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## LEGAL OPINION

**Re: Anti-Counterfeiting Trade Agreement (ACTA)**

### I. INTRODUCTION

1. By letter of 18 July 2011 (annexed), received by the Legal Service on 19 July 2011, the Chairman of the Committee on International Trade (INTA) sought the opinion of the Legal Service on various questions concerning the ACTA, in particular the legal basis proposed by the Commission for its conclusion, its conformity with the EU *acquis*, its conformity with existing international obligations of the EU and its Member States and the question of transparency in relation to the preparatory works of the international negotiations on ACTA<sup>1</sup>. On 28 September 2011, the Chair also requested the Legal Service's opinion on the conformity of ACTA with Parliament's position on the IPRED2 proposal.<sup>2</sup>

### II. BACKGROUND

2. Further to the adoption of the negotiating directives by the Council on 14 April 2008, negotiations on the ACTA were launched on 3 June 2008. The negotiations included the European Union, its Member States and various third countries, namely Australia, Canada, Japan, the Republic of Korea, the United Mexican States, the Kingdom of Morocco, New Zealand, the Republic of Singapore, the Swiss Confederation and the United States of America. As explained by the Commission in the explanatory memorandum to its proposal, while the Commission led the negotiations on the general provisions of ACTA, the rotating EU Presidency led the negotiations on matters of penal enforcement, based on positions agreed and adopted in COREPER. The negotiations were concluded on 15 November 2010 and the text was initialled on 25 November 2011, after 11 rounds of negotiations.

<sup>1</sup> 2010/0289(COD)

<sup>2</sup> "Amended proposal for a Directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights", COM/2006/0168 final - COD 2005/0127.

3. The Commission proposed the signature and conclusion of the Agreement on 24 June 2011. Council adopted a decision to sign the Agreement on 23 August 2011<sup>3</sup>. There is no proposal to provisionally apply the Agreement pending its conclusion.
4. The Commission proposes that the Agreement be concluded as a "mixed agreement"<sup>4</sup>. The Agreement must be concluded in accordance with the procedures foreseen in Article 218 TFEU, in particular its paragraph 6(a)(v) requiring a decision by Council following the consent of Parliament. Moreover, it must be ratified by all the Member States in accordance with the national requirements and procedures.
5. While Parliament has been notified of the proposal to conclude the Agreement, Parliament's consent has not yet been requested by Council. Such request is generally sent to Parliament immediately after Council adopts the decision to sign the Agreement.

### **III. LEGAL ANALYSIS**

#### **Question 1:**

#### *The legal basis for adopting ACTA.*

6. It is settled case-law of the Court of Justice that the choice of legal basis of European Union acts is to be determined solely by reference to objective criteria that are amenable to judicial review, and in particular the aim and content of the act being proposed<sup>5</sup>. In the present case, the Commission has proposed ACTA to be concluded on the basis of Article 207 (4), 1st subparagraph, in conjunction with Article 218(6)(a)(v) TFEU.

*Article 207 and Article 218(6)(a)(v) TFEU are the appropriate legal basis*

7. The conclusion by the Union of an international agreement requires at least two legal bases:
  - Article 218 TFEU as the legal basis which specifically provides the procedure for the conclusion of international agreements;
  - Another legal basis or legal bases which provides the substantive competence for the Union to conclude that agreement.
8. The reference to Article 218(6)(a)(v) TFEU implies that the Agreement will be concluded by the Council after obtaining the consent of the European Parliament. The consent is required because the Agreement covers a field to which the ordinary legislative procedure

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<sup>3</sup> Council Document 12192/11 dated 23.8.2011, not yet published in the Official Journal.

<sup>4</sup> This can be seen from the title itself of the Agreement which refers to the European Union and the Member States.

<sup>5</sup> See judgment of the Court of Justice of 24 April 2004, Case C-338/01, *Commission v. Council*, [2004] ECR. I-7829, para. 54; Judgment of the Court of Justice of 11 September 2003, Case C-211/01, *Commission v Council*, [2003] ECR. I-8913, para. 38; Judgment of the Court of Justice of 29 March 1990, Case C-62/88, *Hellenic Republic v. Council*, [1990] ECR I-01527, para. 13.

applies. Since the large part of the Agreement falls under the common commercial policy, which is a field to which the ordinary legislative procedure applies, then Article 218(6)(a)(v) TFEU is the appropriate legal basis in terms of procedure.

9. The reference to Article 207 TFEU is also pertinent since the Agreement is, as its title itself explains, a trade agreement. Its aim is to ensure that trade among the parties is not hindered due to a lack of enforcement of intellectual property rights. This element of the Agreement must be concluded on the basis of Article 207 TFEU and hence falls under the exclusive competence of the Union.
10. Article 207(1) TFEU describes the common commercial policy as being "*based on uniform principles, particularly with regard to changes in tariff rates, the conclusion of tariff and trade Agreements relating to trade in goods and services, and the commercial aspects of intellectual property, foreign direct investment, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies*". Its broad scope which includes measures which promote, facilitate or govern trade<sup>6</sup> bring the large part of the provisions of ACTA within its scope, except for the Section 4 of Chapter II on criminal enforcement.

