

Rethinking the Anti-Counterfeiting Trade Agreement Copyright Criminal Enforcement Measures

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Abstract

A few developed countries have secretly initiated and negotiated the Anti-Counterfeiting Trade Agreement (ACTA). The ACTA is aimed at enhancing international copyright and trademark enforcement measures. The Article analyses the copyright dimension of ACTA, considering its various provisions and the rationale behind them. The article does so by thoroughly examining the complex intersection of intellectual property law and criminal law. The Article then draws a few major conclusions and makes contributions to the area of copyright law: it shows how the ACTA in fact merely mimics the U.S. approach towards criminal enforcement of copyright law. Second, and more importantly, it illustrates how the ACTA initiative is therefore flawed in light of the U.S. experience to date with criminal enforcement of copyright law. Lastly, the Article makes a normative contribution by suggesting a better and education based approach concerning criminal enforcement of copyright law.

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I. Introduction

The enforcement of intellectual property law is a continuing, ever-growing and challenging task for countries around the world. In response to the challenges faced, enforcement issues have been attempted to be handled at both the national and international level. International agreements have been introduced over the years in order to advance the minimum international standards that will assist national governments, *inter alia*, in combating widespread infringement. Further as a part of this “war” against intellectual property infringement, criminal law has also been growingly employed over the recent years. Despite the efforts made, it is indisputable that counterfeiting rates have continuously grown over the recent years, thereby suggesting that the criminal enforcement systems in place have not significantly deterred or affected people's behavior in this field.

Counterfeiting today is a \$600 billion industry worldwide and accounts for almost seven percent of global trade.¹ It is estimated that in the United States alone, counterfeiting accounts for \$200 billion annually.² In the last two decades, counterfeiting has increased by more than 10,000 percent.³

As exemplified by the statistics, counterfeiting in today's globalized environment is a global problem that [can only] be combated on an international scale. In response to this need for anti-counterfeiting enforcement, a group of developed countries collaborated to negotiate and form the Anti-Counterfeiting Trade Agreement (ACTA), an initiative to increase enforcement of

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¹INTERNATIONAL ANTI-COUNTERFEITING COALITION, www.iacc.org (last visited July 17, 2011).

² *Id.*

³ *Id.* (“Since 1982, the global trade in illegitimate goods has increased from \$5.5 billion to approximately \$600 billion annually.”).

intellectual property rights and combat counterfeiting *beyond* the existing enforcement provisions of the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS).

Through the ACTA, the United States, Japan, Switzerland, and the European Communities have initiated a move towards heightened intellectual property rights enforcement.⁴ They officially announced their intention to start negotiations for the ACTA in 2003.⁵ The negotiations were conducted, for the most part, in a shroud of complete secrecy.⁶ Yet, much of the fears that surrounded the secretive negotiations were forestalled when the negotiating parties released a draft of the proposed agreement in April of 2010 and the final text in October of the same year.⁷

The ACTA represents the strongest intellectual property enforcement agreement to be negotiated to date at the international level. The goals of the ACTA include “(1) strengthening of international cooperation, (2) improving enforcement practices, and (3) providing a strong legal framework for [intellectual property rights] enforcement.”⁸ It does so by bringing about the following changes to TRIPS’s existing policies and goals; “(1) [E]xpansive coverage of

⁴ Peter Yu, *Six Secret (And Now Open) Fears of ACTA*, 64 SMU L. REV. 13(forthcoming 2011), available at <http://ssrn.com/abstract=1624813>. (“All the key ACTA negotiating parties. . . had at one time or another tabled their own papers on enforcement in TRIPS’ council meetings.”). Other participating countries include: Australia, Austria, Belgium, Bulgaria, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, the Republic of Korea, Latvia, Lithuania, Luxembourg, Malta, Morocco, the Netherlands, New Zealand, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, the United Mexican States, the United States, and the European Union.

⁵ *Id.*

⁶ Joel Rose, *Secrecy Around Trade Agreement Causes Stir*, NPR, Mar. 17, 2010, <http://www.npr.org/templates/story/story.php?storyId=124780647&ft=1&f=1003> (quoting Michael Geist, Faculty of Law, University of Ottawa) (“[it] feels that you’re almost in a bit of a twilight zone. I mean, we’re talking about a copyright treaty. And it’s being treated as akin to nuclear secrets”).

⁷ See <http://www.ustr.gov/acta>.

⁸ Ambassador Schwab Announces U.S. Will Seek New Trade Agreement to Fight Fakes, http://ustraderep.gov/Document_Library/Press_Releases/2007/October/Ambassador_Schwab_Announces_US_Will_Seek_New_Trade_Agreement_to_Fight_Fakes.html (last visited April 15, 2011).

multiple kinds of IP and changes to the international definitions used in the WTO Agreement on Trade Related Aspects of Intellectual Property Law (TRIPS Agreement); (2) the expansion of what constitutes criminal copyright violations; (3) more stringent border measures; (4) mandating closer cooperation between governments and rights holders ...; and (5) the creation of a new international institution (an ACTA “Committee”) to address IP enforcement.”⁹

.This Article focuses on and explores the ACTA's criminal provisions pertaining to copyright law. The ACTA, described as a TRIPs-plus agreement, includes several provisions concerning the criminal enforcement of copyright law that have never before been included in an international agreement . Most notably, the ACTA calls for strong penalties on the books – “each Party shall provide penalties that include *imprisonment as well as monetary fines* sufficiently high to provide a deterrent to future acts of infringement”¹⁰ The tougher penalties apply to several acts of intellectual property infringement. Under the criminal enforcement provision, criminal sanctions apply to willful trademark counterfeiting or copyright piracy, or importation or use on a commercial scale.¹¹ In addition, the ACTA demands that criminal penalties apply to the act of aiding and abetting criminal conduct and authorizes the criminalization of “camcording” movies in theatres.¹² Perhaps the most controversial

⁹ Margot Kaminski, *The Origins and Potential Impact of the Anti-Counterfeiting Trade Agreement (ACTA)*, 34 YALE J. INT'L L. 247, 250 (2009).

¹⁰Anti-Counterfeiting Trade Agreement (Final Draft Subject to Legal Review), Section 4: Criminal Enforcement, Article 2.15: Criminal Penalties, *available at* <http://www.ustr.gov/acta>. Conversely, TRIPs does not require imprisonment *and* monetary fines. Instead, TRIPs only requires that member states provide for imprisonment *or* fines. Agreement on Trade Related Aspects of Intellectual Property Rights, Section 5 Criminal Procedures, Article 61, *available at* http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.

¹¹Anti-Counterfeiting Trade Agreement (Final Draft Subject to Legal Review), Section 4: Criminal Enforcement, Article 2.14: Criminal Offenses, *available at* <http://www.ustr.gov/acta>.

¹²*Id.*

provision¹³ involves the criminalization of copyright infringement that takes place on the internet.¹⁴ Finally, the ACTA requires that its Member States establish anti-circumvention laws to protect the use of online technological protection measures, similar to the United States' Digital Millennium Copyright Act (DMCA).¹⁵

Although not yet enacted, the ACTA has already been subject to sharp criticisms from non-negotiating parties and even negotiating parties' domestic citizens concerning its aggressive approach towards intellectual property enforcement as well as its procedural pitfalls. Moreover, the following four main criticisms have been presented concerning the ACTA's negotiations: the lack of transparency and secrecy in the negotiating process, the limited number of negotiating participants, the undemocratic process, and the lack of accountability.¹⁶

This Article questions the wisdom of the ACTA's copyright criminal provisions, exploring whether the ACTA's measures can in fact bring about better protection of intellectual property rights through stricter enforcement given the American experience with similar measures. Such comparison reveals that the ACTA will not be able to achieve its objectives because of its problematic design, which is quite similar to the problematic designs of the U.S. law.

¹³The digital crime provision has become controversial because many critics believe it will infringe upon the fundamental right of freedom of expression. See John R. Cook, *U.S. Trade Representative Releases Text of Anti-Counterfeiting Trade Agreement; Critics and Supporters Debate Agreement*, 105 AM. J. INT'L L. 137, 138 (2011).

¹⁴Anti-Counterfeiting Trade Agreement (Final Draft Subject to Legal Review), Section 5: Enforcement of Intellectual Property Rights in the Digital Environment, Article 2.18: Enforcement in the Digital Environment, available at <http://www.ustr.gov/acta>. TRIPs does not provide for any enforcement against copyright infringement online. Agreement on Trade Related Aspects of Intellectual Property Rights, Section 5 Criminal Procedures, Article 61, available at http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.

¹⁵Anti-Counterfeiting Trade Agreement (Final Draft Subject to Legal Review), Section 5: Enforcement of Intellectual Property Rights in the Digital Environment, Article 2.18: Enforcement in the Digital Environment, available at <http://www.ustr.gov/acta>.

¹⁶Robin Gross, *IP Justice White Paper on the Proposed Anti-Counterfeiting Trade Agreement*, IP JUSTICE, http://ipjustice.org/wp/wp-content/uploads/IPJustice_ACTA-white-paper-mar2008.pdf (March 25, 2008).

The Article proceeds as follows: Part II will discuss generally the intersection of criminal law and intellectual property law, touching upon the complexities surrounding the criminalization of intellectual property infringement. Part III will then turn to the specific branch of copyright law, examining its intersection with criminal law. Part IV will outline the development of criminal copyright provisions and discuss the reasons for the criminalization of copyright law. In Part V, the effects of these criminal sanctions will be examined, showing their futility. Part VI will then turn to examine the international dimension of copyright enforcement, discussing the developments of criminal provisions under international intellectual property law from the adoption of the Berne Convention through the ACTA and describing the key changes introduced by ACTA compared to TRIPS. This Part will also discuss the ACTA proposed copyright enforcement measures, demonstrate their drawbacks given the American experience, and as such proposes a different approach to enforcement challenges -- mainly relying on educational campaigns as a tool for bringing about a real change.

