# EUROPEAN UNION'S COMMENTS TO THE US PROPOSAL SPECIAL REQUIREMENTS RELATED TO THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN THE DIGITAL ENVIRONMENT 29 OCTOBER 2009

During the next round of negotiation in Seoul, the EU will not present a written alternative text to the other ACTA partners. However, EU will present its preliminary assessment to the US proposal and will ask clarification on different aspects. The following paper consolidates written comments received from Member States and from services of the Commission.

## A. GENERAL COMMENT

An overarching issue is the relationship between the US proposal and relevant EU legislation. These particular themes relating to the concepts involved the scope of the proposal and the identification of possible conflicts.

**Scope of the proposal**
The US proposal mainly deals with **copyright**, apart from a single reference to trademarks in paragraph 1. Relevant EU legislation is generally broader in scope and this issue will require further clarification from a policy perspective. This clarification concerns paragraphs 2 and 3 as paragraphs 4 to 7 are only applying to copyright.

**Concept**
The US proposal refers to the "**Digital Environment**". This seems to imply all digital technologies. Digital technologies are not only used in an online environment but also off-line, for example in CDs, DVDs and Blue Ray. However, this chapter has been nicknamed “the internet chapter”. Does is cover both online and offline?

The EU *Acquis* wording refers to "Information Society Service". This concept defined ISS as "services normally provided for remuneration, supplied at a distance, by electronic means and at the individual request of a recipient of services".

**Possible conflicts**
**1)** The US proposal provides for both **civil and criminal** protection against copyright infringement. This goes beyond the WIPO treaties and the EU Acquis (Directive 2001/29/EC) (CISD) which refers to "adequate legal protection…" without specifying in what this protection would consist of (see 1st comment regarding paragraph 4). Furthermore, the e-Commerce Directive (2000/31/EC) (ECD) applies horizontally across all areas of law which touch upon the provision of information society services, regardless of whether it is a matter of public, private or criminal law. It is not clear how the US proposal interprets this, if at all. For example, paragraph 3.a. is limited to civil remedies only.

Furthermore, while accepting the necessity to ensure legal certainty, the current EU policy is not to specify the exact circumstances triggering liability (there are many and there are often differences between Member States). EU legislation only provides for clear exemptions: the ECD does not regulate what is third party liability; it only provides for exemptions from the ISP liability for third party's illegal content/activities.

**3)** Finally, footnote 2 appears to be acceptable, as this paragraph is wider than online activities. It is also in line with the EU proposal to include intermediaries in some provisions of the civil chapter.

**Paragraph 3:**
This paragraph defines the circumstances under which third party liability may be limited. In principle, the definition of such circumstances is acceptable and necessary, and may be retained. However, the proposed text, i.e. the conditions to be fulfilled in order to benefit from the exemption of liability, requires significant modifications in order to be acceptable.

**1) The first two sentences** of this paragraph have the nature of a recital. While the principles referred to are acceptable, they spell out general objectives and considerations, so they are at least in the wrong place.

**2)** In the **third sentence**, there is only reference to "facilitate the continued development of industry". This is much too limited as the overarching objective for the most important provision of this chapter. This is a very important deficit of the current text. It is politically very important to emphasize balance and fairness, to mention culture and individual creators and not only industry.

EU would, for reasons of clarity, suggest deletion of paragraph 3 from the beginning: "*Each party recognizes that some persons ...*" until the sentence: *"...infringements are available and reasonable…*"

So, EU would suggest that **paragraph 3 starts with**: "*Each party shall*: and then continue with letters (a) and (b).

**3)** In **footnote 3** a clarification of the notion of "enterprise" is necessary and the possibility to align with the notion of "legal person" should be explored.

**4) Footnote 4** covers the definition of "ISP". The proposed definition lists several activities as the determining factor. The terminology is not very clear. For example, what is the scope of "providing of connection": do they intend to cover all networks? Does it only cover digital online? Why is it necessary that the user specifies the points? Changes in technologies may make the definition void.

This is not the approach we have followed in the CISD and the IPRED where the more general term "intermediary" is used.

Furthermore, the ECD does **neither contain a definition of "online service provider"** nor the term ISP. It relies on the definition of information society services (ISS) found in Directive 98/34/EC as amended by Directive 98/48/EC.

**2)** EU may wish to review the potential implications, if any, with the recently adopted Consumers Rights Directive, which is part of revised Regulatory Framework for Electronic Communications (Telecom Package).