*Should ACTA be concluded as a mixed agreement as proposed by the Commission?*

11. ACTA includes a section on criminal enforcement<sup>7</sup>. The importance of this Section in relation to the scope of ACTA as a whole cannot be deemed to be merely ancillary to that of the broader scope which is to promote trade by enhancing the enforcement of intellectual property rights.
12. Article 83(2) TFEU provides that "*If the approximation of criminal laws and regulations of the Member States proves essential to ensure the effective implementation of a Union policy in an area which has been subject to harmonisation measures, directives may establish minimum rules with regard to the definition of criminal offences and sanctions in the area concerned*". Article 83 TFEU falls under Title V, Area of Freedom, Security and Justice of the TFEU. According to Article 4(2)(j) TFEU it is an area which falls under the shared competence of the Union and the Member States.
13. Since Article 83(2) TFEU falls under shared competence, the Union must decide on whether to exercise its competence resulting from Article 83(2) TFEU to conclude the Agreement or not<sup>8</sup>. If the Union decides to exercise its competence, Article 83(2) TFEU must be added to the legal basis. If the Union considers that this competence should this be

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<sup>6</sup> The Court of Justice has always taken the view that the common commercial policy should be given a broad interpretation. See, for example, Opinion 1/78 International Agreement on Natural Rubber, [1979] E.C.R. 2871, paras 45 to 49; Case C-62/88 Greece v Council [1990] E.C.R. I-1527, paras 18-20.

<sup>7</sup> Chapter II, Section 4.

<sup>8</sup> Article 2(2) TFEU defines shared competence as follows: "*When the Treaties confer on the Union a competence shared with the Member States in a specific area, the Union and the Member States may legislate and adopt legally binding acts in that area. The Member States shall exercise their competence to the extent that the Union has not exercised its competence*".

left to the Member States, the Agreement must be concluded as a mixed agreement<sup>9</sup> and Article 83(2) TFEU should not be included in the legal basis.

14. The Commission, in its Explanatory Memorandum, explains that:

*"ACTA contains a number of provisions on criminal enforcement that fall within the scope of Article 83(2) TFEU. Those parts of the Agreement, in distinction to those parts falling under Article 207, fall under the area of shared competences (Article 2(2) TFEU). Where a matter falls under shared competence either the European Union or Member States may legislate and adopt legally binding acts. Regarding the signature and conclusion of ACTA, the Commission has opted not to propose that the European Union exercise its potential competence in the area of criminal enforcement pursuant to Article 83(2) TFEU. The Commission considers this appropriate because it has never been the intention, as regards the negotiation of ACTA to modify the EU acquis or to harmonise EU legislation as regards criminal enforcement of intellectual property rights. For this reason, the Commission proposes that ACTA be signed and concluded both by the EU and by all the Member States. The Commission's position as regards ACTA and Article 83(2) TFEU is without prejudice to the position of the Commission on future exercise by the EU of the shared competences foreseen by Article 83(2) TFEU as regards other initiatives"* [emphasis added].

15. In other words, the Commission proposes that the Agreement be based solely on Articles 207 and 218(6)(a)(v) TFEU and that it is concluded as a mixed agreement: the EU exercising its exclusive competence in the field of common commercial policy and the Member States exercising their competence in the area of freedom, security and justice. In legal terms, it would have been possible for the Union to exercise its competence on the basis of Article 83(2) TFEU. This is a matter of political choice and the Commission chose not to propose using Article 83(2) TFEU as is explained above. It may be added that the consent of Parliament is required for the conclusion of ACTA whether or not Article 83(2) TFEU is added to the legal basis.
16. The inclusion of Article 83(2) TFEU in the legal basis of the Council Decision on the conclusion of the Agreement would remove the requirement that ACTA be concluded as a mixed agreement. However, Article 83(2) TFEU is subject to the provisions of Protocols 21 and 22 of the Treaties on the special position of the United Kingdom, Ireland and Denmark. The application of those Protocols would have to be considered prior to concluding ACTA if it is decided that the Union shall exercise its competence with regard to the criminal enforcement section of the Agreement<sup>10</sup>.

<sup>9</sup> Mixed agreement means that the agreement is concluded by the European Union, following the procedure under Article 218 TFEU, and by all the 27 Member States, each following its own constitutional requirements.

<sup>10</sup> Protocol 21 on the position of the United Kingdom and Ireland in respect of the area of freedom, security and justice, Article 1 provides that: "(...) the United Kingdom and Ireland shall not take part in the adoption by the Council of proposed measures pursuant to Title V of Part Three of the Treaty on the Functioning of the European Union". Article 3 adds that: "The United Kingdom or Ireland may notify the President of the Council in writing, within three months after a proposal or initiative has been presented to the Council pursuant to Title V of Part Three of the Treaty on the Functioning of the European Union, that it wishes to take part in the adoption and application of any such proposed measure, whereupon that State shall be entitled to do so". Protocol 22 on the position of Denmark provides in Article 1 that: "Denmark shall not take part in the adoption by the Council of proposed measures pursuant to Title V of Part Three of the Treaty on the Functioning of the European Union".