II. The Intersection of Criminal Law and Intellectual Property Law

Criminal law has been imbedding itself into intellectual property law enforcement at a rapid pace.¹⁷ Given the increasing value of intellectual properties to the United States economy

¹⁷ Stuart P. Green, *Plagiarism, Norms, and the Limits of Theft Law: Some Observations on the Use of Criminal Sanctions in Enforcing Intellectual Property Rights*, 54 HASTINGS L. J. 167, 235-36 (2002) (“Probably no area of criminal law has experienced more growth in recent years than intellectual property, at least in terms of legislative enactments. In the last two decades alone, Congress has criminalized both trademark infringement and theft of trade secrets; broadened the scope of criminal liability for copyright infringement; imposed criminal liability for the manufacture and sale of devices that can be used to circumvent technological protection measures; and made trademark counterfeiting, theft of trade secrets, and copyright violation predicate acts under both the money laundering and RICO statutes.”)

and the world at large,¹⁸ the application of criminal legal instruments in the endeavor to protect intellectual property rights comes at no surprise. However, because of the unique characteristics of intellectual properties-- intangibility and non-rivalry--the application of criminal law to this domain has met with much difficulty and opposition.

1. The Complexities Surrounding the Criminalization of Intellectual Property

Should intellectual property infringement be criminalized? That is, should criminal sanctions come in place of, or in addition to civil sanctions or not at all? While the existing theoretical discussion on this question is sparse, various legal commentaries have addressed the general justifications for and against criminalizing intellectual property law.

Intellectual property crimes usually do not involve violence.¹⁹ The harm they cause is often difficult to assess,²⁰ and the victims of the crimes are not easily identifiable.²¹ The question of who should be held culpable for the offense is also not easily answered.²² Moreover, some intellectual property offenses “are committed in the course of conduct that is otherwise legal, and even socially productive.”²³ These factors have led one scholar to coin intellectual

¹⁸ U.S. Dep’t of Justice, *Prosecuting Intellectual Property Crimes* 18 (3d ed. 2006) (“In 2005 the overall value of the ‘intellectual capital’ of U.S. businesses--including copyrights, trademarks, patents, and related information assets-- was estimated to account for a third of the value of U.S. companies, or about \$ 5 trillion.”), available at <http://www.cybercrime.gov/ipmanual/ipma2006.pdf> (last visited Apr. 22, 2011).

¹⁹ Irina D. Manta, *The Puzzle of Criminal Sanctions for Intellectual Property Infringement*, Case Western Reserve University School of Law, (2011) at 10-11 available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1675206 (last visited April 22, 2011).

²⁰ Stuart P. Green, *Moral Ambiguity in White Collar Criminal Law*, 18 ND J. L. ETHICS & PUB POL’Y 501, 510 (2004).

²¹ *Id.* at 504.

²² *Id.* at 509-10.

²³ *Id.* at 513.

property offenses as “morally ambiguous.”²⁴ This uncertainty causes people to question whether such offenses are morally wrong in the first place, and consequentially whether they are deserving of criminal sanctions.²⁵ Stuart Green notes that another ambiguity in the intersection between criminal law and intellectual property law lies in the use that intellectual property law makes of the paradigm of theft²⁶ and the paradigms of infringement, false marking, counterfeiting, and regulatory violations.²⁷ These paradigms are not equivalent to each other. Each paradigm is based on different moral and doctrinal foundations, and the lack of coherence as to why each paradigm is applied further intensifies the moral ambiguity in criminalizing intellectual property violations.²⁸

However, the fact that intellectual property crimes may at times be morally ambiguous does not necessarily mean that criminal law should not be applied to such crimes. Rather, the use of criminal law has to take a nuanced approach in which the moral ambiguity surrounding certain crimes is alleviated.²⁹ As Green states “our system is committed to the notion that only the most clearly harmful and wrongful kinds of conduct should be treated with criminal

²⁴ *Id.* at 502-03.

²⁵ *Id.* at 508-10.

²⁶ Stuart P. Green, *Plagiarism, Norms, and the Limits of Theft Law: Some Observations on the Use of Criminal Sanctions in Enforcing Intellectual Property Rights*, 54 HASTINGS L. J. 167, 240-41 (2002).

²⁷ *Id.*

²⁸ *Id.* (“Despite the significance - both moral and doctrinal - of such paradigms, it is often difficult to determine why Congress chose to use one rather than another. From the perspective of intellectual property law, to refer to what are essentially copyright or patent violations as “theft” may seem inconsistent with the idea of “infringement” and “false marking” as *sui generis*. From the perspective of criminal law, moreover, words like “theft” and “stealing” have particular expressive and moral resonances that are unlikely to find easy equivalence in the law of intellectual property.”). See also Grace Pyun, *The 2008 Pro-IP Act: The Inadequacy of the Property Paradigm in Criminal Intellectual Property Law and its Effect on Prosecutorial Boundaries*, 19 DEPAUL J. ART TECH. & INTELL. PROP. L. 355, 379-385 (2009) (discussing how the PRO-IP Act justifies the criminalization of IP offenses through the use of the property paradigm and outlining why the use of the paradigm is unjustified given the differences between property and IP).

²⁹ Green, *supra* note 26, at 518-519 (suggesting several possibilities by which ambiguity could be reduced, which include defining the damages caused by IP offenses and more clearly delineating who is harmed by IP offenses.)

sanctions,” and thus he cautions against the indiscriminate use of sanctions.³⁰ Moreover, he warns that if the ambiguity prevails “the moral authority of the criminal law will itself be viewed as ambiguous.”³¹

2. *Justifications for Using Criminal Sanctions*

If intellectual property is to be treated as similar to tangible property, then one can argue that the criminal remedies available for harm caused to tangible property should also be made available for harm caused to intangible property.³² Irina Manta notes that there are similarities between the harms caused by intellectual property infringement and the harms caused in property crimes.³³ For example, as with property crimes, an infringer can reduce the economic value of a good.³⁴ In addition, just as the incentive to develop intellectual property goods can be reduced by infringement, so too “various productive endeavors” are hindered because of property crimes.³⁵ Nevertheless she points out that intellectual property violations more often occur accidentally and consequentially and may be less wrongful than property violations.³⁶

Because intellectual property is such an important part of the United States' economy and because civil remedies do not sufficiently deter the violations, some legal commentaries have

³⁰ *Id.*; Manta, *supra* note 19, at 12 (“any given criminal law needs to proscribe a nontrivial harm or evil; hardship and stigma may be imposed only for conduct that is in some sense wrongful; violations of criminal laws must result in punishments that are deserved; and the burden of proof should be placed on those who advocate the imposition of criminal sanctions.”) (*citing* DOUGLAS HUSAK, *OVERCRIMINALIZATION: THE LIMITS OF THE CRIMINAL LAW* 103 (2008))

³¹ Green, *supra* note 26 at 518.

³² Manta, *supra* note 19, at 10-12 (delineating how economic harm committed to property gives rise to the imposition of sanctions, and at times, economic harm is not even needed for the sanctions to be imposed).

³³ *Id.* at 8-16.

³⁴ *Id.* at 16.

³⁵ *Id.*

³⁶ *Id.* at 17.

emphasized the importance of transitioning from civil remedies to criminal penalties.³⁷ According to the Department of Justice’s IP Prosecution manual, “criminal sanctions are often warranted to punish and deter the most egregious violators: repeat and large-scale offenders, organized crime groups, and those whose criminal conduct threatens public health and safety.”³⁸ Along this line of thinking, Maureen Walterbach advocates for a more targeted approach, that is, laying down tougher sanctions (usually criminal ones) when dealing with intellectual property crimes committed by organized crime groups.³⁹ Given such groups’ danger to society, coupled with the scale with which intellectual property crimes have grown, the author argues that the problems posed by both trends separately will only be exacerbated when they converge and consequentially, tougher sanctions need to be imposed.⁴⁰

3. Arguments Against Applying Criminal Sanctions

Intellectual property infringement is widespread, rampant, and can be committed on a grand-scale thanks to technological advances. However, some legal scholars have criticized the use of these facts as a justification for implementing criminal sanctions.⁴¹ Although civil remedies may not deter such violations, this can be attributed to the fact that a large percentage of the population does not view many intellectual property crimes as morally wrong. In order for a law to be effective, people must believe that there is a justified moral premise standing behind

³⁷ John R. Grimm, Stephen F. Guzzi & Kathleen Elizabeth Rupp, *Intellectual Property Crimes*, 47 AM. CRIM. L. REV. 741, 742 (2010) (“The marked increase in intellectual property theft, combined with the ineffective deterrence provided by civil remedies, has led the federal as well as state and local governments to enact criminal statutes to protect intellectual property.”).

³⁸ U.S. Dep’t of Justice, *supra* note 18, at 22-23.

³⁹ Maureen Walterbach, *International Illicit Convergence: The Growing Problem of Transnational Organized Crime Groups’ Involvement In Intellectual Property Rights Violations*, 34 FLA. ST. U. L. REV. 591 (2007).

⁴⁰ *Id.* at 596-97.

⁴¹ Green, *supra* note 26, at 235-37.

it and that the law is legitimate in terms of the trustworthiness of the institution that created it.⁴² “Thus, the vast majority of people refrain from committing criminal acts such as murder, rape, and even theft not because they fear sanctions if caught, but because they have internalized the norms against such acts.”⁴³ According to Green, compliance with intellectual property laws will not occur if punitive criminal sanctions alone are instated. Rather, the public needs to be persuaded that violating intellectual property laws “is morally wrong (if in fact it is) and that the laws prohibiting such misappropriation are legitimate.”⁴⁴

The use of criminal law in enforcing intellectual property rights has also been objected to because increased protections tend to limit the expansion of the public domain and the First Amendment right of free speech is impeded by overbroad intellectual property protections.⁴⁵

Further, Geraldine Moohr cautions against using criminal sanctions before the effectiveness of civil sanctions is thoroughly examined.⁴⁶ She asserts that criminal sanctions deter “legitimate conduct” more than civil sanctions.⁴⁷ Moreover, “the record of economic growth indicates that civil remedies appear to motivate adequately the creation of new products, while not over-compensating in a way that inhibits long-term innovation and economic growth.

