

Before the
U.S. Trade Representative
Washington, DC

In re

Anti-Counterfeiting Trade Agreement:
Request for Comments From the Public

ACTA Comments—Public Version

Docket No. USTR-2010-0014

**COMMENTS OF THE
COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION
ON THE ANTI-COUNTERFEITING TRADE AGREEMENT**

The Computer and Communications Industry Association (CCIA) welcomes this opportunity to comment on the Anti-Counterfeiting Trade Agreement in response to the request for comments issued by the United States Trade Representative published in the Federal Register at 75 Fed. Reg. 79,069 (Dec. 17, 2010).

The Internet is a global medium that enables interaction and commerce unprecedented in human history. This interaction adds \$2 trillion to annual U.S. GDP,¹ but also enables users to engage in infringing activity overseas. Rightsholders understandably seek to improve enforcement abroad with respect to Internet based infringement, and urge the U.S. government to employ international agreements to achieve this end. However, the government must ensure that its efforts to increase protection for rightsholders do not make it more difficult for U.S. Internet and technology companies to engage in commerce overseas, which in turns creates jobs at home. This potential adverse impact on international business activities of U.S. businesses was CCIA's primary concern with the Anti-Counterfeiting Trade Agreement (ACTA).

¹ According to the National Economic Council this yields over \$6,500 per person. Exec. Ofc. of the President, Nat'l Econ. Council/OSTP, *A Strategy for American Innovation: Driving Towards Sustainable Growth and Quality Jobs*, Sept. 2009, at 5, at <<http://www.whitehouse.gov/administration/eop/nec/StrategyforAmericanInnovation>>.

A. ACTA

Much of ACTA is both commendable and non-controversial. It seeks to increase cooperation among law enforcement agencies in different countries to target criminal rings that engage in commercial scale counterfeiting of pharmaceuticals and replacement parts. ACTA also attempts to harmonize border measures to make it easier for customs officials to prevent the importation of these sorts of counterfeit products which threaten public health and safety.

As the Office of the U.S. Trade Representative is well aware, ACTA has a much broader scope than law enforcement cooperation and border measures. It also would establish minimum IP standards among the negotiating countries. ACTA's enforcement-only approach has the effect of promoting U.S. style enforcement provisions without U.S. style exceptions to those provisions. In short, U.S. businesses depending upon government-granted exclusive rights are guaranteed the certainty of "harmonization" to a certain minimum in international copyright law, whereas U.S. businesses depending upon limitations or exceptions have thus far been guaranteed the uncertainty inherent in treating these equally important provisions as "flexibilities," which vary from nation to nation.

Without question, the U.S. IP laws frequently exceed the international minima for protection, and are tougher in certain respects than those in most other countries. U.S. law contains well developed secondary liability principles, under which one person can be held responsible for infringements committed by another, unrelated person, under certain relatively well defined circumstances. In the United States, we also allow copyright holders to recover statutory damages, which can be as high as \$150,000 per work infringed, regardless of the actual damage suffered by the rightsholder.² But balancing these provisions are a robust and well-developed system of exceptions that protect users and industry alike. For example, our

² Many other countries allow only the plaintiff's actual damages and any additional profits of the infringer.

copyright and trademark laws permit “fair use,” which enable important economic activity while ensuring that the IP laws do not limit the free speech rights of users. It is CCIA’s view that ACTA’s failure to urge our trading partners to adopt fair use or any of the other exceptions and limitations in U.S. law upon which exporters depend constitutes a missed opportunity to promote opportunities for U.S. industry.

ACTA does contain positive language. The provision that requires enforcement procedures to apply to copyright infringement on the Internet states that “These procedures shall be implemented in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce, and consistent with each Party’s laws, preserves fundamental principles such as freedom of expression, fair process, and privacy.” A footnote to this last sentence states, “For instance, without prejudice to a Party’s law, adopting or maintaining a regime providing for limitations on the liability of, or on the remedies available against, online service providers while preserving the legitimate interests of right holders.”

CCIA appreciates the USTR’s efforts to respond to concerns raised by many stakeholders that ACTA could create unreasonable liability risks for innovative U.S. Internet and technology firms. The efforts were a prudent step to safeguard our global competitiveness. According to research conducted last year, \$281 billion in goods and services exports are from industries that rely upon the various limitations and exceptions to U.S. copyright law, industries which employ one in eight American workers. In particular, exports of trade related services, including Internet and online services, have proven to be one of the fastest growing segments of the economy, increase nearly ten-fold from \$578 million in 2002 to \$5.2 billion in 2007.³

³ See Thomas Rogers & Andrew Szamosszegi, *Fair Use in the U.S. Economy: The Economic Contribution of Industries Relying Upon Fair Use* (CCIA 2010); discussed in Matthew Schruers, *IP Policies and the Economics of Copyright Limitations*, 12 E-Commerce Law & Policy 10 (2010).