## Question 2:

The conformity of ACTA with the EU *Acquis* with regard to (a) border measures, (b) the criteria for damages in ACTA in relation to the criterion of "appropriateness of the damage to the actual prejudice suffered" as envisaged in Directive 2004/48/EC, and (c) criminal measures.

*International agreements concluded by the EU must conform to the EU Treaties but do not need to conform to other acts adopted by EU Institutions*

17. First of all, it must be stated at the outset that an international agreement concluded by the EU must be compatible with the provisions of the Treaties, but there is no legal requirement that an international agreement to be concluded by the EU conforms to other acts adopted by the EU Institutions.
18. Article 216(2) TFEU provides that agreements concluded by the EU are binding on the institutions of the Union and on Member States. This is an expression of the international law principle of *pacta sunt servanda* - agreements must be respected by the parties concluding them. This implies that when the EU concludes agreements, it is bound by them in the sense that legislation which the Union will subsequently adopt has to be compatible with their provisions. Moreover, if an international agreement implies a modification of existing legislative acts, the latter must be modified accordingly.
19. Nothing in the Treaty implies that the EU can only conclude an agreement if it is compatible with the EU *acquis*. To the contrary, before the Treaty of Lisbon Article 300(3) EC provided specifically for the consent of the European Parliament for the conclusion of agreements "entailing amendment" of an act adopted by co-decision. Such a provision took into consideration the fact that the conclusion of international agreements can require the adaptation, through amendments, of existing EU legislation. This provision is no longer included in the Treaties simply because now the consent of Parliament is required for the conclusion of all agreements covering fields to which the ordinary legislative procedure (co-decision) applies.
20. Of course, should the legislator not want to introduce changes to adapt internal legislation, it may decide not to conclude the Agreement when such incompatibilities exist. But this is a political choice. It does not mean that the legislator (Council, after obtaining the consent of Parliament), cannot, in legal terms, anyway conclude the Agreement.
21. In order to make that political choice, one must examine whether ACTA will require such adaptations in EU law.

## Border measures

22. ACTA refers to border measures in relation to all intellectual property rights. In the EU border measures are limited to counterfeit and pirated goods only (Article 2 of the Border Measures Regulation 1383/2003/EC<sup>11</sup>). ACTA therefore seeks to cover a broader scope.
23. However, Article 13 limits the provisions of ACTA on border measures to "*as appropriate, and consistent with its domestic system of intellectual property rights protection and without prejudice to the requirements of the TRIPS Agreement*". While this wording is subject to interpretation, it seems that: (a) the provisions of TRIPS are given precedence, and this would include the Doha Declaration on TRIPS and Public Health<sup>12</sup>; and (b) since the EU's legislation is limited to border measures in relation to counterfeit and pirated goods, the ACTA provisions on border measures should be interpreted as binding the EU only in that regard.
24. It must be acknowledged that should ACTA come into force, its wording will be subject to interpretation by the courts of each ACTA contracting party, including the European Court of Justice and the courts of the Member States. In this context, a question may be raised on whether the provisions on border management in ACTA will be interpreted as being limited to infringements of counterfeit and pirated goods only or would be extended to "ordinary" infringements of trademarks.

*The criteria for damages in ACTA in relation to the criterion of "appropriateness of the damage to the actual prejudice suffered" as envisaged in Directive 2004/48/EC*

25. Both ACTA and Directive 2004/48/EC provide that an infringer who, knowingly or with reasonable grounds to know, engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered.
26. ACTA Article 9 (1) provides that the judicial authorities "shall have to consider, inter alia, any legitimate measure of value the right holder submits, which may include lost profits, the value of the infringed goods or services measured by the market price, or the suggested retail price". Article 13(1) of Directive 2004/48/EC provides that when setting the damages, judicial authorities "shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement; or (b) as an alternative to (a), they may, in appropriate cases, set the

<sup>11</sup> Article 2 provides that: "goods infringing an intellectual property right" means: (a) "counterfeit goods" (...); (b) "pirated goods" (...) and (c) goods which, in the Member State in which the application for customs action is made, infringe: (i) a patent under that Member State's law; (ii) a supplementary protection certificate of the kind provided for in Council Regulation (EEC) No 1768/92(7) or Regulation (EC) No 1610/96 of the European Parliament and of the Council(8); (iii) a national plant variety right under the law of that Member State or a Community plant variety right of the kind provided for in Council Regulation (EC) No 2100/94(9); (iv) designations of origin or geographical indications under the law of that Member State or Council Regulations (EEC) No 2081/92(10) and (EC) No 1493/1999(11); (v) geographical designations of the kind provided for in Council Regulation (EEC) No 1576/89(12)".

<sup>12</sup> Footnote 9 of ACTA provides specifically that "The Parties agree that patents and protection of undisclosed information do not fall within the scope" of the Section on border measures.

*damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due."* Under ACTA, judicial authorities are obliged to consider any legitimate measure of value the right holder submits. The list of what this may include is by way of example. In the Directive, judicial authorities shall take into account "all appropriate aspects". Therefore the compulsory aspect is similar. The alternative (b) will still be available, but only after the judicial authorities have considered any legitimate measure of value the right holder submits.