⁴² *Id.* at 237-38 (citing Tom R. Tyler, *Compliance with Intellectual Property Laws: A Psychological Perspective*, 29 NYU J. INT'L L. & POL'Y 219, 225 (1996-1997)).

⁴³ *Id.* at 238; Pyun, *supra* note 28, at 391 (“it is difficult to impose upon society the view that IP offenses are immoral unless society thinks that the offense is harmful to begin with.”)

⁴⁴ Green, *supra* note 26, at 239. See also Pyun, *supra* note 28, at 393-94 (“In order for the government to create a meaningful progress in the long term effectiveness of criminal IP laws and to establish a more balanced policy of IP owner rights and public access, the DOJ needs to implement the law that targets the behavior and not the property. The key is to set clearer boundaries between civil and criminal IP sections and the DOJ must be clear to limit its role in the criminal realm.”)

⁴⁵ Pyun, *supra* note 28, at 594-95. See also Lucille M. Ponte, *Coming Attractions: Opportunities and Challenges in Thwarting Global Movie Piracy*, 45 AM. BUS. L. J. 331, 335 (2008) (“Furthermore, First Amendment advocates are concerned that the further criminalization of copyright violations places a chilling effect on free speech and continues to dismantle fair use principles in this march toward zero tolerance against movie copyright violations.”)

⁴⁶ Geraldine Szott Moohr, *The Problematic Role Of Criminal Law In Regulating Use Of Information: The Case Of The Economic Espionage Act*, 80 N.C. L. REV. 853, 918 (2002).

⁴⁷ *Id.* at 919.

Civil remedies more effectively address the real harm that results when an information product is taken: the loss of value to its holder.”⁴⁸

III. The Intersection between Criminal Law and Copyright Law

The justifications for the use of criminal law vary from one branch of intellectual property law to another because of the differing rationales at the foundation of each branch as well as the differing effects that the sanctions will have.⁴⁹

The increasing infringement of copyrighted products (such as music, DVDS, and business software) has been met with increasingly stringent criminal penalties globally and in the U.S..⁵⁰ While the reasons for criminalizing copyright infringement lean towards ensuring “financial stability, employment, and creative innovation,”⁵¹ the trend towards criminalizing infringement has not escaped critical review. This section will provide a general overview of the specific issues at the heart of the juncture of criminal law and copyright law.⁵²

⁴⁸ *Id.*

⁴⁹ *Id.* at 918 (pointing out that the lessons learned from legislation criminalizing trade secret law will not necessarily apply to patent law and copyright law); Alex Steel, *Problematic and Unnecessary? Issues with the Use of the Theft Offense to Protect Intangible Property*, 30 SYDNEY L. REV. 575, 599 (“Intellectual property rights share many common characteristics, but being largely creatures of statute, they also are significantly different in important respects. It is therefore difficult to discuss intellectual property generally.”); Manta, *supra* note 19, at 31-54 (describing the differences between patents and soft intellectual property which can explain why patent law has not been criminalized.); Pyun, *supra* note 28, at 357 (noting that trademark and copyright law “are rooted in different purposes and the legislation behind each used different justifications and policy considerations. The question arises whether such consolidation of IP criminal penalties are appropriate in light of this history.”).

⁵⁰ For a list of laws criminalizing copyright infringement, see *infra*, Part IV; Michael M. DuBose, *Criminal Enforcement of Intellectual Property Laws in the Twenty-First Century*, 29 COLUM. J. L. & ARTS 481, 484, 486-89 (2006) (describing the low risks, low costs, and high commercial value associated with pirated DVDS and software and the need to combat such piracy through updated criminal laws).

⁵¹ Robin Andrews, *Copyright Infringement and the Internet: An Economic Analysis of Crime*, 11 B.U. J. SCI. & TECH. L. 256, 256 (2005) (citing Karen J. Bernstein, *Net Zero: The Evisceration of the Sentencing Guidelines Under the No Electronic Theft Act*, 27 NEW ENG. J. ON CRIM. & CIV. CONFINEMENT 57, 59-62 (2001)).

⁵² It is important to note that criminal copyright provisions address commercial copyright infringement and personal use infringement. Commercial copyright infringement involves infringement for the purpose of competing with the copyright owner for profits. Personal use infringement consists of infringement that is not for profit. The issues that

A. *Moral Wrongness and Harm*

What are the primary rationales that exist for applying criminal law in the first place? According to one analysis, conduct must be morally wrong, or harmful, or both in order to justify to use of criminal sanctions.⁵³ However, the question of what constitutes moral wrongness or harm is not clearly answerable. In terms of morality, Geraldine Moohr explains that the “source of that dimension is unclear; it may rest on community norms or on principles derived from conceptions of what is right and good.”⁵⁴ Moohr also delineates three limitations governing the identification of harms that justify the use of criminal sanctions.⁵⁵ *First*, the use of criminal sanctions in order to deter harm must only occur after all other options have been exhausted. *Second*, the harmful conduct must also harm a broader societal interest besides that of the individual. *Third*, criminal sanctions should not be instituted if the cost of doing so is greater than the benefit derived. In a somewhat similar vein, Joel Feinberg justifies criminal sanctions if the harm principle exists. According to Feinberg, harm depends upon the “magnitude of the harm, probability of its occurrence, and social value of the activity that leads to the harm.”⁵⁶

arise from criminalizing copyright law primarily relate to the increasing criminalization of personal use infringement. See Geraldine Szott Moohr, *The Crime of Copyright Infringement: An Inquiry Based on Morality, Harm, and Criminal Theory*, 83 B.U. L. REV. 731, 735-38 (2003) (describing the history of the criminalization of copyright law and the difference between competitive infringement and non-commercial infringement).

⁵³ *Id.* at 747-52.

⁵⁴ *Id.* at 749.

⁵⁵ *Id.* at 752-53.

⁵⁶ Lori A. Morea, *The Future of Music in a Digital Age: The Ongoing Conflict Between Copyright Law and Peer-to-Peer Technology*, 28 CAMPBELL L. REV. 195, 228 (2006).

1. *Morality and Social Norms*

With regard to the morality considerations behind criminal law, Moohr argues that stealing property and infringing a copyright do not reside on the same moral plane and therefore require different treatment under criminal law.⁵⁷ Moreover, the fact that a substantial segment of society does not view infringement as morally wrong⁵⁸ undermines the use of the concept as a justification for imposing criminal sanctions.⁵⁹

From a behavioral economics perspective, Robin Andrews warns that when people see that many of their peers are committing infringing acts without being punished and that the pervading social norm is that such infringement is not morally wrong, they will be less likely to obey the law.⁶⁰ Consequentially, the law will have the opposite effect of what it was intended to accomplish.⁶¹ He directs the focus of legislators towards creating policies that tackle the gap between legal prohibitions and societal norms.⁶² Similarly, Mark Schultz suggests that people need to be convinced that abiding by the law is the “right thing to do.”⁶³ However, changing the social norms that embrace infringement activities is not a simple endeavor. “Norms likely arise

⁵⁷ Moohr, *supra* note 52, at 765-66.

⁵⁸ Moohr attributes this to the existence of a social norm that supports the free use of information, and consumer confusion stemming from the difficulty in differentiating between what is criminal infringement and what is legal conduct. *Id.* at 767-73.

⁵⁹ *Id.* 773-74.

⁶⁰ Andrews, *supra* note 51, at 278-281; Mark F. Schultz, *Fear and Norms and Rock & Roll: What Jambands Can Teach Us about Persuading People to Obey Copyright Law*, 21 BERKELEY TECH. L. J. 651, 662-63 (2006) (discussing how tough sanctions and a low probability of getting caught limit the effectiveness of deterrence-based strategies).

⁶¹ Andrews, *supra* note 51, at 279-80.

⁶² *Id.* at 280-81 (suggesting that society’s conception of IP rights needs to be aligned with its conception of property and personality rights). *See also* Ben Depoorter & Sven Vanneste, *Norms and Enforcement: The Case against Copyright Litigation*, 84 OR. L. REV. 1127, 1175 (2005) (noting that “Policymakers should take note of the pervasiveness of the anticopyright norms of experienced file sharers when considering recent proposals to criminalize noncommercial copyright infringements...In a regime of severe sanctions, users of file-sharing technology become more anticopyright and resort to more downloading whenever enforcement is temporarily suspended. Such norm effects are particularly relevant in the context of copyright law because technological changes and copyright-circumvention technology inevitably create lapses in copyright enforcement.”).

⁶³ Schulz, *supra* note 60, at 665.

from a variety of sources, including religion, philosophy, culture, education, and biology. There is likely no universal or easy way to establish a social norm.”⁶⁴ More importantly, attempting to change social norms with tougher criminal penalties and enforcement will result in a public backlash that will undermine such criminal laws.⁶⁵

Why do copyright infringement crimes appear to lack the moral wrongness that is needed for the proper application of criminal sanctions? One commentator has provided an interesting explanation by dividing infringers into three categories.⁶⁶ Among the first category of infringers, infringement is committed on a large scale in order to attain commercial gains. Society usually views these law-breakers as deserving of punishment. The second category of infringers includes people who, with good intentions and no financial motive, infringe on a smaller scale in order to promote learning or creativity. These infringers are viewed as undeserving of punishment. Yet, the advent of technological advancements has resulted in a third category of infringers, “who have no particular profit motive, but who use the Internet to cause, or to avail themselves of, infringements multiplied on a huge scale.”⁶⁷ While copyright owners are harmed by such infringers, the infringers themselves are not receiving any commercial gain and thus, society has difficulty grappling with the fact that such infringers can be punished with severe penalties.⁶⁸

⁶⁴ *Id.* at 667-68 citing Richard McAdams & Eric B. Rasmussen, *Norms in Law and Economics*, in *The Handbook of Law and Economics* (A. Mitchell Polinsky & Steven Shavell, eds., 2006).

