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Anti-Counterfeiting Trade Agreement
[Chapter 2 Section 1 (Civil Enforcement)]

Discussion Draft: July 23, 2008

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CHAPTER TWO

LEGAL FRAMEWORK FOR ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

[Comment (EU): Add new article on General Principles with the following language: "This Agreement shall be without prejudice to provisions governing the substantive law on intellectual property contained in Parties legislation. Nor does it affect specific provisions contained in Parties legislation more favorable for right holders on the enforcement of rights."]

Section 1: Civil Enforcement

ARTICLE 2.1: AVAILABILITY OF CIVIL PROCEDURES

[Comment (EU): Change heading of this article to "Scope of the Civil Enforcement"]

1. Each Party shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right.

[Comment (AUS): Supports inclusion of this article and also notes ACTA should not strengthen enforcement of all areas of IP in equal measure, and revisiting definition of IP in the agreement may be needed as more text is released.]

[Comment (SG, CAN): Scope of IPR should be confined to copyrights (and related rights) and trademarks.]

[Comment (EU): Add following sentence "Those procedures shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delay."]

[Comment (MX): Add reference to administrative procedures.]

2. In civil judicial proceedings concerning the enforcement of intellectual property rights, each Party shall provide that its judicial authorities shall have the authority to issue an order to a party to desist from an infringement, including an order to prevent infringing goods from entering into the channels of commerce [Option US: and to prevent their exportation].

[Comment (AUS): Adopt Option US.]

[Comment (SG): Delete Option US and insert following as last sentence in light of TRIPS Art. 44 "Members are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that delaying in such subject matter would entail the infringement of an intellectual property right."]

[Comment (EU): Replace entire paragraph 2 with following sentence "Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse."]

ARTICLE 2.2: DAMAGES

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1. Each Party shall provide that:

- (a) in civil judicial proceedings, its judicial authorities shall have the authority to order the infringer of intellectual property rights to pay the right holder
 - (i) damages adequate to compensate for the injury the right holder has suffered as a result of the infringement¹; or

[Comment (EU): Revise provision as follows, additions noted in capital letters "Each Party shall provide that in civil . . . its judicial authorities "ON APPLICATION OF THE INJURED PARTY shall have . . . infringer WHO KNOWINGLY OR WITH REASONABLE GROUNDS TO KNOW, ENGAGED IN INFRINGING ACTIVITY of intellectual property rights to pay the right holder damages adequate to compensate for the ACTUAL PREJUDICE the right holder has suffered . . . infringement, TAKING INTO ACCOUNT ALL APPROPRIATE ASPECTS, INTER ALIA, THE LOST PROFITS, THE VALUE OF THE INFRINGED GOOD OR SERVICE, MEASURED BY THE MARKET PRICE, THE SUGGESTED RETAIL PRICE, UNFAIR PROFITS AND ELEMENTS OTHER THAN ECONOMIC FACTORS OR OTHER LEGITIMATE MEASURE OF VALUE SUBMITTED BY THE RIGHT HOLDER."]

[Comment (MX): Add reference to "competent authorities" to take into account power of administrative authorities in this area.]

- (ii) [Option US: at least in the case of copyright or related rights infringement and trademark counterfeiting,] the profits of the infringer that are attributable to the infringement, which may be presumed to be the amount of damages referred to in clause (i); and

[Comment (AUS): Supports article with US option included but with deletion of "which may be presumed to be the amount of damages referred to in clause" and fn 1 removed.]

[Comment (SG): Provision is acceptable if IPR in Section 1 covers only copyrights (and related rights) and trademarks, otherwise, footnote 1 is unacceptable. Also, delete phrase "which may be presumed to be the amount of damages referred to in clause (i)" in (ii)]

[Comment (EU): Suggest deletion of (ii)]

[Comment (CAN): Add new (iii) "For greater certainty, Party may provide its judicial authorities the authority to limit or exclude damages in certain special cases."]

