

August 7, 2008

Via FedEx

The Honorable Susan Schwab
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Re: The Anti-Counterfeiting Trade Agreement

Dear Ambassador Schwab:

Recent intellectual property law decisions by European courts will have the effect of preventing U.S. Internet companies and other intermediaries from competing fairly in the European market. By increasing the potential liability of Internet companies and intermediaries worldwide, the proposed Anti-Counterfeiting Trade Agreement (ACTA) could worsen this pernicious trend. To prevent this result, the scope of the agreement must be carefully circumscribed.

The fundamentally different approach towards Internet company liability is demonstrated by two cases involving eBay: the June 30, 2008 ruling by the Paris Commercial Court in a case brought by Louis Vuitton and other luxury goods manufacturers; and the July 14, 2008 decision by a U.S. District Court in New York in a case initiated by Tiffany. The U.S. court ruled that eBay had no obligation to proactively police its site to prevent the sale of counterfeit Tiffany products by third parties. The court found that so long as eBay responded promptly to Tiffany's identification of auctions of counterfeit goods, eBay did not infringe Tiffany's trademarks.

In contrast, the French court found that eBay "amplified" the unlawful marketing of goods by failing to adopt adequate measures to prevent the illegal activity. The French court imposed liability for services eBay did not locate in or direct towards France. Moreover, many of the products at issue were not counterfeit under U.S. law. Rather, these products were legitimately manufactured, but their manufacturer had not authorized their sale through eBay. Unlike U.S. law, French law allows a manufacturer to prohibit the sale of its products outside of a "selective distribution network."

In short, the French court imposed liability on a U.S. company for sales that were legal in the U.S. and did not occur in France. The court ordered eBay to pay over \$60 million to the plaintiffs for the "harm" they suffered globally. The court also imposed a \$100,000 penalty for each day eBay did not comply with the court's remedies, which include a

prohibition on any display of the plaintiffs' trademarks, including in comparative advertising.

Unfortunately, this French judicial decision is not an isolated event. Last year, for example, the Belgian Court of First Instance found that Google's caching of websites, and subsequent display of the cache copies to users, infringes copyright. U.S. courts, conversely, have found this same search activity protected by the fair use doctrine.

We appreciate your objective of protecting the intellectual property of American rightsholders from infringement overseas. However, in light of these European decisions, there is a very real possibility that an agreement that would require signatories to increase penalties for "counterfeiting" and "piracy" could be used to challenge American companies engaging in online practices that are entirely legal in the U.S., that bring enormous benefit to U.S. consumers, and that increase U.S. exports.

Accordingly, before the ACTA negotiations address Internet issues, consensus must be reached on the precise scope of the agreement. To avoid adversely affecting exports and the other overseas activities of U.S. companies, the term "counterfeit" must be carefully defined to exclude lawfully manufactured goods sold outside authorized distribution channels. Specifically, to comport with U.S. law, ACTA must reflect the limitation in 15 U.S.C. § 1116(d)(1)(B), which clarifies that "counterfeit" does not extend to "any mark or designation used on or in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question, authorized to use the mark or designation for the type of goods or services so manufactured or produced" ACTA must clearly not apply to parallel imports. ACTA also should not apply to garden variety trademark infringement, which is not subject to the heightened enforcement regime of counterfeiting under U.S. law.

Second, "piracy" should be defined as willful copyright infringement on a commercial scale for commercial purposes. The agreement should not address secondary liability or target intermediaries such as shippers, payment systems, search engines, online market places, or interactive computer service providers. Limiting the scope of the agreement in this manner would reduce its potential negative impact on intermediaries.

Third, ACTA should not contain provisions that encourage the creation of intellectual property rights, obligations or government-fostered "best practices" that could extend beyond or modify rights and obligations existing under U.S. law. The agreement also should explicitly exclude moral rights and patents.

Fourth, because ACTA risks having such an adverse impact on intermediaries operating in full compliance with U.S. law, the negotiating process should be as open and transparent as possible. We appreciate your office's efforts to work with us. Going forward, we respectfully request the opportunity to review the text of draft proposals before USTR submits them as the position of the U.S. government, and that USTR provide to U.S. intermediaries the same information about its plans for the negotiations and potential texts that it may decide to provide to rights owner organizations that include

significant numbers of non-U.S. companies. The exact wording of proposals could significantly affect the business interests of U.S. companies.

Finally, given the importance and complexity of the issues under discussion, we urge you to proceed with the negotiations at a more deliberate pace. It is critical that there be sufficient time to ensure that the agreement is in the broad national interest.

Respectfully,

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AT&T
Computer & Communications Industry Association
Consumer Electronics Association
eBay Inc.
Information Technology Association of America
Internet Commerce Coalition
NetCoalition
U.S. Internet Service Provider Association
USTelecom Association
Verizon Communications
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