While the need remains to craft international instruments that affirmatively protect American exports associated with limitations and exceptions to copyright, several risks posed by earlier drafts of ACTA were ameliorated by revisions to the text. As CCIA presently interprets ACTA, it does not conflict with U.S. domestic law. It is vital, however, that the Administration's signing statement confirm that ACTA is consistent with U.S. law and does not require the imposition of liability on information, Internet and technology, or communications companies who are not directly engaged in counterfeiting or copyright infringement.

B. Principles for International Negotiations

The U.S. positions in ACTA and the free trade agreements (FTAs) on which they are based fail to reflect significant changes that have occurred in our international trade over the past decade. In particular, these positions, to the extent that they do not require appropriate exceptions and limitation to IP protection, do not support the interests of Internet companies, the fastest growing sector of the economy. The following are key principles that should guide the U.S. in future discussions on ACTA, the FTAs, and other trade agreements such as the Trans-Pacific Partnership agreement.

i. The U.S. Should Defend the Healthy Domestic Legal Landscape for U.S. Internet and Technology Firms Against a Protectionist Application of Inconsistent Laws by Foreign Courts

It is no accident that Internet and e-commerce sites have grown so rapidly in the United States. Congress has carefully crafted laws that encourage the rapid innovation and entrepreneurial spirit that is critical to Internet companies, such as Section 230 of the Communications Decency Act and Section 512 of the DMCA. As the industry expands into overseas markets, however, American companies often find their progress stymied by foreign

laws. Foreign states increasingly apply their laws in a protectionist manner, obstructing U.S. Internet businesses' access to markets.

The *Parfum Christian Dior et al v. eBay* case in 2008 underscores this problem. In this case, a French court imposed damages liability on eBay for sales of legitimate Louis Vuitton goods through eBay's sites. These sales were legal under U.S. law and were in part marketed on eBay's U.S.-facing site. The French court held eBay Inc. liable because French citizens had the ability to access the U.S. site, French law prohibited sales by unauthorized distributors, and eBay enabled the sales by these third parties. In addition to awarding monetary damages, the court imposed injunctive relief that prevented the listings from being accessible to French audiences and restricted comparative advertising that is lawful in the United States.

From a trade perspective, the USTR should be concerned when French authorities penalize U.S. companies for the conduct of French citizens who find it economically attractive to import authentic goods from U.S. businesses. Moreover, the result in the French case diverges from the U.S. court opinion handed down two weeks later in the *Tiffany* case.⁴ In *Tiffany*, the court ruled that trademark law did not require eBay to proactively police its site to prevent the sale of counterfeit Tiffany products by third parties. The court concluded that so long as eBay responded promptly to Tiffany's identification of listings of counterfeit goods, eBay did not infringe Tiffany's trademarks.⁵

⁴ *Tiffany, Inc. v. eBay, Inc.*, 576 F.Supp.2d 463 (S.D.N.Y. 2008), *aff'd*, 600 F.3d 93 (2d Cir. 2010).

⁵ The court stated: "While the law does not impose a duty on eBay to take steps in response to generalized knowledge of infringement, the record is clear that eBay, nevertheless, made significant efforts to protect its website from counterfeiters. As described in the Findings of Fact, eBay has invested tens of millions of dollars in anti-counterfeiting initiatives, including the VeRO Program and the fraud engine." *Id.* at 514.

ii. The U.S. Should Promote a Balanced Copyright Framework that Better Reflects U.S. Law by Promoting Fair Use

The existing FTA template has long included safe harbor provisions for Internet service providers based on Section 512 of the DMCA. However, these provisions are no longer sufficient by themselves to protect the new services introduced by Internet and technology companies. Search engines, for example, function by copying millions of World Wide Web pages every few weeks into the memory of computer services, where the search firm can rapidly locate information responsive to search queries. In the absence of our robust principle of fair use, search engines would not be able to provide real time high quality search services.

Overseas adoption of a fair use provision—or a functional equivalent to our fair use framework—is critical to the ability of U.S. Internet companies to expand internationally. Most foreign copyright laws lack fair use provisions, and thus expose U.S. firms to liability overseas for activities U.S. courts permit. For example, in two cases—the Belgian case *Copiepresse* and the German case *Horn*—courts imposed copyright liability on Google for the operation of its search engine in a manner consistent with U.S. law, as established by cases such as *Kelly v. Arriba Soft Corp.*,⁶ *Perfect 10 .v Amazon.com*,⁷ and *Field v. Google Inc.*⁸