27. Under Article 9(2), ACTA introduces an additional rule with regard to "at least cases of copyright or related rights infringement and trademark counterfeiting". In this case, each party is obliged to provide that judicial authorities in civil proceedings have the authority *"to order the infringer to pay the right holder the infringer's profits that are attributable to the infringement. A Party may presume those profits to be the amount of damages referred to in paragraph 1 "*. Article 13 (a) of Directive 2004/48/EC refers to "unfair profits made by the infringer" and provides that these shall be taken into account when establishing the damages. Therefore, in the EU, judicial authorities are already given the power to order the infringer to pay the amount of his profits attributable to the infringement, but they are obliged to also consider other factors when determining the damages<sup>13</sup>.

#### *Criminal measures*

28. The EU does not have legislation on criminal enforcement of intellectual property rights.
29. The inclusion of criminal enforcement provisions in ACTA does not mean that the EU, rather than the Member States, must itself introduce criminal enforcement measures even if an approximation of criminal laws and regulations of the Member States is possible under Article 82(2) TFEU.
30. As explained above, the Commission proposes the Agreement to be concluded as a mixed agreement. The criminal enforcement section falls under the competence of the Member States. The Commission, in fact, explains this in the Explanatory Memorandum by stating that there was never the intention *"to harmonise EU legislation as regards criminal enforcement of intellectual property rights" through ACTA*. The Member States will thereby be required to *"provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright or related rights piracy on a commercial scale"* and as foreseen in Chapter II, Section 4 of ACTA.

#### *Parliament's position on IPRED 2*

31. Back in 2005, the Commission issued a proposal for a Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights (referred to as IPRED 2 in the request for legal opinion).<sup>14</sup> Parliament adopted its position, amending the proposal of the Commission, on 25 April 2007.<sup>15</sup> The Commission has since decided to withdraw

<sup>13</sup> Article 13 (1)(a) of Directive 2004/48/EC provides that they *"shall take into account all appropriate aspects, such as (...) any unfair profits made by the infringer"*.

<sup>14</sup> The Commission revised its proposal in 2006. "Amended proposal for a Directive of the European Parliament and of the Council on criminal measures aimed at ensuring the enforcement of intellectual property rights", COM/2006/0168 final - COD 2005/0127.

<sup>15</sup> P6\_TA(2007)0145.

its proposal<sup>16</sup>. It is evident that there are no legal requirements that ACTA be compatible with the position adopted by Parliament in this regard. However, a brief comparison is made below in order to reply to the question raised:

- *Scope*: In its amendments, Parliament had called for the Directive not to apply to "patents" and "parallel imports of original goods". ACTA obliges its Contracting Parties (which include the EU Member States) to introduce criminal procedures and penalties only with regard to trademark counterfeiting or copyright and related rights piracy;

ACTA is expressed to be "*without prejudice to provisions in a Party's law governing the availability, acquisition, scope, and maintenance of intellectual property rights.*"<sup>17</sup> Therefore, there is no obligation to ensure criminal enforcement measures in relation to acts which do not amount to an infringement under EU or national law on the protection of intellectual property rights.

- *Personal use*: Parliament had defined "*infringements on a commercial scale*", emphasising that this should "*exclude acts carried out by private users for personal and not-for-profit purposes*". Under the EU acquis trademark protection is limited to preventing the use of the trademark "*in the course of trade*"<sup>18</sup> and in relation to copyright, Member States can exclude reproductions "*for private use*" subject to certain conditions.<sup>19</sup>

In any event, in ACTA, Contracting Parties are obliged to apply the criminal enforcement sections to acts carried out on a commercial scale which must, at least, include those carried out "*as commercial activities for direct or indirect economic or commercial advantage*". In other words, Contracting Parties are not obliged to apply ACTA to private users for personal and not-for-profit purposes. The decision as to how far to apply criminal enforcement measures will depend on the national law of the EU Member State;

- "*Fair use*": Parliament, in its position on the Commission proposed Directive had called for the fair use of a protected work, including such use by reproduction in copies or audio or by any other means, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, to be excluded from being possibly considered to be a criminal offence. ACTA does not itself provide such an exception, but Member States can introduce or maintain such exceptions on the basis of Article 5 of the Copyright Directive;

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<sup>16</sup> As announced in OJC 252, 18.9.2010, p 7.

<sup>17</sup> Article 3(1) of ACTA.

<sup>18</sup> Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Official Journal L 299 , 08/11/2008 P. 0025 - 0033) and Regulation 40/94 of 20 December 1993 on the Community trade mark, as amended.

<sup>19</sup> Article 5(2)(b) of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society. (hereinafter "the Copyright Directive").



