

IN THE MATTER OF THE ANTI-COUNTERFEITING TRADE AGREEMENT

Docket No. USTR-2010-0014

SUBMISSION OF THE ELECTRONIC FRONTIER FOUNDATION

The Electronic Frontier Foundation (EFF) appreciates the opportunity to submit the following comments to the Office of the United States Trade Representative (USTR) in response to the Request for Comments from the Public on the December 3, 2010 text of the Anti-Counterfeiting Trade Agreement (ACTA), published in the Federal Register on December 17, 2010 (Volume 75, Number 242, pages 79069-79070).

The Electronic Frontier Foundation (EFF) is a non-profit organization with over 14,000 members worldwide, dedicated to the protection of online freedom of expression, civil liberties, digital consumer rights, privacy, and innovation, through advocacy for balanced intellectual property laws and information policy. EFF is based in San Francisco, California.

1. Constitutional Issues Raised by Negotiating ACTA as a Sole Executive Agreement

There has been significant debate amongst U.S. constitutional law scholars about the constitutionality of negotiating ACTA as an agreement under the President's sole executive power, given that ACTA is an agreement that is exclusively about intellectual property standards and enforcement powers, one of the enumerated heads of power in the U.S. Constitution, and the U.S. Constitution does not give the President sole authority to make binding international commitments concerning intellectual property issues.¹

We note the repeated assurances from officers of the USTR that ACTA will not require changes to current U.S. law. In keeping with those statements, we respectfully request that the statement accompanying the signing of ACTA by Ambassador Kirk, the President or any other officer of the Obama administration, expressly confirm that ACTA will not require any changes to U.S. law. If that is not possible, we urge the Obama administration to put ACTA before Congress for its review and approval before the USTR, the President or any officer of the Obama administration signs ACTA or takes any other action that would purportedly make ACTA binding on the United States.

¹ See letter from U.S. Constitutional law professors to President Obama, October 28, 2010 at: <<http://www.wcl.american.edu/pijip/go/blog-post/academic-sign-on-letter-to-obama-on-acta>>

2. Comments on ACTA's Provisions

1. *Potential Lock-in of Controversial Aspects of U.S. Copyright Law*

EFF is pleased to see language in the December 3, 2010 ACTA draft text which protects signatories' ability to implement ACTA's provisions flexibly and consistently with countries' national laws and international obligations, and the fundamental principles of freedom of expression, fair process and privacy. However, EFF remains concerned that ACTA has the potential to restrict Congress' ability to regulate on certain intellectual property issues and to engage in domestic law reform to meet national priorities, because it contains provisions that would enshrine controversial aspects of US copyright law.

(i) *Technological Protection Measures*

Articles 27.5 and 27.6 require ACTA signatories to provide particular legal measures against the circumvention of technological protection measures that are more specific than the international obligations in Article 11 of the 1996 WIPO Copyright Treaty (WCT), and Article 18 of the WIPO Performances and Phonograms Treaty (WPPT). ACTA requires signatories to provide legal protection against the manufacture, importation, or distribution of a device or product (including computer programs), or provision of a service that is primarily designed or produced for the purpose of enabling circumvention, or has only a limited commercially significant purpose other than circumvention.

The drafting history of the WCT indicates that WIPO Member States did not intend to require a ban on tools that can be used to circumvent TPMs. The original document that formed the basis of discussion at the Diplomatic Conference leading up to the adoption of the WCT and WPPT, the Basic Proposal for a Treaty, contained a similar provision prohibiting the manufacture and distribution of circumvention devices, drawn from a U.S. proposal. However, the majority of WIPO Member States expressly rejected that provision at the Diplomatic Conference, in favor of the more open-ended language in Article 11 of the WCT and Article 18 of the WPPT.² ACTA reverses that outcome and removes the

² Article 13(1) of the BASIC PROPOSAL FOR THE SUBSTANTIVE PROVISIONS OF THE TREATY ON CERTAIN QUESTIONS CONCERNING THE PROTECTION OF LITERARY AND ARTISTIC WORKS, WIPO Document CRNR/DC/4 (Aug. 30, 1996) [hereinafter BASIC PROPOSAL], provided that:

Contracting Parties shall make unlawful the importation, manufacture or distribution of protection-defeating devices, or the offer of performance of any service having the same effect, by any person knowing or having reasonable grounds to know that the device or service will be used for, or in the course of, the exercise of rights provided under this Treaty that is not authorized by the rightholder or the law.