⁶⁵ See Geoffrey Neri, *Sticky Fingers or Sticky Norms? Unauthorized Music Downloading and Unsettled Social Norms*, 93 GEO L. J. 733, 746-48 (2005) (describing the backlash that occurs when social norms do not correlate with criminal laws and noting that backlashes will occur when the law is used too forcefully in order to change those norms. Citing Dan M. Kahan, *Gentle Nudges vs. Hard Shoves: Solving the Sticky Norms Problem*, 67 CHI. L. REV. 607, 607 (2000) and Lawrence Lessig, *The Regulation of Social Meaning*, 62 CHI. L. REV. 943, 1017 (1995)).

⁶⁶ I. Trotter Hardy, *Prosecuting White Collar Crime: Criminal Copyright Infringement*, 11 WILLIAM & MARY BILL OF RTS. J. 305, 326-332 (2002).

⁶⁷ *Id.* at 326.

⁶⁸ *Id.* at 328 (“Part of the public’s and the courts’ vexation with copyright law today stems from a new category of infringer, one that seems to fall half way between the good and the bad. Examples these days are legion: the

Moreover, Hardy also notes that the public's conception of tangible property and intangible property is different, and this contributes to the inconsistency between criminal copyright laws and social norms.⁶⁹ "Nearly all of us, though, grow up from childhood with a heavy and inevitable exposure to the concept of tangible property, but an inevitably light exposure to concepts of intangible property like copyrights. We are thus predisposed to find the rules of tangible property ownership to be appropriate and sensible, but not equivalently predisposed to find those of intangible property ownership the same."⁷⁰ Furthermore, the harm caused by copyright infringement is not always immediately felt. Only multiple violations over the course of time add up to produce an "aggregate" harm. Hardy concludes that the public regards immediately-felt harm more seriously than harm that accumulates in the long-term, which is why infringement does not seem to be morally wrong.⁷¹ Finally, "indifference to intellectual property rights may also arise from growing consumer expectations about receiving information and entertainment on demand and customized to their tastes and interests."⁷²

teenagers who make a sport of finding and publicizing ways to defeat copy-protection technologies; or the computer scientists who believe that the research ethic requires them to publish their findings of vulnerabilities in a commercial encryption technology; or the college students who accumulate a collection of MP3 music files for their own enjoyment.")

⁶⁹ *Id.* at 332-34.

⁷⁰ *Id.* at 341.

⁷¹ *Id.* at 334-39.

⁷² Lucille M. Ponte, *Coming Attractions: Opportunities and Challenges in Thwarting Global Movie Piracy*, 45 AM. BUS. L. J. 331, 347 (2004).

2. Harm

While one of the justifications for employing criminal law is that of harm, oftentimes in copyright infringement cases, the harm suffered by copyright owners has been exaggerated.⁷³ For example, people who download music illegally are not necessarily those who would have purchased the music in the first place at the higher price. Consequentially, including the “losses” stemming from their lack of purchases is inaccurate because it is unlikely that they would have purchased a CD in the first place.⁷⁴ Furthermore, unlike shop owners who absorb a direct loss from the theft of a product that they had to purchase themselves, copyright owners do not suffer a similar loss when their products are illegally copied.⁷⁵ Eric Goldman is critical of criminal copyright statutes whose “focus on technical, not substantive, harm puts otherwise socially-permissible activities in jeopardy.”⁷⁶ The question follows: If the harm caused is difficult to measure, should criminal sanctions instead of other remedies be used to rectify the harm?⁷⁷

According to Moohr, personal-use infringement does not meet the limitations governing the principle of harm.⁷⁸ Measuring the harm that occurs through criminal copyright infringement is often difficult and the losses claimed by various copyright industries are oftentimes overstated.⁷⁹ In addition, she concludes that broader societal interests (such as copyright’s goal

⁷³ Eric Goldman, *A Road to No Warez: The No Electronic Theft Act and Criminal Copyright Infringement*, 82 OR. L. REV. 369, 426-431 (2003) (discussing the difficulty in measuring the loss suffered by copyright owners, which puts the use of excessive criminal penalties in question); Neri, *supra* note 65, at 741-42 (criticizing the music industry’s economic loss claims); Ponte, *supra* note 72, at 335 (questioning the economic loss claims made by the movie industry).

⁷⁴ Goldman, *supra* note 73, at 426-27.

⁷⁵ *Id.* at 427-28.

⁷⁶ *Id.* at 428.

⁷⁷ *Id.* (“Because we cannot determine with precision when real loss occurs, at what point should loss suffered by a copyright owner be recognized as criminal harm?”).

⁷⁸ Moohr, *supra* note 52, at 753-57.

⁷⁹ *Id.* at 754-57.

of promoting creation) are not harmed by infringement.⁸⁰ Moreover, socially valuable behavior associated with infringement may be chilled if criminal sanctions are introduced.⁸¹

B. Copyright vs. Property

Though some have compared copyright infringement to property theft and used this comparison as a justification for instituting criminal sanctions,⁸² the correlation between copyright and property rights is questionable.⁸³ In distinguishing copyright from property, Lydia Loren notes that

“one of the most salient aspects of copyright is that, unlike tangible property, the public's interest is paramount, not the interests of the property owner, i.e., the copyright owner... Copying a copyrighted work does not deprive the copyright owner of the use of that work. Non-commercially motivated infringement may not even deprive the copyright owner of revenue the copyright owner might otherwise receive.”⁸⁴

Furthermore, applying the property paradigm to copyright law is complicated by the non-excludable nature of ideas and information. The non-excludable aspect of intellectual property

⁸⁰ *Id.* at 757-64.

⁸¹ *Id.* at 760-61 (“Economic studies show that consumers are often better innovators than original producers, largely because they use the products. Yet the DMCA, and to a lesser extent the criminal infringement law, discourages consumers from tinkering with products, even those they own. Treating code-breaking and unauthorized use as criminal may impede consumer innovation as it effectively bars entrants from new markets.”)

⁸² Lydia Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and the Importance of the Willfulness Requirement*, 77 WASH. U. L. Q. 835, 852-53, 856-60 (1999) (noting “the increasingly prevalent view of copyrighted works as property just like jewelry, automobiles, and television sets” and examining the trend of treating copyright as property).

⁸³ *Id.* at 856-61 (describing the differences between property and copyright); Grace Pyun, *The 2008 Pro-IP Act: The Inadequacy of the Property Paradigm in Criminal Intellectual Property Law and its Effect on Prosecutorial Boundaries*, 19 DEPAUL J. ART TECH. & INTELL. PROP. L. 355, 379-82 (2009) (describing the differences between IP and tangible property).

⁸⁴ *Id.* at 857, 859.

makes comparisons to tangible property less intuitive, and therefore, the application of severe criminal sanctions less comprehensible.⁸⁵

C. Copyright Policy

Other commentators have asked whether criminalizing copyright law is compatible with the original purpose of copyright law and the Constitution.⁸⁶ Noting that copyright law was intended to foster knowledge through the use of economic incentives⁸⁷ (i.e., granting copyrights), they argue that criminalizing infringement only addresses one of the goals of copyright law, (protecting the authors) at the expense of the other stated purpose of copyright law which is to advance creation and knowledge.⁸⁸ Moreover, because the need for economic incentives to spur

⁸⁵ Neri, *supra* note 65, at 739-42 (“laws protecting property are most necessary when the object of that law is scarce and cannot be shared without depriving the owner of it. In such a case, to exercise one basic property right -- the right to possession, use, and enjoyment -- one must to some extent exercise another -- the right to exclude. If an individual with a loaf of bread wants to use and enjoy that commodity, she must exclude or at least limit others from using and enjoying it. But in the case of "Oh, Pretty Woman," the owner of the song's copyright may still exercise the basic property right to use and enjoy the song without exercising the right to exclude others.”)

⁸⁶ Diane L. Kilpatrick-Lee, *Criminal Copyright Law: Preventing a Clear Danger to the U.S. Economy or Clearly Preventing the Original Purpose of Copyright Law?* 14 BALT. INTELL. PROP. L. J. 87, 117-18 (2005) (examining whether 18 U.S.C. § 2319 and 17 U.S.C. § 506 are in line with the original goals of copyright law); Morea, *supra* note 56, at 227 (remarking that Congress's propensity to overprotect copyright owners with criminal sanctions negates the Copyright/Patent Clause in the Constitution. *Citing The Criminalization of Copyright Infringement in the Digital Era*, 112 HARV. L. REV. 1705, 1722 (1999)); Loren, *supra* note 82, at 836 (“If copyright law is to continue to advance its constitutionally mandated goal, the balance between the rights of copyright owners and the rights of the users of copyrighted works must not be weighted too heavily in favor of copyright owners.”)

⁸⁷ Neri, *supra* note 65, at 736-37 (discussing how the Constitution “grants Congress the power to legislate in the area of copyright in order to “promote the Progress of Science and useful Arts.” In interpreting this clause, the Supreme Court has emphasized that its “primary objective . . . is not to reward the labor of authors,” but to effect that progress. Conceived and interpreted in unmistakably utilitarian terms, the Copyright Clause has been consistently interpreted by the as protecting creators' interests *not* in order to personally enrich those creators, but as a means to a public benefits end.”)

⁸⁸ Kilpatrick-Lee, *supra* note 86 at 117-118 (explaining that copyright statutes should aim to protect the copyright owner but at the same time, should not only benefit the copyright owner); Moohr, *supra* note 52, at 761 (reiterating that copyright law is also intended to promote public access and not just to protect copyright owners).

creative activity lies in question, further doubt is cast upon the rationale of criminalizing copyright laws in order to protect copyright owners.⁸⁹

D. *Criminal Law, the First Amendment, and Fair Use*

Criminalizing copyright law also implicates First Amendment rights. “First Amendment advocates are concerned that the further criminalization of copyright violations places a chilling effect on free speech and continues to dismantle fair use principles in this march toward zero tolerance against movie copyright violations.”⁹⁰ Loren notes that ensuring public access to information as well as promoting free speech is challenged when copyrights are awarded, and therefore, in the past Congress had been careful about instating criminal copyright provisions.⁹¹

E. *The Costs of Applying Criminal Law*

Geraldine Moohr applies a cost-benefit analysis in order to determine whether criminal law and copyright law should intersect.⁹² Noting that infringement harms the copyright owner and “the national policy of encouraging creative effort,” she examines whether there is an educative benefit that can be realized from criminalizing infringement.⁹³ She concludes that any educative benefit from criminal provisions is liable to be offset by the existing social norms that

⁸⁹ Moohr, *supra* note 52, at 758-59.