[Comment (MX): Suggest deletion of Option US.]

- (b) in determining the amount of damages for infringement of intellectual property rights, its judicial authorities shall consider, *inter alia*, the value of the infringed

[Option US:¹ In the case of patent infringement, damages adequate to compensate for the infringement shall not be less than a reasonable royalty.]

[Comment (EU, CAN) : Delete Option US footnote]

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good or service, measured by the market price, the suggested retail price, or other legitimate measure of value submitted by the right holder.

[Comment (AUS): This subparagraph should be permissive rather than mandatory, thus, the following change should be made as noted in capital letters "... judicial authorities shall consider ..." should be changed to "MAY consider".]

[Comment (SG): Provision is acceptable if IPR in Section 1 covers only copyrights (and related rights) and trademarks.]

[Comment (EU): Delete this subparagraph]

[Comment (CAN): Revise as follows, addition noted in capital letters, "in determining the amount of damages for COPYRIGHT OR RELATED RIGHTS infringement AND TRADEMARK COUNTERFEITING, its judicial authorities shall consider, ANY LEGITIMATE MEASURE OF VALUE THAT MAY BE SUBMITTED BY THE RIGHT HOLDER, INCLUDING the value of the infringed good ... market price, OR the suggested retail price.]

2. At least with respect to works, phonograms, and performances protected by copyright or related rights, and in cases of trademark counterfeiting, in civil judicial proceedings, each Party shall establish or maintain a system that provides:

[Comment (EU): Revise entire paragraph as follows, addition noted in capital letters, "AS AN ALTERNATIVE TO PARAGRAPH 1, each Party MAY establish or maintain a system that provides:"]

[Comment (CAN): Replace paragraph with "Each Party may establish or maintain a system that provides:"

- (a) pre-established damages; or
- (b) presumptions for determining the amount of damages²

sufficient [Option US: to constitute a deterrent to future infringements and] to compensate [Option US: fully] the right holder for the harm caused by the infringement.³

² Such measures [Option J: shall][Option US: may] include the presumption that the amount of damages is (i) the quantity of the goods infringing the right holder's intellectual property right and actually assigned to third persons, multiplied by the amount of profit per unit of goods which would have been sold by the right holder if there had not been the act of infringement or (ii) a reasonable royalty.

[Comment (SG): Support Option US.]

[Comment (EU): Add after (ii) in the preceding footnote. a reasonable royalty "OR (iii) A LUMP SUM ON THE BASIS OF ELEMENTS SUCH AS AT LEAST THE AMOUNT OF ROYALTIES OR FEES WHICH WOULD HAVE BEEN DUE IF THE INFRINGER HAD REQUESTED AUTHORIZATION TO USE THE INTELLECTUAL PROPERTY RIGHT IN QUESTION."]

[Option US: ³ Neither Party is required to apply paragraph 2 to actions for infringement against a Party or a third party acting with the authorization or consent of a Party.]

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[Comment (AUS): Delete paragraph 2, including subparagraphs (a) and (b).]

[Comment (SG): Revision to clarify provision is suggested as follows "At least . . . that provides: FOR pre-established damages, or A SYSTEM THAT PROVIDES FOR presumptions . . . SUCH DAMAGES SHALL BE OF AN AMOUNT sufficient . . . Also, support deletion of Option US word "fully".]

[Comment (EU): Delete Option US phrase "to constitute a deterrent to future infringements and"]

[Comment (CAN): Adopt Options US in text.]

[Comment (MX): Delete Option US word "fully".]

3. Each Party shall provide that the right holders shall have the right to choose the system in paragraph 2 as an alternative to the damages in paragraph 1.

[Comment (AUS): With paragraph 2 deleted, paragraph 3 should also be deleted.]

[Comment (EU): Replace paragraph 3 with the following "Where the infringer did not knowingly, or with reasonable grounds knows, engage in infringing activity, each Party may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established."]