The U.S. proposal to WIPO included the following provision:

Contracting Parties shall make it unlawful to import, manufacture or distribute any device, product, or component incorporated into a device or product, or offer or perform any service, the primary purpose or effect of which is to avoid, bypass, remove, deactivate, or otherwise circumvent, without authority, any process, treatment, mechanism or system

flexibility otherwise available to countries in how they may structure legal protection for TPMs under the WIPO Internet Treaties.

As the U.S. experience with the similar provisions in the DMCA over the last 12 years has demonstrated, overbroad legal protection for TPMs – particularly a broad ban on circumvention tools and devices – has restricted fair use and other lawful uses of copyrighted material for a variety of socially beneficial purposes, chilled scientific research and computer security, impeded legitimate competition, and stifled innovation.³ Although ACTA's TPM provisions mirror the anti-circumvention provisions in U.S. law in 17 USC §1201, those provisions are becoming increasingly controversial as the scope of copyright expands and as more works are available exclusively in digital formats. Including these provisions in ACTA will act as a practical constraint on Congress' ability to engage in domestic law reform and to create new copyright exceptions and limitations to meet domestic needs. It is also likely to cause harm to investment and innovation in the U.S. technology sector and to American citizens' ability to engage in currently lawful activity.

ACTA requires signatories to provide legal protection against circumvention of a TPM independent of whether or not circumvention is undertaken for the purpose of, or results in, copyright infringement. In other words, countries are required to penalize circumvention of a TPM even if it is done for the purpose of making a use of a copyrighted work that is permitted by an exception or limitation, and where TPMs are used on material that is not subject to copyright. This is likely to undermine countries' existing copyright exceptions and limitations and national competition policy. It also runs counter to the emerging consensus from international entities that have investigated the impact of TPM legal regimes, that legal protection against circumvention of TPMs should be tied to the scope of national copyright law.⁴ It is also at odds with several U.S. appellate court decisions.⁵

which prevents or inhibits the unauthorized exercise of any of the rights under the Berne Convention or this Protocol.

PROPOSALS SUBMITTED BY THE UNITED STATES OF AMERICA TO THE COMMITTEE OF EXPERTS ON A POSSIBLE PROTOCOL TO THE BERNE CONVENTION 1–9, Sixth Session, Geneva (February 1996), WIPO Document BP/CE/VI/12, *cited in* MIHÁLY FICSOR, *THE LAW OF COPYRIGHT AND THE INTERNET: THE 1996 WIPO TREATIES, THEIR INTERPRETATION AND IMPLEMENTATION*, 391–2 (2002).

³ EFF Report, *Unintended Consequences: Twelve Years Under the DMCA*, March 2010 at: <<http://www.eff.org/wp/unintended-consequences-under-dmca>>.

⁴ INSTITUTE FOR INFORMATION LAW, UNIVERSITY OF AMSTERDAM, *STUDY ON THE IMPLEMENTATION AND EFFECT IN MEMBER STATES' LAWS OF DIRECTIVE 2001/29/EC ON THE HARMONISATION OF CERTAIN ASPECTS OF COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY* 97, 102–133 (February 2007) *available at* http://ec.europa.eu/internal_market/copyright/docs/studies/infosoc-study_en.pdf; *Review of Technological Protection Measure Exceptions*, issued by House Standing Committee on Legal and Constitutional Affairs of the House of Representatives, Australian Parliament on March 1, 2006, *at*: <http://www.aph.gov.au/house/committee/laca/protection/report/fullreport.pdf>.

⁵ *Storage Technology Corporation v. Custom Hardware Engineering*, unreported decision July 2, 2004, 2004 WL 1497688 (D.Mass), *vacated on appeal*, 421 F.3d 1307 (Fed.Cir. 2005); *The*

While ACTA would expand the scope of legal protection that countries must provide for rightsholders' TPMs, it provides for merely *discretionary* exceptions to the TPM provisions. Whether or not exceptions are created to permit socially beneficial non-copyright infringing uses of TPM protected material will then turn on domestic lobbying pressure in each country implementing ACTA. This is likely to result in a lack of harmonization for exceptions for important activities that have been impacted by TPM legal regimes, including scientific research, freedom of expression, reverse engineering and computer security.

