

# **Anti-Counterfeiting Trade Agreement**

## **goes beyond present EU legislation**

### FFII Analysis

#### **Summary**

The negotiating parties published the [October 2010 version of the Anti-Counterfeiting Trade Agreement \(ACTA\) text](#).

The EU wants strong civil measures against patent infringements in ACTA, which go beyond the present EU legislation. This approach is detrimental, patents in general are often poor in quality, with unclear scope and validity. Cases of innocent infringement are common.

The software field is plagued by patents, infringement is often unavoidable. Damages based on suggested retail prices for patent infringements are beyond any proportion. For instance, software may contain hundreds of patents, from multiple rights holders. The "invention" - if there is any - is only a tiny aspect of the product in such cases. Still, the first rights holder going to court can get damages based on suggested retail price, the second and third too, etc.

Holders of huge patent portfolios could decide to eliminate competition from startups, small and medium sized enterprises and open source projects, on their own, or by using a proxy, a patent troll. This is bad for the European small and medium sized enterprises, which provide for most of Europe's employment.

ACTA goes beyond the present EU legislation: damages based on suggested retail price (ACTA art 2.2 versus IPRED art 13). Injunctions against a third party are more limited in the present EU legislation than under ACTA; the present EU legislation also has broader exceptions (ACTA art 2.X versus IPRED art 11 and 12). Also, regarding destruction of infringing goods and production facilities, the present EU legislation has more checks and balances than ACTA (ACTA art 2.3 versus IPRED art 10). These are just some examples from the civil enforcement section, further scrutiny is needed. But even if inconsistencies between ACTA and EU legislation are solved, ACTA will dramatically limit much needed policy space.

In an Answer given by Mr De Gucht on behalf of the Commission on Parliamentary questions, De Gucht states: "Regarding the conduct of an impact assessment of the implementation of ACTA, the Commission notes that, since it is bound not to go beyond the EU acquis it has based its assessment of the impact of ACTA on the studies made for the 2004 Directive on the enforcement of Intellectual Property Rights (Directive 2004/48/EC(2)) and for the 2006 proposal for a directive on criminal enforcement of IPR (COM(2006)168 final) (not adopted)."

Beside the fact that ACTA does go beyond the *acquis* (the present EU legislation), the impact assessments do not assess possible negative effects on ICT, access to medicine and diffusion of green technology. Assessment are still to be made.

The inclusion of patents in ACTA causes serious issues with regards to access to medicine. Not protected by the Doha Declaration, diffusion of green technology may face worse problems than access to medicine. Patents have to be excluded from ACTA's civil enforcement section.

## **Analysis October Text**

Behind closed doors, the European Union, United States, Japan and other governments are negotiating the Anti-Counterfeiting Trade Agreement. ACTA will contain new international norms for the enforcement of copyrights, trade mark rights, patents and other exclusive rights.

One could wonder why an anti-counterfeiting trade agreement is needed at all. The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), regional legislation like EU rules and national legislations already provide for measures against intellectual property rights infringements. There is no indication that these measures provide inadequate protection. [Data contained in the U.S. Government Accountability Office report](#) suggests that the claims associated with counterfeiting are massively overstated.

The Vienna Convention on the Law of Treaties stipulates that the history of a treaty plays a role in the interpretation of that treaty. Without full publication, ACTA will have hidden interpretations.

## **Remove patents from ACTA**

The patent system is conflicting. It aims to stimulate innovation by providing exclusive rights. These limit competition and follow up innovation. Furthermore, patent offices are rational ignorant, [strengthening the examination process is not cost effective](#). There are many bad patents. Validity and scope only become clear in a civil trial. Patent infringements are not counterfeiting. There is no fake looks genuine, no fraudulent imitation. In many sectors, there are so many patents, with unclear scope and validity, it is impossible to tell whether one violates a patent.

Health groups point out issues with regards to access to medicine. The inclusion of patents in ACTA causes most of these problems.

Much less documented than issues with access to medicine are issues with diffusion of green technology. It is a more recent and diffuse issue. Not protected by the Doha Declaration, diffusion of green technology may face worse problems than access to medicine. Furthermore, medicines are often protected by a limited amount of patents. Complex products on the other hand may be covered by many patents. For instance, software systems may be covered by hundreds of patents. There are green software and business patents, e.g. on regulating traffic toll fees based on traffic volume/pollution. And many modern products, like hybrid cars, contain software. The problems the software sector is experiencing provide an indication of the issues the diffusion of green technology may run into with ACTA.

## **The software field is plagued by patents**

"We are the constant target of patent lawsuits, [many of which are frivolous](#) and more than half are filed

by non-practicing entities," Mike Holston, general counsel of Hewlett-Packard

"We find ourselves in a situation with [more patent infringement suits than ever before](#) and each one costs as much as \$4 million," John Thompson, chief executive of software developer Symantec.

Patents create a legal minefield in the software development field. The issues are not limited to software, but the software field provides excellent examples of patent absurdities. Software is full of ideas, and unfortunately, full of patents. One third of all patents is computer-related nowadays. All software developers ignore software patents to some extent, simply because every single useful program you write infringes on several patents. Software patents hamper competition, follow up innovation and interoperability. They cause legal uncertainty and high transaction costs.

The situation is abused by patent trolls. They acquire patents at low cost, for instance by buying bankrupted companies. Their patents tend to have broad claims on trivial methods so that infringement is unavoidable. Then they extort entrepreneurs. And you can not retaliate against them. They do not produce anything, do not infringe themselves. In the U.S, even major companies, owning huge patent portfolios, [want patent reform](#). They wish to limit the number of patent infringement cases and damages. Pharmaceutical companies oppose this.

The problems are especially manifest in the U.S. There is not EU wide litigation in Europe. Once the EU adopts EU wide litigation (the Union patent), patent litigation may become more popular in Europe.