[Comment (CAN, MX): Support deletion of paragraph 3]

4. Each Party shall provide that its judicial authorities, except in exceptional circumstances, shall have the authority to order, at the conclusion of civil judicial proceedings concerning copyright or related rights infringement, patent infringement, or trademark infringement, that the prevailing party shall be awarded payment by the losing party of court costs or fees. Each Party shall also provide that its judicial authorities, [Option US: except in exceptional circumstances, [(Option US: at least in proceedings concerning copyright or related rights infringement or willful trademark counterfeiting,] shall have the authority to order, [Option J: in appropriate cases], that the prevailing party be awarded payment by the losing party of reasonable attorney's fees. [Option US: Further, each Party shall provide that its judicial authorities, at least in exceptional circumstances, shall have the authority to order, at the conclusion of civil judicial proceedings concerning patent infringement, that the prevailing party shall be awarded payment by the losing party of reasonable attorneys' fees.]

[Comment (AUS): Supports this paragraph with first Option US "at least in proceedings concerning . . .", with Option J "in appropriate cases" rather than Option US, and the last Option US "Further, each Party shall . . ."]

[Comment (SG): Paragraph is acceptable with or without Options J or US.]

[Comment (EU): Revise as follows "Each Party shall provide that its judicial authorities, ~~except in exceptional circumstances,~~ shall have the authority to order, at the conclusion of civil judicial proceedings, REASONABLE AND PROPORTIONATE LEGAL COSTS AND OTHER EXPENSES INCURRED BY THE SUCCESSFUL PARTY ~~concerning copyright or related rights infringement, patent infringement or~~

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~~trademark infringement, that the prevailing party shall be BORNE by the losing party, UNLESS EQUITY DOES NOT ALLOW THIS.~~ Also, notion of “reasonable attorney fees” should be defined.]

[Comment (CAN): Delete “patent infringement” in first sentence. Delete “shall” in “shall be awarded” in first sentence. Adopt Option US “except in exceptional circumstance” in second sentence. Adopt second Option US without “at least”, so it begins “in proceedings . . .” Adopt Option J “in appropriate cases”. Delete Option US “Further, each Party . . .”]

ARTICLE 2.3: OTHER REMEDIES

1. At least with respect to goods that have been found to be [Option US: pirated or counterfeit][Option J: infringing an intellectual property right], each Party shall provide that in civil judicial proceedings, at the right holder’s request, [Option J: its judicial authorities shall have the authority to order that] such goods shall be destroyed, except in exceptional circumstances, without compensation of any sort.

[Comment (AUS): Supports this paragraph with Option US “pirated or counterfeit” rather than Option J, and with Option J “its judicial authorities shall . . .”]

[Comment (SG): Request confirmation that “pirated or counterfeit” in Option US refers only to copyright piracy and trademark counterfeiting. Option J “infringing an intellectual property right” is acceptable only if the scope is limited to copyrights (and related rights) and trademarks.]

[Comment (EU): Delete Option US. Adopt Options J. Also, insert as follows, “At least . . . shall be destroyed, RECALLED OR DEFINITELY REMOVED FROM THE CHANNEL OF COMMERCE, except . . .”]

[Comment (CAN): Delete “At least” at start of paragraph. Adopt Option US “pirated or counterfeit”. Delete Option J “infringing an intellectual property right”. Adopt Option J “its judicial authorities shall have the authority to order that. Delete “except in exceptional circumstances”.]

[Comment (MX): Adopt Option J]

2. Each Party shall further provide that its judicial authorities shall have the authority to order that materials and implements [Option J: the predominant use of which has been] [Option US: that have been used] in the manufacture or creation of [Option J: infringing][Option US: pirated or counterfeit] goods shall be, without compensation of any sort, [Option US: promptly] destroyed or, [Option US: in exceptional circumstances,] disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements.