In connection with consideration of the Peru FTA, Senate Judiciary Committee Chairman Leahy endorsed the concept of including fair use in our free trade agreements, saying “[u]nder our laws, many such new technologies and consumer devices rely, at least in part, on fair use and other limitations and exceptions to the copyright laws. Our trade agreements should promote

⁶ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

⁷ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

⁸ *Field v. Google Inc.*, 412 F.Supp.2d 1106, 1123 (D. Nev. 2006).

similar fair use concepts, in order not to stifle the ability of industries relying on emerging technologies to flourish.”⁹

While we acknowledge that exporting a fair use concept overseas is not easy, we strongly disagree with any proposal to avoid this task on the basis that ACTA or other agreement will only address remedies and enforcement. An asymmetrical agreement that facilitates strong enforcement without encouraging fair use and other exceptions will have the practical effect of promoting a copyright framework that is inconsistent with U.S. law and harmful to U.S. businesses.

iii. The U.S. Must Be Careful Not Only to Proceed Consistently with Current Law but to Preserve the Ability of Our Laws to Evolve to Keep Pace with Technologies and Business Models

As Senators Leahy and Specter discussed in their October 2, 2008 letter to Ambassador Schwab, the previous U.S. Trade Representative, ACTA must be drafted with sufficient flexibility so as to not limit Congress’ ability to make changes to our law in order to adapt to changing business models and technologies. In addition, U.S. courts typically decide several precedent-setting copyright and trademark cases each year, which can significantly change the legal landscape. ACTA and other agreements should allow for the continued development of the IP “common law” in these areas and not promote interpretations of copyright and trademark laws that are at odds with U.S. statutory law or case law.

For example, USTR currently promotes in the FTAs language that suggests that all temporary copies qualify as copies for purposes of infringement. This policy is drawn from a controversial 1993 case, *MAI v. Peak*.¹⁰ However, in 2008 the U.S. Court of Appeals for the Second Circuit ruled in *Cartoon Network v. Cablevision* that temporary “buffer” copies of

⁹ 137 CONG. REC. S14,720 (Dec. 4, 2007) (statement of Sen. Leahy).

¹⁰ 991 F.2d 511 (9th Cir. 1993).

copyrighted works that lasted 1.2 seconds were not sufficiently fixed to constitute copies for purposes of the Copyright Act.¹¹

An amicus brief by the advocacy group Copyright Alliance urged the Supreme Court to review the *Cablevision* decision precisely because it was inconsistent with the temporary copy language of the FTAs and thus placed the U.S. in “potential conflict with our trading partners.” The amicus brief, therefore, cited the FTAs as grounds for rejecting improvements in our intellectual property laws.¹² This underscores our position that the U.S. should not join agreements that precludes the ability of our courts to further develop copyright laws to protect evolving industries the drive innovation.

iv. The U.S. Should Oppose Any Requirement in ACTA or Other Agreements that Signatories Enact Statutory or Pre-Established Damages

While the U.S. Copyright Act does allow copyright owners to seek statutory damages instead of actual damages and profits, the high upper limit on such damages (\$30,000 per work infringed, increasing to \$150,000 in cases of willful infringement) has enabled copyright owners to seek draconian damage awards from defendants without providing any evidence of actual harm. Additionally, the threat of statutory damages in secondary liability cases has chilled innovation and created litigation opportunities for rights holders against all manner of intermediaries, including Internet companies and financial services institutions.

Indeed, as discussed above, copyright statutory damages remain controversial in the United States. Legislation was introduced in the 110th Congress to amend 17 U.S.C. § 504(c) to permit statutory damages only in instances of direct infringement. The initial version of the PRO-IP Act included a repeal of the so-called “one work” rule in § 504(c) that allows only one award of statutory damages for the infringement of works contained in a compilation or

¹¹ 536 F.3d 121 (2d Cir. 2008).

¹² The Supreme Court decided not to review the Second Circuit’s decision.

derivative work. Repeal of this provision would have enabled exorbitant damage demands by copyright “trolls.” After vigorous debate and all day stakeholder discussion, Congress decided to drop the provision, while recognizing the need to revisit the entire statutory damages framework. Consequently, the U.S. should not promote statutory damages while we continue to explore the validity of the current U.S. framework in Congress.

v. The U.S. Should Oppose Any Requirement in ACTA or Other Agreements that Signatories Enact Secondary Liability Principles

No multilateral IP agreement contains a requirement concerning secondary liability, and many countries do not even have secondary liability principles in their laws. Thus, including secondary liability in ACTA would represent a major change in the framework of international IP law, and would go far beyond the enforcement focus of ACTA. Likewise, TPP should not mandate the adoption of secondary liability principles.

Respectfully submitted,



Matthew Schruers
Computer & Communications
Industry Association
900 Seventeenth Street NW, 11th Floor
Washington, D.C. 20006
(202) 783-0070

February 15, 2011