enforcement

ARTICLE 2.14: CRIMINAL OFFENCES

1. Each Party shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright or related rights piracy on a commercial scale.^{1 2}
2. Each Party shall provide for criminal procedures and penalties to be applied in cases of willful importation³ and domestic use, in the course of trade and on a commercial scale, of labels or packaging:
 - c. to which a mark has been applied [without authorization] [without the consent of the right holder]⁴ which is identical to or cannot be distinguished from a trademark registered in its territory⁵; and
 - d. 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.

¹ **Fallback position: Inclusion of wording: “For the purpose of this Agreement, 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. Each Party may decide whether to include or exclude such acts carried out by end- consumers”.**

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

³ A Party may comply with its obligation relating to importation of labels or packaging through its measures concerning distribution.

⁴ **See cover note.**

⁵ To be checked in legal scrubbing.

3. The provisions of this section shall apply to aiding and abetting the offences referred to in Article 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.
 - (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.

[3. Unauthorised cam- cording] ¹

ARTICLE 2.15: PENALTIES

For the offences referred to in Article 2.14.1 to 2.14.3, each Party shall provide proportionate ² penalties that include imprisonment and monetary fines³ sufficiently high to provide a deterrent to future acts of infringement.

¹ **Fallback position:** A provision in the text could be acceptable but only if non mandatory (“may” provision). Preference for the initial **NOT DECLASSIFIED** proposal (only if transformed into a “may” provision). Member States could accept to work on the basis of the second proposal by **NOT DECLASSIFIED** but only if the words “more specific” and “private use” are deleted.

² See cover note.

³ Negotiator’s note: **NOT DECLASSIFIED**: It is understood that there is no obligation for a party to impose both imprisonment and monetary fines in parallel] EU: This does not imply an obligation for a Party to provide for the courts a possibility to impose both penalties in parallel.

ARTICLE 2.16. SEIZURE, FORFEITURE AND DESTRUCTION¹

1. In relation to Article 2.14.1 and Article 2.14.2², each Party shall provide that its competent authorities shall have the authority to order the seizure of suspected counterfeit trademark goods or pirated copyright [or related rights]³ goods, any related materials and implements used in the commission of the alleged offence, documentary evidence relevant to the alleged offence and the assets derived from, or obtained directly or indirectly through the alleged infringing activity.
2. Each Party shall, if a prerequisite for such an order, according to its national law, is the identification of the items, ensure that the order need not determine the items that are subject to seizure in more detail than necessary to allow their identification for the purpose of the seizure.
3. For the offences referred to in Article 2.14.1 and 2.14.2., each Party shall provide that its competent authorities shall have the authority to order forfeiture or destruction of all counterfeit trademark goods or pirated copyright [or related rights]⁴ goods, of materials and implements ~~predominantly~~⁵ used in the creation of counterfeit trademark goods or pirated copyright [or related rights]⁶ goods, of the assets derived from, or obtained directly or indirectly, through the infringing activity.

¹ See cover note.

² **Clarification of the Member States position** : It is understood that the use of the wording “in relation to” instead of “in case of an offence referred to in”, following a proposal by **NOT DECLASSIFIED**, only aims at avoiding confusion in relation to the fact that the rest of the Article refers to an “alleged infringing activity” or “alleged offence”. Should this proposal create difficulties, Member States will not insist on it.

³ See cover note.

⁴ See cover note.

⁵ See cover note.

⁶ See cover note.

4. Each Party shall ensure that the counterfeit trademark goods and pirated copyright [or related rights]¹ goods that have been forfeited under this subparagraph shall, if not destroyed, be disposed of outside the channels of commerce, under the condition that the goods are not dangerous for the health and security of persons and in such a manner as to avoid any harm caused to the right holder².

5. Each Party shall further ensure that forfeiture and destruction under this subparagraph shall occur without compensation of any kind to the defendant.

6. Each Party may provide that its judicial authorities have the authority to order the seizure of forfeiture, of assets the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the infringing or allegedly infringing **[NOT DECLASSIFIED]**: or allegedly infringing] activity.
 [Option **[NOT DECLASSIFIED]**: Each Party may provide that its judicial authorities have the authority to order:
 - a) the seizure of assets the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the allegedly infringing activity; and
 - b) the seizure or forfeiture of assets, or the imposition of fines, the value of which corresponds to that of such assets derived from or obtained directly or indirectly through the infringing activity.]³

ARTICLE 2.17: *EX OFFICIO* CRIMINAL ENFORCEMENT

Each Party shall provide that its competent authorities may act upon their own initiative to initiate investigation or legal action with respect to the criminal offences described in Article 2.14 at least in cases of significant public interest, in accordance with national law

¹ See cover note.
² See cover note.
³ See cover note.