## B. DETAILED ANALYSIS

**Paragraph 1:**
This paragraph on "**General Obligations**" states that enforcement procedures shall be "effective" and those remedies shall be "expeditious" and "constitute a deterrent to further infringement". A similar wording can be found in Article 41 of the TRIPs Agreement, in Article 14 WCT (final part of the provision) and Article 3 of Directive 2004/48/EC on enforcement of intellectual property rights (IPRED). However, unlike these latter provisions, the proposal does not state that the procedures etc. also shall be fair, equitable and/or proportionate in relation to, for example, an alleged infringer. Against this background, it appears like the proposed paragraph is not coherent with TRIPs and IPRED.

The EU made similar comments on the draft "Civil Chapter", which is still under discussion. A possible solution might be to insert an introductory general provision (which could refer to TRIPS) applying to the whole Agreement.

**Paragraph 2:**
This paragraph establishes **third party liability** for copyright infringements.

**1)** Why does the concept of third party liability (TPL) not include Trademark infringements, or even all IPR infringements?

**2)** This paragraph establishes **third party liability** without defining the circumstances which would trigger such liability. The explanations provided in the footnote are not sufficient to clarify the circumstances; furthermore, their legal effect is unclear.

EU understands this paragraph and accompanying footnotes as providing for an international minimum harmonization regarding the issue of what is called in some Member States **"contributory copyright infringement"**. This concept does not exist in the current *Acquis communautaire* and in the law of several Member States. As such, the use of this term should be avoided.

The principles which underlie the concept of "contributory infringement" vary substantially from country to country. Hence, some of the terms used in the footnote 1, for example "inducing", have no clear meaning at international level or in most Member States and it is thus also unclear whether national provisions on "contributory infringement" satisfy the proposed standard.

As there is not harmonization regarding the issue of "contributory copyright infringement" at EU level, a provision with this meaning would go beyond the present *Acquis communautaire*. It should however be noted that Member States have agreed, as regards the provisions on criminal enforcement, on the wording "inciting, aiding and abetting."

**Paragraph 3(a)**
EU understands the wording of paragraph 3(a) as stipulating the limitation (exemptions) for online intermediaries **from the liability for third party illegal content or activity,** which is either transmitted, cached or hosted by the online intermediaries (in the meaning of ECD, Articles 12-15).

Therefore, in our understanding,

**1)** first of all, the wording of paragraph 3(a) (i) – (iii) should not set cumulative conditions –but separate conditions so the word "and" at the end of each point (i) –(iii) **should be replaced by the word "or**".

This would be in line with the ECD given that in the US proposal:

(i) - automatic technical process – refers to "mere conduit" (Article 12 ECD)

(ii) – no action or initiation or selection by the provider – refers to both types of activities – "mere conduit" and "caching" (Articles 12-13 ECD)

(iii) – referring or linking to an online location – refers, according to US, to "search engines". As regards "non-commercial" hyperlinks, these could, in our view, be accepted as an extension of "hosting" (ECD, Article 14). Such hyperlinks are not explicitly regulated by the ECD. The liability of providers for hyperlinks and location tool services has been deliberately left out from the scope of the ECD. However, we believe that **non-commercial** hyperlinks could be treated as a hosting activity under Article 14 ECD.

**2)** Logically the exoneration criterion of "**actual knowledge**" cannot apply to point (i) as this indicates pure "mere conduit" activities. Such activities logically cannot lead to having or not having knowledge about something since these processes are purely automatic technical processes.

On the other hand, Articles 13 -14 ECD (Caching and Hosting) **both provide for the notion of "actual knowledge**" (Articles 13.1. (e) and 14.1. (a)) thus the provider cannot be held liable if he does not have actual knowledge about the infringing activities.

**3) Footnote 5** states that "for greater certainty…". EU wishes clarification of this wording and seeks concrete examples in order to understand why this footnote is so important for greater certainty. Furthermore, if it is so important, why is it not in the text of the provision itself?

**Paragraph 3(b)**
The aim of paragraph 3(b) is to establish a system that can be considered to make the exemptions from liability subject to specific conditions: notice-and-take down procedure to address the unauthorized storage or transmission of materials protected by copyright or related rights. Such an obligation is currently not found in the ECD.

**1)** We would like to first ask the US to explain how this paragraph is intended to work in practice and to give us a precise example of what this paragraph aiming at. For instance, does this paragraph mandate filtering by the ISP in his network?

**2)** The proposed **paragraph 3(b)(i)** adds an important prerequisite for the limitations on liability to apply: **the intermediary must adopt and reasonably implement a policy** "to address the unauthorized storage or transmission of materials protected by copyright or related rights". This prerequisite has no equivalent in the ECD. In fact, the proposed provision adds a condition for the limitations on liability to apply and, thus, is going beyond the *Acquis communautaire*.