[Comment (AUS): Delete Option J “the predominant use . . .”, with the inclusion of Option US “that have been used”, with the inclusion of Option US “pirated or counterfeit” rather than Option J, with the deletion of last two Option US “promptly” and “in exceptional circumstances”]

[Comment (SG): Agree with Option US that provision should apply only to copyright piracy and trademark counterfeiting. Option J “infringing an intellectual property right” is acceptable only if the scope is limited to copyrights (and related rights) and trademarks. Request clarification of

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“manufacture” relative to “creation” in the context of this provision.]

[Comment (EU): Delete Option US proposals in this paragraph.]

[Comment (CAN): Adopt Option J “the predominant use of which has been. Adopt Option US “pirated or counterfeit”. Replace Option US “promptly” with “and without undue delay”. Delete Option US “, in exceptional circumstances”. Add following at the end “In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account.]

[Comment (MX): Adopt Option US “in exceptional circumstances”]

3. In regard to counterfeit trademarked goods, the simple removal of the trademark unlawfully affixed shall not be sufficient [Option J: , other than in exceptional cases,] to permit the release of goods into the channels of commerce.

[Comment (AUS): Supports this paragraph with Option J.]

[Comment (SG): Provision is acceptable with or without Option J.]

[Comment (EU): Add paragraph 4. “The judicial authorities shall order that those measures be carried out at the expense of the infringer, unless particular reasons are invoked for not doing so.” Add additional paragraph 5. “In ordering those measures, the judicial authorities shall take into account the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interest of third parties.]

[Comment (CAN): Adopt Option J.]

[Comment (MX): Adopt Option J “, other than in exceptional cases,”]

ARTICLE 2.4: INFORMATION RELATED TO INFRINGEMENT

Each Party shall provide that in civil judicial proceedings concerning the enforcement of intellectual property rights, its judicial authorities shall have the authority to order the infringer to provide, for the purpose of collecting evidence, any information [Option J: in the form as prescribed in its applicable laws and regulations] that the infringer possesses or controls, [Option J: ,where appropriate,] to the right holder or to the judicial authorities. Such information may include information regarding any person or persons involved in any aspect of the infringement and regarding the means of production or distribution channel of such goods or services, including the identification of third persons involved in the production and distribution of the infringing goods or services or in their channels of distribution.

[Comment (AUS): Supports deletion of this paragraph.]

[Comment (SG): Provision is acceptable with or without Option J.]

[Comment (EU): Revise as follows “WITHOUT PREJUDICE TO OTHER STATUTORY PROVISIONS

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WHICH, IN PARTICULAR, GOVERN THE PROTECTION OF CONFIDENTIALITY OF INFORMATION SOURCES OR THE PROCESSING OF PERSONAL DATA, each Party shall . . . shall have the authority UPON A JUSTIFIED AND PROPORTIONATE REQUEST OF THE RIGHT HOLDER, to order . . . evidence, INFORMATION ON THE ORIGIN AND DISTRIBUTION NETWORKS OF THE INFRINGING GOODS OR SERVICES ON A COMMERCIAL SCALE that the infringer possesses or controls, WHERE APPROPRIATE, to the right holder . . .”]

[Comment (CAN): Revise as follows “Each Party shall . . . the enforcement of COPYRIGHT OR RELATED RIGHTS AND TRADEMARKS, its judicial authorities . . . evidence, any RELEVANT information IN THE FORM AS PRESCRIBED IN ITS APPLICABLE LAW AND REGULATIONS that the infringer possesses or controls, WHERE APPROPRIATE, to the right holder . . . distribution.” Add “For greater clarity, this provision does not apply to the extent that it would conflict with common law or statutory privileges, such as legal professional privilege.”]

[Comment (EU): Insert new Article XX: Measures for Preserving Evidence]

[Comment (EU): Insert Article XX.1: “Each Party shall ensure that, even before the commencement of proceedings on the merits of the case, its judicial authorities may order provisional measures to preserve relevant evidence in respect of the alleged infringement. Such measure may include inter alia the detailed description, the taking of samples or the physical seizure of documents or of the infringing goods. Such measure may be subject to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered by the defendant when the measure is revoked or lapses due to any reason.”]