Parliament had also introduced an amendment on the misuse of threats of criminal sanctions. ACTA does not provide any such provisions and therefore Member States are free to decide on whether to introduce such a provision in their own laws. The provisions of ACTA do not oppose the introduction of such provisions in the national laws of its Contracting Parties;

- *"Rights of defendants"*: In its amendments to the withdrawn proposed Directive, Parliament introduced amendments to ensure that rights of defendants, rights concerning the protection of personal data and the right to receive information from law enforcement authorities are duly protected and guaranteed;

Firstly, in ACTA provides that "[procedures] adopted, maintained, or applied (...) shall be fair and equitable, and shall provide for the rights of all participants subject to such procedures to be appropriately protected" and "[in] implementing the provisions of this Chapter, each Party shall take into account the need for proportionality between the seriousness of the infringement, the interests of third parties, and the applicable measures, remedies and penalties"<sup>20</sup>;

Secondly, it will be up to the Member States to enforce such rights according to other provisions of EU law and their own national laws which must respect either the Charter of Fundamental Rights and/or the European Convention of Human Rights;

- *Penalties*: While Parliament's position on the level of penalties to be established in the Directive was to have a minimum of a four year imprisonment sentence for certain crimes, ACTA's provisions on criminal enforcement of intellectual property rights oblige the Contracting Parties, including EU Member States, to provide penalties that include imprisonment as well as monetary fines, but does not establish a minimum amount of years or amount as the text approved by the Parliament in 2007<sup>21</sup>.

32. In other words, ACTA does not include all the guarantees which Parliament had sought to ensure in its amendments to the proposed Directive in 2007. However, it does not prohibit or oppose such provisions in the laws of its Contracting Parties. It will be up to each Member State to decide on whether to introduce or maintain such guarantees, according to EU law and their own national laws.

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<sup>20</sup> Article 6(2) and (3) of ACTA.

<sup>21</sup> Article 24 of ACTA.

### **Question 3:**

The conformity of ACTA with the existing international obligations of the EU and its member States: How does Legal Service evaluate the relationship between ACTA and the TRIPS Agreement?

33. In its preamble, ACTA provides that the parties agreed to the provisions of the Agreement *"intending to provide effective and appropriate means, complementing the TRIPS Agreement, for the enforcement of intellectual property rights..."* and *"recognizing the principles set forth in the Doha Declaration on the TRIPS Agreement and Public Health, adopted on 14 November 2001, at the Fourth WTO Ministerial Conference"*. Article 1 of ACTA provides that *"Nothing in this agreement shall derogate from any obligation of a Party with respect to any other Party under existing agreements, including the TRIPS Agreement"*.
34. Article 2(3) provides that *"The objectives and principles set forth in Part I of the TRIPS Agreement, in particular in Articles 7 and 8, shall apply, mutatis mutandis, to this Agreement"*.
35. Moreover, ACTA makes some direct references to TRIPS. For example, when it comes to defining intellectual property ACTA does not provide a new definition. Reference is made to *"all categories of intellectual property that are the subject of Sections 1 through 7 of Parts II of the TRIPS Agreement"*. Article 8(2) on injunctions provides that a Party may limit the remedies available against use by governments, or by third parties authorized by a government, without the authorization of the right holder, to the payment of remuneration, provided that the Party<sup>22</sup> complies with the provisions of Part II of the TRIPS Agreement specifically addressing such use. when it comes to border measures, Article 13 provides that *"In providing, as appropriate, and consistent with its domestic system of intellectual property rights protection and without prejudice to the requirements of the TRIPS Agreement, for effective border enforcement of intellectual property rights, a Party should do so in a manner that does not discriminate unjustifiably between intellectual property rights and that avoids the creation of barriers to legitimate trade"*.
36. In its explanatory memorandum, the Commission states that ACTA will introduce a new international standard, building upon the World Trade Organisation's TRIPS Agreement (adopted in 1994).
37. First of all, it must be noted that the contracting parties to ACTA are limited in number, when compared to TRIPS. With regard to their relationship to other TRIPS contracting parties (ie other WTO Members), ACTA contracting parties remain evidently fully bound by that Agreement and subject to the Dispute Settlement Body of the WTO. On the other hand, ACTA's provisions are binding only on its contracting parties.

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<sup>22</sup> ie. A State that is a Contracting Party of ACTA.

38. Secondly, unlike TRIPS which includes provisions on standards concerning the availability, scope and use of intellectual property rights (intellectual property rights) as well as provisions on enforcement, acquisition and maintenance of intellectual property rights, ACTA is an agreement limited to IPR enforcement. In fact, its Article 3 provides that: *"1. This Agreement shall be without prejudice to provisions in a Party's law governing the availability, acquisition, scope, and maintenance of intellectual property rights. 2. This Agreement does not create any obligation on a Party to apply measures where a right in intellectual property is not protected under its laws and regulations."*
39. Therefore, the question as to the relationship between TRIPS and ACTA should focus on the enforcement of intellectual property rights. TRIPS also provides that WTO Members shall make available to right holders civil judicial procedures concerning IPR, including rights to damages (Article 45) and establishes minimum rights of defendants (Article 42 TRIPS). As for criminal proceedings, TRIPS provides that *"Members shall provide criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale"*. It moves on to list what the remedies available should include as a minimum (Article 61).
40. ACTA can be considered as going beyond the provisions of the TRIPS, but one must not ignore the fact that ACTA's membership is a lot more limited and that it does not include a dispute settlement mechanism similar to that provided under the WTO Agreements. It provides for "consultations" among parties with respect to any matter affecting the implementation of the Agreement but states specifically that *"the consultations...shall... be without prejudice to the rights and positions of either party in any other proceeding, including a proceeding under the auspices of the Understanding on Rules and Procedures Governing the Settlement of Disputes contained in Annex 2 to the WTO Agreement"* (ACTA article 38).
41. The Legal Service is aware that various concerns have been raised with regard to the relationship of ACTA with the TRIPS Agreement. While these concerns require a political analysis, the following can be added from a legal perspective.
42. With regard to the right of information, TRIPS provides in Article 47 that Members "may" provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution". ACTA Members, on the other hand will be obliged to provide that infringers provide the right holder with information, which may include the identification of third person. ACTA does not provide for effective provisions against misuse of the information acquired, but in this case TRIPS continues to apply. Proportionality is one of the general principles of ACTA as provides in Article 6(3).
43. With regard to the definition of "commercial scale", Article 23 ACTA on criminal offences provides that activities carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic and commercial advantage. TRIPS does not provide such a definition, but a WTO Panel defined it as *"counterfeiting or piracy carried out on a magnitude or extent of typical or usual"*