⁹⁰ Ponte, *supra* note 72, at 335; Brian P. Heneghan, *The NET Act, Fair Use, and Willfulness - Is Congress Making a Scarecrow of the Law?*, 1 J. HIGH TECH. L. 27, 35-37 (2002) (discussing the relevance of fair use as a defense in regard to the NET Act); Loren, *supra* note 82, at 865-870 (describing why the fair use defense is limited under the Net Act due to the prohibition on non-commercial infringement).

⁹¹ Loren, *supra* note 82, at 861.

⁹² Geraldine Szott Moohr, *Overcriminalization: Defining Overcriminalization Through Cost-Benefit Analysis: The Example of Criminal Copyright Laws*, 54 AM. U. L. REV. 783 (2005).

⁹³ *Id.* at 792-94, 797-99.

hold information as free to use. Moohr then examines the costs of enlisting criminal law. “Those costs include financial expenses that can be predicted and quantified as dollar amounts, such as the community’s costs of enforcement and incarceration. Economic harm to families of the convicted and the value of the imprisoned felon’s lost income can also be estimated and should be included in the tally.”⁹⁴ In addition, Moohr describes the non-monetary harm caused to copyright policy where excessive protection to copyright owners harms the other copyright policy of promoting public access in order to encourage creation and learning.⁹⁵ Such over-protection may stymie creation. Moreover, because personal-use infringement is not viewed as morally wrong, using criminal law to combat it may lower the public’s respect for criminal law itself and “and thereby diminish both its legitimacy and its general effectiveness.”⁹⁶

In sum, the moral ambiguity of personal-use infringement and the obscure harm caused to copyright owners shake the pillars supporting the application of criminal law. With social norms operating against criminal infringement provisions and no satisfactory correlation to be found between copyright infringement and property theft, legal commentators are left with ample theoretical content to debate. Finally, the balance between copyright policies, fair use, and free speech rights is an issue that must be resolved in order to enable smooth passing in the intersection between copyright and criminal law.

Viewed in this light, the next Part will explore the increasing criminalization of copyright infringement.

⁹⁴ *Id.* at 801.

⁹⁵ *Id.* at 801-04.

⁹⁶ *Id.* at 804-05.

IV. The Increasing Criminalization of Copyright Infringement: A U.S. Case

Study

For over one hundred years, numerous criminal provisions have been passed by the U.S. Congress to address the various forms of copyright infringement. The following section will outline the historical progression of the U.S. legislation [in place] that criminalizing copyright infringement as well as the reasons behind the recent/enhancement of penalties.

The first criminal copyright provision was enacted in 1897.⁹⁷ This provision stipulated that unlawful performances and representations of copyrighted dramatic and musical works were misdemeanors.⁹⁸ However, in order to be held culpable, the infringement had to be “willful and for profit.”⁹⁹ Congress added criminal penalties because copyright holders had protested that people were unlawfully performing their works in locations that were difficult to detect and as a result or their rights were unenforceable.¹⁰⁰

In 1909, criminal sanctions were extended to cover every type of copyrighted work with the exception of sound recordings.¹⁰¹ The 1909 Copyright Act “provided misdemeanor penalties of up to one year in jail or a fine between \$ 100 and \$ 1,000, or both, for “any person who

⁹⁷ Act of Jan. 6, 1897, ch. 4, 29 Stat. 481.

⁹⁸ *Id.*; See also Lori A. Morea, *The Future of Music in a Digital Age: The Ongoing Conflict Between Copyright Law and Peer-to-Peer Technology*, 28 CAMPBELL L. REV. 195, 209-10 (2006).

⁹⁹ *Id.*

¹⁰⁰ I. Trotter Hardy, *Prosecuting White Collar Crime: Criminal Copyright Infringement*, 11 WILLIAM & MARY BILL OF RTS. J. 305, 315 (2002) citing *Revision of Copyright Laws: Hearings Before the Joint Comm. on Patents*, 60th Cong. 24 (1908) and H.R. REP. NO. 91-53, at 2 (1894).

¹⁰¹ Copyright Act of 1909, ch. 320, 35 Stat. 1075; Lanier Saperstein, *Copyrights, Criminal Sanctions and Economic Rents: Applying the Rent Seeking Model to the Criminal Law Formulation Process*, 87 J. CRIM. L. & CRIMINOLOGY 1470, 1474-75 (1997).

willfully and for profit" infringed upon a protected copyright."¹⁰² Moreover, "aiding and abetting willful and for-profit infringement" was also penalized with criminal sanctions.¹⁰³ Thus, the Act was an attempt to stymie the number of unlawful performers and if they could not be stopped, punish those who were assisting them.¹⁰⁴

Criminal provisions remained the same until the 1970's when additional protections were provided. The Sound Recording Act of 1971 awarded sound recordings copyright protection.¹⁰⁵ In addition, "the Act criminalized willful, for-profit infringement of sound recordings in response to the belief that the exclusion of such recordings from criminal provisions in the 1909 Copyright Act had led to an estimated annual volume of record and tape piracy exceeding \$ 100 million."¹⁰⁶ These sanctions were further increased in 1974 in order to have a greater deterrent effect.¹⁰⁷

Because lost profits in the movie and sound recording industry were attributed to infringement, higher fines and penalties were introduced in the 1976 Copyright Act.¹⁰⁸ General fines were increased to \$10,000, and the infringement of sound recordings or motion pictures could be fined up to \$25,000.¹⁰⁹ Moreover, repeat offenders were to be punished with even higher fines and longer jail sentences, thereby shifting infringement from a misdemeanor to a felony.¹¹⁰ The Act also "changed the wording of the *mens rea* requirement from "for profit" to

¹⁰² *Id.* at 1475.

¹⁰³ *The Criminalization of Copyright Infringement in the Digital Era*, 112 HARV. L. REV. 1705, 1707-08 (1999).

¹⁰⁴ *Id.* at 1707 (describing the attempt to punish "criminally liable theater managers and agents").

¹⁰⁵ *Id.* at 1707-08; Pub. L. No. 92-140, 85 Stat. 391 (1971).

¹⁰⁶ *Id.* at 1708, citing Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 DENV. L. REV. 671, 687 (1994) who cites H.R. Rep. No. 92-487, at 2 (1971).

¹⁰⁷ *Id.* at 1708 citing H.R. Rep. No. 93-1581, at 4 (1974).

¹⁰⁸ *Id.* at 1708-09 citing Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 DENV. L. REV. 671, 687, 674-75 (1994); Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541.

¹⁰⁹ Saperstein, *supra* note 101, at 1478.

¹¹⁰ Grace Pyun, *The 2008 Pro-IP Act: The Inadequacy of the Property Paradigm in Criminal Intellectual Property Law and its Effect on Prosecutorial Boundaries*, 19 DEPAUL J. ART TECH & INTELL PROP. L. 355, 360 (2009).

“for purposes of commercial advantage or private financial gain.” This change clarified that the defendant's activities need be motivated only by the desire of financial gain and whether the defendant actually received a financial benefit was immaterial.”¹¹¹

During the years following the 1976 Act, the movie and sound recording industries persuaded Congress that sound recording, audiovisual, and motion picture infringement needed to be punished with felony provisions because “misdemeanor penalties did not deter large scale copyright pirates” and the Department of Justice was less likely to enforce a misdemeanor offense than it would a felony offense.¹¹² Thus, in 1982 the 1976 Act was amended. Different categories of felonious acts were created and harsher fines and longer jail sentences were imposed for acts of infringement that had been previously categorized as misdemeanors.¹¹³

To their chagrin, the 1982 amendments did not protect the computer and software industries. The rapid growth in the software industry had been accompanied by a boom in large scale piracy.¹¹⁴ The large losses in revenues attributed to software piracy led Congress to enact the Copyright Felony Act of 1992.¹¹⁵ “Prior to the passage of this Act, only unauthorized copying of sound recordings, motion pictures, or audiovisual works constituted a federal felony.

¹¹¹ *Criminalization of Copyright Infringement*, *supra* note 103, at 1708.

¹¹² Lydia Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and the Importance of the Willfulness Requirement*, 77 WASH. U. L. Q. 835, 842-43 (1999).

¹¹³ Morea, *supra* note 56, at 2011 (“In 1982, Congress amended the Copyright Act to allow for new maximum fines as high as \$ 250,000 and possible imprisonment of five years in cases where the individual was involved in reproducing or distributing more than 1000 copies of one or more copyrighted sound recordings, or more than sixty-five copies of one or more motion pictures or audiovisual works. In addition, another category of felonies was established, which allowed for fines of up to \$ 250,000 and a maximum of two years in prison for the reproduction or distribution of at least 100 copies in the same time period. These penalties were placed in a new section, 2319 of the United States Code, while the criminal offenses were defined in 506(a) of title 17 (the Copyright Act).”)

¹¹⁴ Saperstein, *supra* note 101, at 1480-81; *Criminalization of Copyright Infringement*, *supra* note 103, at 1711.

¹¹⁵ Pub. L. No. 102-561, 106 Stat. 4233 (1992); *Criminalization of Copyright Infringement*, *supra* note 103, at 1711.

The [1992] Copyright Felony Act protects all copyrighted works and lowered the numerical and monetary thresholds for felony sanctions.”¹¹⁶

Up until the passage of the 1997 No Electronic Theft Act (NET Act),¹¹⁷ people who infringed upon copyrighted works for non-commercial purposes, however, were not subject to criminal penalties. Culpability depended upon infringement for commercial or private financial gain. This changed after the LaMacchia case.¹¹⁸ LaMacchia was an MIT student who facilitated the unlawful uploading and downloading of software programs through an electronic bulletin board that he had set up.¹¹⁹ The court could not find him guilty under the Copyright Act because of the fact that LaMacchia had infringed with no financial motivation.¹²⁰ This case was particularly poignant for the software industry because it symbolized the kind of damage that could be done with simple and accessible digital technology.¹²¹ Large-scale reproductions could be made instantly and given the hacker culture “in which people seem to abuse intellectual property as a means of challenging authority and showing off their expertise,” the damaging effect of digital technology had to be addressed.¹²² Congress was thus spurred by the courts and the affected industries to broaden the scope of criminal liability to deter copyright offenders who had no financial motivation.¹²³ Accordingly, the NET Act allowed “the prosecution of

¹¹⁶ John R. Grimm, Stephen F. Guzzi & Kathleen Elizabeth Rupp, *Intellectual Property Crimes*, 47 AM. CRIM. L. REV. 741, 763 (2010).