Insert Article XX.2: “Where competent authorities have accepted that measures are adopted without the other party having been heard, they shall inform without delay the parties affected. A review, including a right to be heard, shall take place upon request of the parties affected.”]

ARTICLE 2.5: PROVISIONAL MEASURES

[Comment (EU): Insert new text: “Each Party shall provide that its judicial authorities shall have the authority, at the request of the applicant issue an interlocutory injunction intended to prevent any imminent infringement of an intellectual property right. An interlocutory injunction may also be issued, under the same conditions, against an intermediary whose services are being used by a third party to infringe an intellectual property right.”]

*[Option US: 1. Each Party shall provide that its judicial authorities shall act expeditiously on requests for provisional measures *inaudita altera parte*, and shall endeavor to make a decision on such requests within ten days, except in exceptional cases.]*

*[Option J: 1. Each Party shall ensure that, where proceedings for provisional measures are conducted *inaudita altera parte*, the judicial authorities shall expeditiously make a decision on the request for provisional measures.]*

[Comment (AUS): Support Option J revised as noted in capital letters: Each Party shall ensure . . . are conducted FOR RELIEF OF ALLEGED INFRINGEMENT OF AN INTELLECTUAL PROPERTY RIGHT . . . provisional measures, IN ACCORDANCE WITH THE PARTY’S JUDICIAL RULES.]

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[Comment (SG): Support Option US without the following language “and shall endeavor to make a decision on such requests within ten days, except in exceptional cases”.]

[Comment (EU): Option US acceptable but replace “within ten days” with “without delay”]

[Comment (CAN): Replace with “Each Party’s authorities shall act on requests for relief inaudita altera parte expeditiously in accordance with the party’s judicial rules.”]

[Comment (MX): Adopt Option J but add reference to “competent authorities”.]

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

[Comment (AUS): Supports this paragraph with Option US.]

[Comment (SG): Revision to the last part of the provision is suggest as follows: “. . . and implements USED TO ACCOMPLISH THE PROHIBITED ACTIVITY. . .” Also, request explanation of purpose for Option US.]

[Comment (EU): Delete: “In civil judicial . . . counterfeiting”, so sentence begins “Each Party shall . . .” Also, delete Option US.]

[Comment (CAN): Revise as follows: In civil judicial proceedings . . . authority to order, IN APPROPRIATE CASES, the seizure. Adopt Option US.]

[Comment (MX): Add text in capital letters as follows “In civil judicial proceedings OR ADMINISTRATIVE REMEDIES . . .” Clarify that “custody” in provision is intended to prevent an infringement and preserve evidence. Delete “at least for trademark counterfeiting” in Option US.]

3. Each Party shall provide that its judicial authorities have the authority to require the plaintiff, with respect to provisional measures, to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the plaintiff’s right is being infringed or that such infringement is imminent, and to order the plaintiff to provide a reasonable security or equivalent assurance set at a level sufficient to protect the defendant and to prevent abuse, and so as not to unreasonably deter recourse to such procedures.

[Comment (CAN): Delete last part of paragraph “and so as not to unreasonably deter recourse to such procedures.”]

[Comment (MX): Add reference to “competent authorities”.]

[Comment (EU): Insert new paragraph “Each Party shall ensure that the provisional measures referred to in paragraphs 1, 2 and 3 are revoked or otherwise cease to have effect, upon request of the defendant,

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if the applicant does not institute, within a reasonable period to be determined by the judicial authority if the law of a Party so permit or within a period not exceeding 20 working days or 31 calendar days, proceedings leading to a decision on the merits of the case before the competent judicial authority."]

[Comment (EU): INSERT ARTICLE XX: INJUNCTIONS

Each Party shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by domestic law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. The Parties shall also ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right.]