*commercial activity with respect to a given product in a given market*"<sup>23</sup>. While the definition in ACTA seems *prima facie* to encompass a broader sphere of activities, its interpretation will be determined, on a case by case basis, by national courts of ACTA members.

44. TRIPS Articles 55 and 56 provide safeguards for importers, consignees and owners of goods the release of which is suspended provided by TRIPS. ACTA does not have similar provisions in this regard. However, since Article 1 ACTA provides that "*nothing in this Agreement shall derogate from any obligation of a Party with respect to any other Party under existing agreements, including the TRIPS*", and moreover since the ACTA Parties maintain their obligations arising from TRIPS with regard to all WTO Members, in legal terms the Parties of ACTA will still be obliged to respect the TRIPS provisions and provide such safeguards.
45. ACTA also has a chapter on the enforcement of intellectual property rights in the digital environment, which is not included in the TRIPS.
46. In legal terms, ACTA can be seen as an agreement which obliges its Parties to enforce intellectual property rights, in some cases limiting the flexibility which they had under TRIPS as to whether and to what extent to enforce intellectual property rights. On the other hand, there do not seem to be any provisions which are contradictory to the provisions of TRIPS. Moreover, when interpreting ACTA, the European Court of Justice and national Courts are called upon to give precedence to TRIPS should they consider that there is an incompatibility. This results from Article 1 of ACTA which specifically provides that its provisions cannot be interpreted as derogating from any obligation under existing agreements, including TRIPS. Therefore, it cannot be held that ACTA provisions are incompatible, in legal terms, with those in the TRIPS Agreement.

#### **Question 4:**

Finally, Parliament and myself have received various requests from NGOs and Interest Groups for access to ACTA preparatory works as well as requests that all relevant preparatory documents (drafts distributed by the European Commission and associated briefing notes from the Commission) received by the Parliament should be published and/or communicated directly to Stakeholders as soon possible: is the Commission obliged to publicly disclose preparatory works and previous versions of ACTA, according to the Vienna Convention on Law of Treaties? Is the European Parliament obliged to disclose documents that originate from another EU institution?

*Is the Commission obliged to publicly disclose preparatory works and previous versions of ACTA, according to the Vienna Convention on Law of Treaties?*

47. The Vienna Convention on the Law of Treaties (VCLT) limits its requirement of publication to the final agreement itself. It does not provide any requirement of publication for preparatory works and draft versions of *agreements*. There is no requirement of public international law to publish such preparatory documents.

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<sup>23</sup> China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights (China - intellectual property rights), WT/DS362/R, 09/0240, 26.01.2009.

48. It has been argued that Article 32 VCLT establishes such an obligation. In its Chapter on Interpretation of Treaties, the Vienna Convention provides that "*Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31, or to determine the meaning when the interpretation according to article 31:*

(a) *leaves the meaning ambiguous or obscure; or*

(b) *leads to a result which is manifestly absurd or unreasonable*" (Article 32, VCLT).

49. It is the national courts, or the European Court of Justice in the case of the European Union, to interpret international agreements concluded by those States or by the EU. But this only applies where the documents are available<sup>24</sup>. One cannot interpret this provision of the Vienna Convention as creating an obligation on the Commission (or on the Member States) to make public all preparatory documents leading to the adoption of an international agreement.