¹¹⁷ No Electronic Theft Act, Pub. L. No. 105-147, 11 Stat. 2678 (1997).

¹¹⁸ *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994).

¹¹⁹ *Id.*

¹²⁰ *Id.*

¹²¹ *Criminalization of Copyright Infringement*, *supra* note 103, at 1712 (“Anyone can now commit major copyright infringement because of the widespread accessibility of copying technology and the technology’s ability to make perfect reproductions.”).

¹²² *Id.*

¹²³ Morea, *supra* note 56, at 215 (“The basic idea underlying the NET Act was that infringers who did not act for financial gain should still face severe consequences for their actions, which would hopefully deter the wrongful behavior of individuals such as David LaMacchia.”). Besides the LaMacchia case and industry support, Loren attributes the NET Act to the “increasingly prevalent view of copyright as property equivalent to automobiles and jewelry.” Loren, *supra* note 82, at 850.

individuals who willfully violated copyright laws without apparent profit objectives under felony provisions of the Copyright Act....the NET Act added penalties to apply to the reproduction or distribution of any copyrighted works within a period of 180 days with a total value of as little as \$ 1,000.”¹²⁴

In 1998, the legislation of the Digital Millennium Copyright Act took the increasing criminalization even one step further.¹²⁵ In compliance with the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty,¹²⁶ the Act criminalized the use and trafficking of technologies used to circumvent the access controls installed in copyrighted works.¹²⁷

The Anti-counterfeiting Amendments Act of 2004 criminalized trafficking “counterfeit and illicit labels” attached to copyrighted works.¹²⁸ To combat movie piracy, the Family Entertainment and Copyright Act of 2005 was enacted to impose criminal penalties onto anyone who uses an audiovisual recording device in a movie theater.¹²⁹

Finally, in 2008 Congress passed the Prioritizing Resources and Organization for Intellectual Property Act (PRO-IP Act).¹³⁰ The Act addresses counterfeiting and infringement together, expanding forfeiture and restitution arrangements.¹³¹ It “designates criminal copyright infringement "a felony," replacing the more ambiguous term of "offense," effectively eliminating

¹²⁴ Morea, *supra* note 56, at 216.

¹²⁵ Digital Millennium Copyright Act, 105 P.L. 304; 112 Stat. 2860; 1998 Enacted H.R. 2281; 105 Enacted H.R. 2281.

¹²⁶ *Criminalization of Copyright Infringement*, *supra* note 103, at 1716-17; World Intellectual Property Organization Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65 (1997); World Intellectual Property Organization Performances and Phonograms Treaty, Dec. 20, 1996, 36 I.L.M. 76 (1997).

¹²⁷ Hardy, *supra* note 66, at 320-22.

¹²⁸ 108 P.L. 482; 118 Stat. 3912; 2004 Enacted H.R. 3632; 108 Enacted H.R. 3632; Grimm, Guzzi & Rupp, *supra* note 37, at 766 (describing the provisions of the Act).

¹²⁹ Family Entertainment and Copyright Act of 2005, 109 P.L. 9; 119 Stat. 218; 2005 Enacted S. 167; 109 Enacted S. 167; Grimm, Guzzi & Rupp, *supra* note 37, at 764 (describing the provisions of the Act).

¹³⁰ Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, 122 Stat. 4256.

¹³¹ Pyun, *supra* note 110, at 376-78.

IP misdemeanors.”¹³² Among other reasons, Congress saw fit to pass the bill because it reasoned that billions of dollars in profits were lost due to infringement and because infringement funds terrorist activities.¹³³

Thus, in the last one hundred years, criminal copyright infringement in the U.S. has not only been expanded to include every type of copyrighted work but has also been subjected to tougher sanctions. Congress has responded to the increasing piracy rates, large-scale infringements, and relative ease of copying works thanks to the technology of the digital era by imposing increasingly harsher penalties for infringing conduct. The effect of these criminal provisions will be discussed in the next section.

V. The Effects of Criminal Copyright Provisions

Whether criminal copyright provisions have actually reduced infringement is a matter up for debate. Most of the empirical analysis on the subject points to increasing piracy and infringement rates, which underscores the impact that criminal copyright provisions may be having. With the legislation of criminal penalties, many commentators cried out against the potentially negative effects such penalties would have on the advancement of free speech and the preservation of fair use. Yet, the fruition of such negative effects is also contested. The

¹³² *Id.* at 376.

¹³³ Section 503 of the PRO-IP Act states that “counterfeiting and infringement results in billions of dollars in lost revenue for United States companies each year and even greater losses to the United States economy in terms of reduced job growth, exports, and competitiveness; the growing number of willful violations of existing Federal criminal laws involving counterfeiting and infringement by actors in the United States and, increasingly, by foreign-based individuals and entities is a serious threat to the long-term vitality of the United States economy and the future competitiveness of United States industry; terrorists and organized crime utilize piracy, counterfeiting, and infringement to fund some of their activities...”

following section outlines the available commentary on the effects of criminal copyright provisions.

A. *Deterrent Effect and Enforcement*

Identifying the effectiveness of criminal copyright provisions is difficult, and as recently as June 2010, the U.S. Intellectual Property Enforcement Coordinator called on federal agencies to “review existing civil and criminal penalties to ensure that they are providing an effective deterrent to infringement.”¹³⁴ In the White Paper that followed in March 2011, IPEC did not address the effectiveness of the current criminal copyright provisions in place but noted that continuing online piracy was a key concern.¹³⁵ IPEC recommended that Congress increase sentence lengths for members of organized crime groups involved in IP infringement activities, repeat IP offenders, and for copyright offenders who sell infringing goods that are used in national defense and law enforcement.¹³⁶ Moreover, the White Paper recommended that the use of technologies such as streaming to infringe upon copyrights should be upgraded to a felony offense.¹³⁷

Criminal copyright provisions are enforced by the Criminal Division and U.S. Attorneys’ Offices which are a part of the Department of Justice (DOJ).¹³⁸ The “DOJ Criminal Division’s Computer Crime and Intellectual Property Section (CCIPS) investigates and prosecutes both

¹³⁴2010 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT, EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES 19 (2010) *available at* http://www.whitehouse.gov/sites/default/files/omb/assets/intellectualproperty/intellectualproperty_strategic_plan.pdf.

¹³⁵ *See* ADMINISTRATION’S WHITE PAPER ON INTELLECTUAL PROPERTY ENFORCEMENT LEGISLATIVE RECOMMENDATIONS, EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES 1 (March 2011) *available at* http://www.whitehouse.gov/sites/default/files/ip_white_paper.pdf.

¹³⁶ *Id.*

¹³⁷ *Id.* at 2.

¹³⁸ Joint Strategic Plan, *supra* note 134, at 28-29.

national and international copyright infringement.”¹³⁹ Each of the DOJ’s ninety-four U.S. Attorney’s Offices has a special attorney from the Computer Hacking and Intellectual Property (CHIP) coordinator program who assists them in prosecuting computer and intellectual property crimes.¹⁴⁰ Twenty-five U.S. Attorney Offices have special CHIP units that help combat the “large number of IP crimes” committed in specific high-infringement areas.¹⁴¹ The DOJ is assisted by the RIAA, MPAA, and BSA who investigate criminal copyright infringement on their own and then alert the DOJ about the violations they have uncovered.¹⁴² In addition, the DOJ is assisted by other organizations in the U.S. enforcement establishment.¹⁴³

In order for criminal copyright provisions to be effective, they have to be enforced. However, criminal prosecution is significantly lower than civil prosecution.¹⁴⁴ Copyright infringement and piracy is particularly difficult to counter with enforcement because infringers are able to avoid detection through the use of developing technologies. Prosecuting infringers is further burdened by the high costs of bringing forth a suit.¹⁴⁵ Not surprisingly, for the year 2010, the DOJ reported that U.S. Attorneys received 132 investigative matters concerning 18 U.S.C. § 2319 – Criminal Infringement of a Copyright; these matters involved a total of 174 defendants.¹⁴⁶ Of those 174 defendants, only 85 defendants were convicted.¹⁴⁷ Only 31 of these

¹³⁹ Kim F. Natividad, *Stepping It Up and Taking It to the Streets: Changing Civil & Criminal Copyright Enforcement Tactics*, 23 BERKELEY TECH. L. J. 469, 482 (2008).

¹⁴⁰ Joint Strategic Plan, *supra* note 134, at 29.

¹⁴¹ *Id.*; Natividad, *supra* note 139.

¹⁴² Natividad, *supra* note 139, at 480-81.

¹⁴³ The Federal Bureau of Investigation (FBI), the Department of Justice Task Force, and the Department of Homeland Security (DHS) also work to ensure that IP rights are enforced. *See* Joint Strategic Plan, *supra* note 134.

¹⁴⁴ Natividad, *supra* note 139, at 480.

¹⁴⁵ *Id.* at 470.