Hewlett-Packard holds [about 30,000 patents and is granted an average of four every day](#). With lower damages, trolls and small sized companies can not hurt HP, while HP can still strike against smaller competitors. A limited reform helps major companies, not small and medium sized companies, which are very innovative and provide for much employment.

ACTA contains strong measures against patent infringements. Only the US has a footnote in brackets: "For the purpose of this Agreement, Parties agree that patents do not fall within the scope of this Section."

+ injunctions in civil cases (Art 2.X.1). With an injunction a competitor or patent troll can force a company to withdraw from the market – while infringement is unavoidable. **ACTA goes beyond ["the present EU legislation"](#), the present legislation has broader exceptions.**

+ also injunctions against third parties (Art 2.X.1). **ACTA goes beyond the present EU legislation, injunctions against a third party are more limited in the present EU legislation (IPRED article 11 and 12) than under ACTA.**

+ damages based on suggested retail price (Art 2.2). **This goes beyond the *acquis*, the present EU legislation (IPRED article 13).** Suggested retail prices for patent infringements are beyond any proportion. For instance, software may contain hundreds of patents, from multiple rights holders. The "invention" - if there is any - is only a tiny aspect of the product in such cases. Still, the first rights holder going to court can get damages on suggested retail price, the second and third too, etc.

+ alleged infringer has to provide information (Art 2.4).

+ effective provisional measures against party or third party to prevent an infringement of any intellectual property right from occurring (Art 2.5).

+ ACTA's Internet chapter article 2.18.1 includes expeditious remedies to prevent infringement and remedies which constitute a deterrent to further infringement against an act of intellectual property

rights infringement, this includes patents. This will make life easy for anyone who likes to destroy the online software distribution of a competitor. After claiming a software product infringes patents, ISPs will have to remove software repositories and stop transmissions, to be on the safe side. The other ACTA Internet chapter may include patents.

These measures are absurd in situations where infringement is unavoidable. Holders of huge patent portfolios may decide to eliminate competition from startups, small and medium sized enterprises and open source projects, on their own, or by using a proxy, a patent troll. Patent trolls acquire excessive power.

We note that regarding destruction of infringing goods and production facilities, **ACTA goes beyond the present EU legislation, the present legislation has more more checks and balances than ACTA.** (ACTA article 2.3 versus IPRED article 10)

## **ACTA will hamper the fight against climate change**

"Stringent intellectual property rules could hamper the spread of technology needed to fight climate change." Paul David, professor of economics at Stanford University, California ([IP-Watch](#))

The fight against climate change will inherit the problems in the software field. In a general way, like trivial patents, amassing of patents, patent trolls, frivolous lawsuits, hampering of follow up innovation and high transaction costs. And in direct ways, through green software and business patents, and through modern products, like hybrid cars, which contain software. To win the fight against climate change, fast diffusion of green technology is needed. Policy makers know that, patent trolls know that.

EPO, UNEP & ICTSD are studying role of patents in accessing green technology to be presented to the Mexico Summit on Climate. [In a podcast](#), Nikolaus Thumm, Chief Economist of the European Patent Office, said that the key facilitator of technology transfer is licensing. He mentions people giving away essential parts of their technologies.

Patent trolls are not known for giving away anything. Injunctions (Art 2.X) will give patent trolls excessive power. The high damages ACTA proposes (Art 2.2) will drive up the costs for diffusion of green technology. While the funds are already limited, for instance, [the fight against AIDS seems lost](#), due to lack of money. The same may happen with diffusion of green technology. The other earlier mentioned heightened civil enforcement requirements will restrict government flexibility, impede innovation and slow the development and diffusion of green technology as well. And parties may still extend border measures to patent infringements.

Unconsidered in ACTA is the situation presented in matters of public health surveillance, crisis management, civil and environmental response and related situations where cross-jurisdiction information exchange and the data associated therewith could constitute "infringing" activities. Under ACTA, both information and technology associated with data collection, aggregation, assembly and transmission and analysis could be impaired greatly enhancing the complexity of responding to events like SARS, the Avian Influenza and crisis response to natural and manmade disasters.

ACTA also evidences a clear lack of awareness on the manner in which green technology in the energy and infrastructure sectors operate. The majority of systems (for example, wind turbines, water turbines, and solar collectors) rely on cross-border up-time-management software and systems. ACTA explicitly and adversely impacts the ability to transmit grid and local data, operate feedback mechanisms to energy suppliers, and operate security protocols across international rail, air, and shipping infrastructure

applications. Once again, in an effort to be responsive to the media industry, a far larger component of the global IT infrastructure is being overlooked. This, in the short term, will create unintended liabilities and, in the long term, like we've seen in the flow of energy from Russia into Europe, may be the source of highly politicized controversy and impairment.

## **Impact assessments**

In an Answer given by Mr De Gucht on behalf of the Commission on Parliamentary questions [27 September 2010 E-4292/2010](#), De Gucht states: "Regarding the conduct of an impact assessment of the implementation of ACTA, the Commission notes that, since it is bound not to go beyond the EU acquis it has based its assessment of the impact of ACTA on the studies made for the 2004 Directive on the enforcement of Intellectual Property Rights (Directive 2004/48/EC(2)) and for the 2006 proposal for a directive on criminal enforcement of IPR (COM(2006)168 final) (not adopted)."

The impact assessments do not assess possible negative effect on ICT, access to medicine and diffusion of green technology. Assessment are still te be made.

Food technology is covered by patents as well and diffusion of food technology, to fight hunger in the world, and also to solve problems caused by climate change, will be impacted by the inclusion of patents in ACTA. Diffusion of food technology has different characteristics than diffusion of green technology and medicine. It deserves its own assessment.