*Is the European Parliament obliged to disclose documents that originate from another EU institution?*

50. Under Article 15(3) TFEU, the European Parliament is submitted to the obligation of transparency, according to which "*any citizen of the Union, and any natural or legal person residing or having its registered office in a Member State, shall have a right of access to documents of the Union's institutions [...]*". This right of access to documents is specified by Regulation (EC) No. 1049/2001 pursuant to which any citizen may request the disclosure of documents of the institutions "*subject to the principles, conditions and limits defined in this Regulation*" (Article 2 of Regulation (EC) No. 1049/2001).
51. Within the European Parliament, the implementation of Regulation (EC) No. 1049/2001 is ensured by the Unit for Transparency - Public Access to Documents and Relations with Interests representatives ("responsible unit") to which citizens may submit requests for access to documents. Moreover, access to documents is possible via the directly accessible electronic register of the European Parliament. *Initial* applications submitted to the European Parliament are handled by the Secretary general under the authority of the Vice-President responsible for supervision of the handling of applications for access to documents, whereas the reply to *confirmatory* applications is a matter for the Bureau of the European Parliament on behalf of which the Vice-President responsible for the processing of applications for access to documents shall take a decision.
52. Pursuant to its Article 2(3), Regulation (EC) No. 1049/2001 applies to "*all documents held by an institution, that is to say, documents drawn up or received by it and in its possession, in all areas of activity of the European Union*". It follows from the foregoing that documents transmitted to the European Parliament from other EU Institutions or third parties, such as the preparatory documents in possession of the International Trade Committee of the European Parliament with regard to the negotiations conducted in the

<sup>24</sup> See Aust, *Modern Treaty Law and Practice*, Cambridge, 2007, page 244-248.

context of the Anti-Counterfeiting Trade Agreement, fall within the scope of Regulation (EC) No. 1049/2001.

53. However, as far as the obligation of the European Parliament to disclose such documents to the public is concerned, the Regulation provides for several exceptions. Indeed, pursuant to Article 4(1)(a) of Regulation (EC) No. 1049/2001, *"the institutions shall refuse access to a document where disclosure would undermine the protection of the public interest as regards (...) international relations"*.
54. Moreover, as far as third-party documents are concerned, it follows from Article 4(4) of Regulation (EC) No. 1049/2001 that *"the institution shall consult the third party with a view to assessing whether an exception in paragraph 1 or 2 is applicable, unless it is clear that the document shall or shall not be disclosed"*<sup>25</sup>.
55. In the aforementioned context, disclosure of preparatory documents concerning international negotiations might be susceptible to undermine the protection of the public interest as regards international relations of the EU, as the negotiation of international agreements depends on trust among the parties subject to the negotiations. For this reason, the unilateral disclosure of documents directly related to those negotiations (as are the debriefing notes from the Commission as a negotiator) could undermine future trust in the negotiating mechanisms of the European Union<sup>26</sup>.
56. It follows from the foregoing that in a given case, the European Parliament would have to verify the possibility of disclosure of documents concerning the negotiations conducted in the context of the Anti-Counterfeiting Trade Agreement on a case by case basis and after consultation of the EU Institution or the other third party concerned.

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<sup>25</sup> For the purposes of this provision, the Commission and the Council are "third parties" (Art. 3 b) of the mentioned Regulation).

<sup>26</sup> As far as *classified* documents are concerned, it has to be noted, that Regulation (EC) No. 1049/2001 provides for a specific legal *regime*. Indeed, pursuant to Article 9 of this Regulation, specific rules apply for "sensitive documents" originating from the institutions or the agencies established by them, from Member States, third countries or international organizations which are classified "TRÈS SECRET/TOP SECRET", "SECRET" or "CONFIDENTIEL" in accordance with the rules of the institution concerned. In this regard, Article 9(3) provides for prior consent of the originator. The prior consent rule has been acknowledged again in Annex 2 point 2.1 of the Framework Agreement concluded between the European Parliament and the Commission. If an EU institution is the originator, a potential refusal to grant access has to be substantiated in light of the exceptions laid down in Article 4 of the Regulation. Documents classified as RESTREINT UE/EU RESTRICTED are not mentioned by this Regulation, but they are foreseen in the internal security rules of the institutions.

#### IV CONCLUSIONS

57. Having regard to the above, the Legal Service concludes as follows:

##### Question 1:

- a) When concluding ACTA, the Union must decide on whether or not to exercise its competence in the field of criminal enforcement under Article 83(2) TFEU. If the Union decides to exercise its competence, Article 83(2) TFEU must be added to the legal basis. If the Union considers that this competence should be left to the Member States, the Agreement must be concluded as a mixed agreement and on the basis of Articles 207 and 218(6)(a)(v) TFEU, as proposed by the Commission;
- b) The inclusion of Article 82(2) TFEU in the legal basis is a matter of political choice. Article 83(2) TFEU would remove the requirement that ACTA be concluded as a mixed agreement. However, the application of Protocols 21 and 22 on the special position of the United Kingdom, Ireland and Denmark would have to be considered.

##### Question 2:

- c) In legal terms, an international agreement concluded by the EU must be compatible with the provisions of the Treaties, but there is no legal requirement that it must be compatible with acts adopted by the EU Institutions. An international agreement concluded by the Union may, in fact, alter existing secondary law;
- d) While it must be recognised that various provisions of ACTA are subject to interpretation, there does not seem to be, *prima facie*, provisions which are conflicting with existing EU *Acquis* or which require the introduction of new EU legislative acts or amendment of existing ones;

##### Question 3:

- e) ACTA can be seen as an agreement which obliges its Parties to enforce intellectual property rights, in some cases limiting the flexibility which they have under TRIPS as to whether and to what extent to enforce intellectual property rights. On the other hand, there do not seem to be any provisions which are contradictory to the provisions of TRIPS. Moreover, when interpreting ACTA, the European Court of Justice and national Courts are called upon to give precedence to TRIPS should they consider that there is an incompatibility. This results from Article 1 of ACTA which specifically provides that its provisions cannot be interpreted as derogating from any obligation under existing agreements, including TRIPS;