¹⁴⁶ *See* FY 2010 PERFORMANCE AND ACCOUNTABILITY REPORT, APPENDIX E, UNITED STATES DEPARTMENT OF JUSTICE (2010). The automated case management system used to collect data for the U.S. Attorneys' Offices does not separately identify copyright infringement cases where the infringer advertises the infringing work online or makes the infringing work available on the Internet for download, reproduction, performance or distribution by others. *Id.* The offense of 18 U.S.C. §2319 includes: willful infringement of a copyright for purposes of commercial

85 defendants received a prison sentence.¹⁴⁸ Only 19 defendants received more than a year in prison – 14 defendants received 13-24 months, 12 defendants received 25-36 months, three defendants received 25-36 months, and two defendants received 37-60 months.¹⁴⁹

As noted previously, the success of criminal enforcement measures are uncertain.¹⁵⁰ Recent studies on piracy rates have found that 17.53 percent of internet traffic in the United States was estimated to be infringing.¹⁵¹ Infringing traffic on peer-to-peer networks was the highest, amounting to 13.8 percent of all internet traffic.¹⁵² Indeed, about half of all Americans ages 12 to 22 with access to the internet have illegally downloaded music from peer-to-peer networks.¹⁵³ Downloading music from file-sharing networks is not limited to teens and young adults. Over a quarter of internet users between the ages of 30 and 49 and 12 percent of people over 50 partake in file-sharing.¹⁵⁴ Moreover, in their 2010 Global Piracy Study, the Business Software Alliance reported that software piracy in the United States reached 20 percent.¹⁵⁵

These numbers and studies indicate that piracy is thriving in the United States and around the globe. Consequentially, the effect of U.S. enforcement efforts in curbing infringement activities has yet to be seen. Some commentators have even criticized the government for

advantage or private financial gain, or through large-scale, unlawful reproduction or distribution of a copyrighted work, regardless of whether there was a profit motive. *Id.*

¹⁴⁷ *See id.*

¹⁴⁸ *See id.*

¹⁴⁹ *See id.*

¹⁵⁰ *See also* Representative Zoe Lofgren’s remarks to Victoria Espinel, U.S. Intellectual Property Enforcement Coordinator: “there is a lot of large-scale commercial piracy that is going on and the department is doing very little about it. I think that’s something that needs attention. And some of the people who are into copyright enforcement in Silicon Valley....thought it [enforcement] was small-time and the big fish are getting away and I think that that needs some attention.” Hearing of the Intellectual Property, Competition, and the Internet Subcommittee of the House Judiciary Committee on “Oversight of the Office of the U.S. Intellectual Property Enforcement Coordinator” (March 2010).

¹⁵¹ *An Estimate of Infringing Use on the Internet*, by Envisional, prepared for NBC Universal, June 2009, available at http://documents.envisional.com/docs/Envisional-Internet_Usage-Jan2011.pdf.

¹⁵² *Id.*

¹⁵³ *See* Miriam Bitton, *Modernizing Copyright Law*, TX. INTELL. PROP. L. J. __, __ (forthcoming 2011).

¹⁵⁴ *Id.*

¹⁵⁵ *See* 09 PIRACY REPORT, BSA II (2010), available at http://portal.bsa.org/globalpiracy2009/studies/09_Piracy_Study_Report_A4_final_111010.pdf.

enforcing criminal copyright laws in the first place, arguing that that taxpayer dollars should be used to pursue violent criminals as opposed to non-violent copyright infringers.¹⁵⁶

B. The NET Act

The increasing criminalization of copyright infringement in the NET Act, led to fears that small-scale infringers would be prosecuted, fair use would be disregarded, universities would remove potentially infringing material from the Internet, and minors would be prosecuted.¹⁵⁷ According to Eric Goldman, at least up until 2003, these fears did not come into fruition as the DOJ's prosecutions focused upon large-scale commercial infringements committed without the intent to gain profits.¹⁵⁸

¹⁵⁶ Lucille M. Ponte, *Coming Attractions: Opportunities and Challenges in Thwarting Global Movie Piracy*, 45 AM. BUS. L. J. 331,347 (2008) (also noting that entertainment industries should pursue infringers through civil lawsuits instead of using public funds); Natividad, *supra* note 139, at 485 (“Yet the role of industry associations in facilitating these enforcement efforts and in lobbying for increased penalties raises numerous questions as to whether taxpayers are in effect subsidizing these private associations' enforcement agendas. The collaboration of private industries and public agencies is, in that sense, steering government enforcement efforts towards the issues and crimes the RIAA, the MPAA, and the BSA wish to pursue.”).

¹⁵⁷ Eric Goldman, *A Road to No Warez: The No Electronic Theft Act and Criminal Copyright Infringement*, 82 OR. L. REV. 369, 393-96 (2003). See also Brian P. Heneghan, *The NET Act, Fair Use, and Willfulness - Is Congress Making a Scarecrow of the Law?* 1 J. HIGH TECH. L. 27 (2002) (Heneghan discusses the potential pitfalls of the act. For example, he asserts that the criminal penalties reach too far and turn average Americans and scientists into criminals. “Willfulness,” one of the components for criminal liability is not clearly defined and the role that fair use has to play in the context of the act is unclear. Free speech might also be impeded because of the fear that putting up material may infringe another's copyright. Overall, he argues that the Act itself just may not be necessary in the first place in terms of stopping piracy and infringement because criminal penalties are not the correct tool for correcting infringing behavior); Lydia Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and the Importance of the Willfulness Requirement*, 77 WASH. U. L. Q. 835, 861-71 (1999) (discussing the potential over breadth of the NET Act, the lack of clarity regarding the fair use defense, and the fear that prosecutors will pursue small-scale offenders who infringe without a profit motive); Geoffrey Neri, *Sticky Fingers or Sticky Norms? Unauthorized Music Downloading and Unsettled Social Norms*, 93 GEO. L. J. 733, 755-57 (2005) (detailing the potential administrative and public backlash to laws that are incompatible with social norms; Neri concludes that administrative backlash to the NET Act is demonstrated by the limited prosecutions up until 2003, and that a public backlash has not occurred because the act is rarely applied).

¹⁵⁸ Goldman, *supra* note 157.

Although there were prosecutions under the NET Act Goldman argues that the legislation has not had an impact on piracy and infringement rates.¹⁵⁹ Studies on piracy rates have not demonstrated any dips due to the Act.¹⁶⁰ Goldman explains that the lack of any empirical proof on the positive effect of the Act is due to a number of factors, the first of which is a lack of enforcement.¹⁶¹ The number of cases the DOJ prosecutes corresponds to its limited budget. Public awareness of the Act's existence is also uncertain. These factors, coupled with the social norms supporting infringement behavior and the low probability of 'getting caught' reduce public compliance.¹⁶² Moreover, Goldman explains that other civil law remedies and criminal laws deter infringers more than criminal copyright provisions and thereby reduce the effectiveness of such provisions.¹⁶³

If anything, Goldman asserts that the Net Act imposes social costs. Many Americans can be considered criminals due to the Act's broad provisions, which would also hold P2P file-sharing in violation if certain "financial thresholds" were crossed.¹⁶⁴ "Our digital society requires us to make copies - lots of copies - to function productively, and all of those copies infringe if they involve third-party copyrighted works."¹⁶⁵ However, Goldman observes that the likelihood of such prosecutions is low because prosecutors are unlikely to pursue every-day Americans whose infringing activity was not willfully committed, or whose actions could be

¹⁵⁹ *Id.* at 397-99.

¹⁶⁰ "A BSA study showed that warez trading sites increased from 100,000 in 1997 to 900,000 in 1999. Another BSA survey from May 2002 showed that more than eighty percent of all Internet users who have downloaded commercial software have downloaded software without paying for it, and twenty-five percent of users who download software never pay for it. And assuming peer-to-peer (P2P) file-sharing violates the Act, piracy has taken off since the Act's passage; an estimated fifty-seven million Americans use P2P file-sharing services and forty-two percent of those individuals have burned a music CD rather than purchase it." *Id.*

¹⁶¹ *Id.* at 399-400.

¹⁶² *Id.* at 400-02.

¹⁶³ *Id.* at 410-14.

¹⁶⁴ *Id.* at 414-16.

¹⁶⁵ *Id.* at 415.

categorized as fair use, or whose infringements do not cross the financial thresholds set down by the Act.¹⁶⁶

C. The DMCA

In March 2010, the Electronic Frontier Foundation released a report entitled “Unintended Consequences: Twelve Years Under the DMCA.”¹⁶⁷ According to the report, free speech and scientific research had been jeopardized by the DMCA along with fair use, competition, and innovation. The report cites a long list of cases in which free speech was threatened and scientific research inhibited by the threat of civil and criminal penalties and DMCA lawsuits. Among them, the report describes how in 2003, J. Alex Halderman, a graduate student at Princeton “was threatened with a DMCA lawsuit after publishing a report documenting weaknesses in a CD copy-protection technology developed by SunnComm. Halderman revealed that merely holding down the shift key on a Windows PC would render SunnComm's copy protection technology ineffective. Furious company executives then threatened legal action. The company quickly retreated from its threats in the face of public outcry and negative press attention. Although Halderman was spared, the controversy again reminded security researchers of their vulnerability to DMCA threats for simply publishing the results of their research.”¹⁶⁸

While critics of criminal copyright laws argue that free speech is inhibited or “chilled” by criminal copyright provisions, in a Congressional hearing in April 2011, Kent Walker who

¹⁶⁶ *Id.* at 417. *But see* Loren, *supra* note 82, at 864 who argues that reaching the \$1000 misdemeanor threshold or the \$2500 felony threshold is very easy and therefore many Americans could be made into criminals because of the NET Act.

¹⁶⁷ Electronic Frontier Foundation, “Unintended Consequences: Twelve Years Under the DMCA” (Mar. 2010) available at: <https://www.eff.org/wp/unintended-consequences-under-dmca>.

¹⁶⁸ *Id.*

serves as General Counsel for Google Inc., reported that through the DMCA's notice-and-takedown system, Google had been able to deny access to infringing works that copyright owners reported to them, which only amounted to less than one percent of the millions of works that Google provides access to. Thus, the notice-and-takedown system in the DMCA, in which the responsibility for identifying and taking down infringing works is shared by the copyright owner and the online service providers, enables millions to exercise their right to free speech because their "speech" will only be blocked if it infringes copyright. Blogs, talkbacks, and uploaded videos are not pre-screened but rather removed ad-hoc only if they contain infringing material. Moreover, the DMCA's safe harbors have ensured that online service providers such as Facebook, MySpace, YouTube, eBay, and Twitter can thrive.¹⁶⁹

The DMCA has been described as ineffective at preventing digital piracy and has had only a limited number of criminal cases brought under it.¹⁷⁰ However, its enforcement by the RIAA and MPAA has led to universities taking it upon themselves to warn their students to stay away from infringement activities so as to avoid DMCA penalties.¹⁷¹ These warnings' effectiveness, however, are unclear at best given the high piracy rates in the college students sector.