**3)** EU understands that **footnote 6** provides for an example of a reasonable policy to address the unauthorized storage or transmission of protected materials. However, the issue of **termination of subscriptions** and accounts has been subject to much debate in several Member States. Furthermore, the issue of whether a subscription or an account may be terminated without prior court decision is still subject to negotiations between the European Parliament and the Council of Telecoms Ministers regarding the Telecoms Package.

**4)** EU concern is that the **paragraph 3(b)(ii)** aims at implementing a **notice and take down procedure** which might not be compatible with the ECD. The ECD leaves this aspect to self-regulation and does not make it a binding condition to benefit from liability exemptions.

This goes beyond the requirements stipulated by the ECD. The ECD allows the Member States however in Article 13(2) and 14(3) ECD to require the service provider to terminate or **prevent** an infringement and further enables the MS to establish procedures governing the removal or disabling of access to information. Further Article 16 of the ECD encourages the drawing up of codes of conduct.

**5)** Does the concept of "conduit for transmission" (3.b. last sentence) also includes caching or is limited to "mere conduit"?

**Paragraph 4**:
This paragraph relates to obligations concerning **Technical Measures**.

**1)** It is not clear if the scope of the provision covers only phonogram author rights and neighbouring rights (performers, producers) or do the definition of "author" also includes film, audio, literature.

**2)** This paragraph and its accompanying footnotes regarding the circumvention of effective technological measures provide that Parties shall provide for "**civil remedies, as well as criminal penalties**".

Article 11 of the WCT and Article 18 of the WPPT state that "*Contracting Parties shall provide adequate legal protection and effective legal remedies*" without however specifying in what this protection would consist. In addition, Article 6 CISD merely refers to "adequate legal protection" against circumvention and any preparatory acts. This provision of the CISD leaves a reasonable margin of discretion to Member States in how to implement this obligation. The proposed Paragraph 4 goes therefore beyond the current *Acquis communautaire.*

**3)** When referring to WCT and WPPT, do we have to interpret this clause as meaning that contracting states have to adhere to both these treaties? If so, then do we not unnecessarily exclude states which want to adhere to ACTA but do not want to adhere to WCT/WPPT?

**4)** EU notes the absence of any (explicit) link between the legal protection of TPM and exceptions and limitations to copyright/ related rights. WCT and WPPT provisions refer to "*TPM that restrict acts, in respect of works of the rights holders, which are not authorized by the right holders or permitted by law* ". CISD provides for a special regime of voluntary and appropriate measures in how to safeguard the benefit of certain exceptions by voluntary measures and appropriate measures (Article 6(4)).

**5)** Paragraph (4) and accompanying footnote 7 requires that the protection against circumvention of technological measures shall also apply to technological measures which protect merely "access" to a work.

The WCT, WPPT and Article 6(3) CISD do not require that the contracting Parties and Member States provide for protection for technical measures beyond acts of reproduction and making available to the public. The proposed paragraph and accompanying footnote may require that the contracting Parties also provide protection for non-copyright-relevant acts or measures. One example of such measures are a so-called "regional lockout", e.g. a measure preventing that a DVD bought in one country or region (e.g. USA) can be played in DVD players in other countries or regions.

It should be made clear be made clear that one should only protect TPM that restrict acts which come within the scope of the exclusive rights (authorized by the right holder).

**Paragraph 5**:
This paragraph relates to independent civil and criminal enforcement of paragraph 4 (independent of any infringement of copyright or related rights) and to limitations to paragraph 4.

**1)** Regarding **civil and criminal** enforcement, see comment under paragraph 4, point 2.

**2) Footnote 8** seems to govern "interoperability" issues, i.e. the ability of consumers to play, for example, music which they have downloaded legally, on different players such as an iPhone or a Microsoft Media Player. The footnote seems to be intended to make sure that contracting Parties do not require that such interoperability must be achievable. Recital 48 to CISD also deals with interoperability. The latter, however, uses the wording "implies no obligation", which is something completely different than the wording in the proposed footnote "may not require". We also note that the proposed footnote is not fully in line with recital 53 to the CSD, which states that "Compatibility and interoperability of the different systems should be encouraged."

The way in which interoperability (market driven or imposed by Member States) is achieved is not defined at EU level and MS retain all powers to legislate in this respect.

**Paragraph 6**:
This paragraph focuses on Rights' Management.

Regarding **civil and criminal** enforcement and "adequate legal protection" wording, see comment under paragraph 4, 2).

**Paragraph 7**:
This paragraph focuses on limitations of paragraph 6.

Why is this a separate point (different from paragraph 5) and why is the language not the same as in the second sentence of paragraph 5? Why a formulation different to the one used in paragraph 5?