Question 4:

- f) It follows from Article 4 of Regulation (EC) No. 1049/2001 that the European Parliament would have to verify the possibility of disclosure of documents concerning the negotiations conducted in the context of the ACTA on a case by case basis and after consultation of the EU Institution or the other third party concerned;
- g) According to Article 4(1)(a) of Regulation (EC) No. 1049/2001, "*the institutions shall refuse access to a document where disclosure would undermine the protection of the public interest as regards international relations*". Disclosure of preparatory documents concerning international negotiations may undermine the protection of the public interest as regards international relations of the EU, as the negotiation of international agreements depends on trust among the parties subject to the negotiations.



Ignacio DÍEZ PARRA  
Head of Unit



Daniela GAUCI

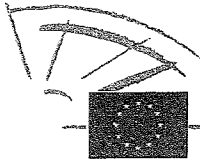


Seen:

Ricardo PASSOS,  
Director

- Annexes:
- 1.) Letter of 18 July 2011 from Mr Vital MOREIRA, Chairman of the Committee on International Trade
  - 2.) Letter of 28 September 2011 from Mr Vital MOREIRA, Chairman of the Committee on International Trade





ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET  
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Committee on International Trade  
 The Chairman

AM/ZU  
 D(2011) 35697

312222 18.07.2011

Mr. Christian Pennera  
 Jurisconsult  
 Legal Service of the European Parliament

Subject: "Anti-Counterfeiting Trade Agreement" (ACTA)

Dear Mr Pennera,

I would like to request your Service's opinion on the issue of the Anti-Counterfeiting Trade Agreement (ACTA). On 24 June 2011, the Commission forwarded its proposal to the Council (COM(2011)380 - 2011/0167(NLE)), and the Council has just referred it to Parliament under the consent procedure.

As you are certainly aware, the EU and a number of other WTO members began working on ACTA in 2007. The negotiating parties are Australia, Canada, the EU, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland and the USA. ACTA will provide a WTO-plus legal framework (in addition to the TRIPS) against counterfeiting and piracy and harmonised rules on civil and criminal enforcement and on customs procedures, as well as improved cooperation between authorities and stakeholders.

In this context, the Committee on International Trade would appreciate to know your opinion on the following matters:

- The legal base or bases for adopting the ACTA. The Commission's proposal is based on Article 207 (4), 1<sup>st</sup> subparagraph, in conjunction with Article 218(6)(a)(v) TFEU. I wonder whether the Legal Service agrees with this choice.
- The conformity of ACTA with the EU Acquis with regard to (a) border measures, (b) the criteria for damages in ACTA in relation to the criterion of "appropriateness of the damage to the actual prejudice suffered" as envisaged in Directive 2004/48/EC, and (c) criminal measures.

Arrivé Service Juridique  
 le 19-07-2011

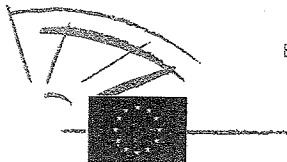
- The conformity of ACTA with the existing international obligations of the EU and its member states: How does the Legal Service evaluate the relationship between ACTA and the TRIPS Agreement?
- Finally, Parliament and myself have received various requests from NGOs and Interest Groups for access to ACTA preparatory works as well as requests that all relevant preparatory documents (drafts distributed by the European Commission and associated briefing notes from the Commission) received by the Parliament should be published and/or communicated directly to Stakeholders as soon as possible: Is the Commission obliged to publicly disclose preparatory works and previous versions of ACTA, according to the Vienna Convention on Law of Treaties? Is the European Parliament obliged to disclose documents that originate from another EU institution?

I thank you in advance for your cooperation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Vital Moreira', with a stylized, cursive script.

Vital Moreira

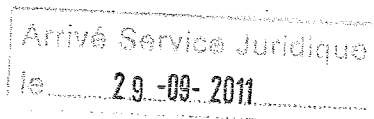


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Annex 2

Committee on International Trade  
The Chairman

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203924 28.09.2011

Mr. Christian Pennera  
Jurisconsult  
Legal Service of the European Parliament

Subject: "Anti-Counterfeiting Trade Agreement" (ACTA)

Dear Mr Pennera,

With reference to my previous letter of 18 July 2011 on this matter I would like to request your Service's opinion on an additional issue regarding the Anti-Counterfeiting Trade Agreement (ACTA).

As you are certainly aware, the EP is expecting official *saisine* for a consent procedure on this agreement soon. In order to provide the Members with the best possible advice, the Committee on International Trade would appreciate to know your opinion on the conformity of ACTA with the EU *acquis*:

- regarding criminal measures in relation to the conditions set by the European Parliament, in its position of 25 April 2007 on the IPRED2 proposal of the Commission.

I thank you in advance for your cooperation in this rather late submission.

Yours sincerely,

Vital Moreira

Annex: Request for Legal Service's opinion of 18 July 2011.