(ii) *Criminal Sanctions for Copyright Infringement*

Article 23 of ACTA requires countries to provide criminal procedures and penalties for copyright infringement in a substantially broader range of instances than required under the current international IP enforcement norms set out in Article 61 of the TRIPs Agreement. ACTA would expand the TRIPs standard by interpreting "acts carried out on a commercial scale" to "include at least those carried out as commercial activities for direct or indirect economic or commercial advantage." This would encompass the daily activities of many Internet users in ACTA negotiating countries.

If the real intent behind introducing expanded criminal sanctions is to address infringement on the Internet, this provision is not likely to do so, but is likely to cause significant collateral harm to consumers. We reiterate the comments we made on this issue in our submission of March 2008. Given the very significant numbers of individuals who regularly engage in file-sharing, it would be more effective to promote new business models focused on licensing of content exchanged on the Internet, rather than creating new legal rules that would criminalize millions of individuals.

U.S. copyright law already contains criminal sanctions for certain behavior. As the experience of the last seven years, and lawsuits against over 100,000 individual files sharers in the United States has shown, legal sanctions have had little or no appreciable impact on the volume of file-sharing taking place on public and private networks across the globe. There is no reasonable basis for believing that including criminal sanctions in ACTA will change this situation. On the contrary, all indications are that files sharers will migrate to encrypted communication channels, evading detection and prosecution by current procedures. However, adopting new global legal rules that criminalize the behavior of such a significant proportion of the population, for what is widely perceived to be a market failure, is likely to weaken the normative force of copyright law across the globe.

ACTA also requires countries to provide criminal penalties for aiding and abetting copyright infringement, and to provide liability – which may be criminal – for corporations and other legal persons. While U.S. law recognizes criminal liability for aiding and abetting copyright infringement and provides for criminal sanctions for

Chamberlain Group, Inc. v. Skylink Technologies, Inc., 381 F.3d 1178 (Fed. Cir. 2004); *but see* MDY Industries LLC v. Blizzard Entertainment, Inc. et al, Nos. 09-15932 & 16044 (9th Cir., Dec. 14, 2010).

copyright infringement that is done for commercial advantage or private financial gain in certain circumstances, including these provisions in ACTA similarly creates a de facto restriction on Congress' ability to engage in domestic law reform in this area should it wish to do so in the future.

We continue to believe that criminal sanctions should be reserved for the most egregious commercial-scale and profit-motivated instances of copyright infringement, as intended at the time that TRIPs was negotiated. To avoid chilling innovation and legitimate and socially beneficial uses of copyrighted works, criminal penalties that are implemented in ACTA countries' laws should be clear, narrowly tailored, and proportionate to the harm in issue.

(b) Other Threats to the Free and Open Internet

ACTA contains several provisions that are framed vaguely and create unclear rules and obligations that will be susceptible to varying interpretations and strong domestic lobbying pressure when they are implemented in ACTA countries' national laws. EFF is concerned that this is likely to undermine citizens' rights of privacy, fair process and freedom of expression, and the free and open Internet.

In particular, we note that Article 27.3 requires countries to "endeavour to promote cooperative efforts within the business community to effectively address trademark and copyright or related rights infringement while preserving legitimate competition and, consistent with that Party's law, preserving fundamental principles such as freedom of expression, fair process, and privacy". ACTA also requires countries to provide for broad-ranging injunctions and provisional measures against third parties (Articles 8 and 12) that could be used to force Internet intermediaries to filter all Internet communications for potential copyright infringing material, to block websites allegedly engaged in copyright infringement and to require ISPs to terminate accounts of subscribers alleged to have engaged in repeat copyright infringement. These broad and unclear provisions are particularly troubling given that ACTA gives the ACTA Committee established under Chapter V the task of reviewing the implementation of ACTA in signatory countries' laws and deciding what measures constitute sufficient compliance with ACTA.

3. Policy Concerns Raised by Institutional Arrangements Provisions

EFF is concerned about the powers and scope of authority that is vested in the ACTA Committee established under Chapter V of ACTA. First, the ACTA Committee is tasked with reviewing the implementation and operation of the ACTA Agreement and thus will have the final say on whether a country's law complies with ACTA or not. Second, it determines which proposed amendments will be put to parties for approval. This institutional structure raises concerns for signatories' national sovereignty and ability to set appropriate domestic policy.

Third, we note that Article 36 empowers the ACTA Committee to establish ad hoc working groups and seek the advice of non-governmental persons or groups. U.S.

copyright law contains balanced rights and robust exceptions and limitations that serve the interests of a diverse set of stakeholders, including authors and creators, librarians and archivists, educators, researchers, non-commercial documentary film makers, software and technology developers. In the interests of balanced policy-making, we recommend that the ACTA Committee seek the advice of civil society experts and representatives of all affected constituencies, rather than just representatives from rightsholder industries as is the practice under the current U.S. trade advisory committee structure. In addition, any ad hoc working groups established by the ACTA Committee should include representatives from civil society, and from all affected stakeholder constituencies, and the Committee should give equal weight to the views of all constituencies as it undertakes the work described in Chapter V.

4. ACTA and the Special 301 Annual Review

Finally, we wish to reiterate the comments submitted by EFF and Public Knowledge to the USTR in response to its call for submissions on the 2010 Special 301 annual review.⁶ We urge the USTR not to use the Special 301 process to pressure other non-signatory countries to accede to ACTA, or to implement its standards.

It is clear that ACTA is intended to create new global intellectual property enforcement norms that will apply beyond the countries that negotiated it, and that ACTA negotiating countries intend to ask countries that were excluded from the negotiations to adhere to its standards. The 2008⁷, 2009⁸, and 2010⁹ Special 301 reports¹⁰ each included references to the then-draft ACTA, and leaked versions of earlier draft ACTA texts indicated that negotiating countries intend to require developing countries to accede to and implement ACTA. The capacity building provisions in Article 35 of the final text expressly contemplate technical assistance to prospective parties. Taken together, this suggests that the USTR intends to require non-signatory countries to accede to ACTA, and/or implement its enforcement standards at risk of adverse consideration in the Special 301 annual review.

EFF continues to believe that using the Special 301 process to pressure countries to accede to ACTA or adopt its standards would be unwise as a matter of foreign policy, and harmful to the economic interests of the U.S. technology sector. ACTA includes numerous measures where no internationally agreed standard exists. Implementing its substantive enforcement norms in countries that do not have the exceptions and limitations that

⁶ <http://www.eff.org/files/filenode/FTAA/Special%20301%20PK-EFF%20filing.pdf>

⁷ 2008 Special 301 Report, at 4, at: http://www.ustr.gov/sites/default/files/asset_upload_file553_14869.pdf

⁸ 2009 Special 301 Report, at 3, at: <http://www.ustr.gov/sites/default/files/Full%20Version%20of%20the%202009%20SPECIAL%20301%20REPORT.pdf>

⁹ 2010 Special 301 Report, at 7, at: http://www.ustr.gov/webfm_send/1906

provide balance in U.S law, nor institutions to regulate potential anti-competitive impacts that might arise from doing so, is likely to lead to unbalanced laws and reduce potential export markets for the U.S. technology industry.

Since ACTA was negotiated as a plurilateral agreement by a small set of countries, in a non-transparent process, outside of traditional multilateral IP fora and without the participation or input of more than 150 nation states, we continue to believe that it would be inappropriate for countries that are not signatories to ACTA to be evaluated according to the standards agreed by the ACTA negotiating countries, or to be required to accede to ACTA in order to avoid additional scrutiny as part of an out of cycle review or adverse ranking on the Watch List or Priority Watch List as part of the Special 301 annual review.

5. Recommendations

EFF recommends that:

1. The statement accompanying the signing of ACTA by Ambassador Kirk, the President or any other officer of the Obama administration, expressly confirm that ACTA will not require any changes to U.S. law. If that is not possible, we urge the Obama administration to put ACTA before Congress for its review and approval before signing.
2. The ACTA Committee should seek the advice of civil society experts and representatives from all affected constituencies, not just representatives from rightsholder industries, as is the practice under the current U.S. trade advisory committee structure.
3. Any ad hoc working groups established by the ACTA Committee should include representatives from civil society and all affected stakeholder constituencies, and the Committee should give equal weight to the views of all constituencies as it undertakes the work described in Chapter V.
4. The USTR should not use the threat of placement on the Watch List or Priority Watch List in the annual Special 301 review, or an out of cycle review, to pressure non-signatory countries to accede to ACTA, or to implement its standards in their national law.

We would be pleased to provide further information on any of the above issues.

Thank you for your consideration.

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