¹⁶⁹ Statement of Kent Walker, Senior Vice President and General Counsel of Google Inc., Committee: House Judiciary, Subcommittee: Intellectual Property, Competition, and the Internet, April 6, 2011 (in a hearing about addressing the challenge of rogue foreign websites).

¹⁷⁰ John B. Clark, *Copyright Law and the Digital Millennium Copyright Act: Do the Penalties Fit the Crime?* 32 N. E. J. CRIM. & CIV. CON. 373, 374 (2006); John Holland, Making Money Instead of Excuses: A Market-based Alternative to the Digital Millennium Copyright Act that Protects Copyrights without Diminishing Expression, 7 GEO. J. L. & PUB. POL'Y 279, 292-95 (2009) (describing the ineffectiveness of the DMCA).

¹⁷¹ Clark, *supra* note 170, at 395. See for example the warning issued by the University of Missouri, St. Louis about the penalties stemming from violation of the DMCA, available at <http://www.umsl.edu/technology/itsecurity/dmca.html>.

D. The PRO-IP Act

The PRO-IP Act has been criticized for favoring industry rights over social norms, and consequentially, requiring the DOJ to prosecute crimes that society does not view as such.¹⁷² Grace Pyun has argued that the PRO-IP Act broadens the gap between the public and legislature and forces law enforcement officials to implement laws that do not strike a proper balance between the rights of copyright owners and those of the average citizen.¹⁷³

E. Other Consequences

Patrick Ross attributes criminalized copyright laws to the creation of sites and devices such as Hulu.com and the Kindle, which provide a legal means for obtaining access to works protected under copyright instead of downloading such works illegally.¹⁷⁴

In summary, despite the ongoing changes to copyright criminal provisions and the increasing sanctions over the years, there has been a constant global growth in piracy rates of copyrighted works.

In light of this gap between the strong laws on the books on the one hand and the laws' insignificant effects in the U.S. on the other hand, the next Part will explore the international

¹⁷² Grace Pyun, *The 2008 Pro-IP Act: The Inadequacy of the Property Paradigm in Criminal Intellectual Property Law and its Effect on Prosecutorial Boundaries*, 19 DEPAUL J. ART TECH. & INTELL. PROP. L. 355, 388-94 (2009).

¹⁷³ *Id.*

¹⁷⁴ Patrick Ross, *Copyright Laws Work Well Against Illegal File Sharing, Also Called Online Theft*, U.S. NEWS, (Dec. 22, 2008) available at: <http://www.usnews.com/opinion/articles/2008/12/22/copyright-laws-work-well-against-illegal-file-sharing-also-called-online-theft>.

treatment of copyright criminal enforcement, discussing the different international conventions and treaties, starting from the Berne Convention through the ACTA initiative. The new ACTA initiative will be introduced and compared to existing enforcement regimes, questioning its utility given the United States' experience to date with copyright criminal enforcement and suggesting a better approach pertaining to the criminal enforcement of intellectual property rights.

VI. Criminalization of Copyright Law Under International Law – From Berne to ACTA

This Part will discuss the way international law to date has handled intellectual property law enforcement. First, the TRIPS agreement will be discussed. As the first international agreement that has provided effective enforcement measures against violations of intellectual property rights, the TRIPS agreement will provide a baseline for comparison to the TRIPS-plus standards enumerated in ACTA. Next, a brief history of the ACTA will be provided and the reasons for its initiation and its objectives for heightened intellectual property rights enforcement will be discussed. Finally, a critical analysis of the ACTA is presented, touching upon its flawed design and unrealistic goals as well as offering some better designs for a more efficient enforcement framework.

Up until the TRIPS agreement,¹⁷⁵ enforcement of intellectual property rights was hardly mentioned in other international treaties.¹⁷⁶ TRIPS came to fill that vacuum with comprehensive

¹⁷⁵ TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE

international standards for the enforcement of IP rights and the creation of a dispute settlement mechanism through the World Trade Organization (WTO).

Through Part III of the TRIPS agreement, ground rules for judicial and administrative procedures, remedies, and criminal enforcement were established.

The following section will first provide an overview of the TRIPS enforcement provisions, with a particular focus upon its criminal enforcement provisions. Next, the criticism concerning the effectiveness of the enforcement provisions will be outlined. Then the WTO's most recent panel report addressing enforcement provisions will be analyzed, and finally, its ramifications for future enforcement will be discussed.

A. TRIPS Enforcement Provisions

1. Part I through Part IV: Articles 41-60

Section I of Part III requires the signatory states ensure the availability of enforcement procedures which “permit effective action against any act of infringement....including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.”¹⁷⁷ The International Intellectual Property Alliance (IIPA) has interpreted “availability” in Section 1 to refer not only to legislation but also to the enforcement of that

URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter: TRIPS Agreement].

¹⁷⁶ Article 13(3) and 15 address enforcement in the Berne Convention. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, *revised at Paris* July 24, 1971, 828 U.N.T.S. 221. Articles 9-10ter address enforcement in the Paris Convention. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, *revised at Stockholm* July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305.

¹⁷⁷ Article 41.1 of the TRIPS Agreement.

legislation.¹⁷⁸ Consequentially, laws stipulating criminal remedies alone do not meet the requirements of Section 1; those remedies must also be enforced in order to be in compliance with TRIPS. “Effective action” houses all the available remedies (civil, criminal, and border measures).¹⁷⁹ A remedy is a “deterrent” if it reduces infringement rates.¹⁸⁰

Article 41 sets forth the general obligations of signatory states but is worded in a broad manner so that leeway is given for differing “local circumstances” and “legal philosophies.”¹⁸¹ This leeway is further strengthened with Article 41.5, which stipulates that the section does not require that member states create a special judicial system distinct from one that is already in place. Moreover, member states are not required to re-allocate the resources provided for intellectual property enforcement and general law enforcement.¹⁸²

Section II provides guidelines for civil administrative procedures and remedies.

Article 44 stipulates that judicial authorities may grant injunctions where an infringement is taking place and prevent the entry of infringing goods into their jurisdiction. Judicial authorities may order an infringer to compensate the right holder for the damages he suffered, and these damages may include expenses such as attorney’s fees.¹⁸³ Article 46 grants judicial authorities the authority to order an infringing good to be “disposed of outside the channels of commerce” or destroyed.

¹⁷⁸ International Intellectual Property Alliance, Copyright Enforcement Under the TRIPS Agreement, (October 2004) at 3, available at http://www.iipa.com/rbi/2004_Oct19_TRIPS.pdf.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* But see Panel Report, China-Measures Affecting the Protection and Enforcement of Intellectual Property Rights, WT/DS362/R at 7.578 (Jan. 26, 2009) (describing the term ‘deterrent’ in Article 61 as a flexible, imprecise concept whose interpretation depends upon circumstances) available at: http://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf.

¹⁸¹ Roberto Garza Barbosa, *Revisiting International Copyright Law*, 8 BARRY L. REV. 43, 73 (2007).

¹⁸² Article 41.5 of the TRIPS Agreement.

¹⁸³ Article 45.1 and 45.2 of the TRIPS Agreement.

Judicial authorities also have the power to order the infringer to reveal the identities of third-party infringers as well as their distribution networks.¹⁸⁴

The third section describes the provisional measures which judicial authorities can order. Provisional measures can be ordered to prevent an infringement from occurring or to preserve evidence of an alleged infringement.¹⁸⁵

Section IV enables signatory states to authorize special border measures. Article 51 allows rights holders to file a complaint with the competent authority, which would then permit custom authorities to suspend the release of allegedly imported or exported infringing goods.¹⁸⁶

Article 58 addresses *ex officio* action. Competent authorities are authorized to order the “destruction or disposal of infringing goods.”¹⁸⁷

2. Criminal Enforcement Provisions: Article 61

Article 61 obligates signatory states to provide criminal procedures and penalties in cases where willful trademark counterfeiting or copyright piracy have occurred. Such infringements must be on a commercial scale. Furthermore, the remedies available require imprisonment and/or a substantial monetary fine that will deter such activity. The remedies available must also be

¹⁸⁴ Article 47 of the TRIPS Agreement. The International Trademark Association (INTA) points out that judicial authorities have the right to withhold the identity of third-person infringers if the infringement is not serious. INTA argues that judicial authorities should not be given such discretion (the rights holder should always have the right to receive such information) because third party infringers may actually be a primary source in supplying counterfeit goods. *See* Board Resolutions, INTA, Report on the Enforcement Provisions (Part III) of the TRIPS Agreement (November 1996) available at: [http://www.inta.org/Advocacy/Pages/ReportontheEnforcementProvisions\(PartIII\)oftheTRIPSAgreement.aspx](http://www.inta.org/Advocacy/Pages/ReportontheEnforcementProvisions(PartIII)oftheTRIPSAgreement.aspx).

¹⁸⁵ Article 50.1 of the TRIPS Agreement. INTA (*supra* note 18) claims that “there is no particular reference to the availability of “search and seizure” orders. Article 50 therefore leaves open the prospect of a court merely ordering a defendant to deliver infringing articles to the courts -- premises or to their lawyers -- premises, thereby providing a defendant with the opportunity of possibly destroying the evidence.”

¹⁸⁶ Article 52 of the TRIPS Agreement.

¹⁸⁷ Article 59 of the TRIPS Agreement.

consistent with those “applied for crimes of a corresponding gravity.”¹⁸⁸ In addition, where appropriate, the remedies must enable the seizure, forfeiture, and destruction of the infringing goods and any materials that have been used to commit the crime.¹⁸⁹ Article 61 gives member states the discretion to provide criminal procedures and penalties for the infringement of intellectual property rights, besides trademark counterfeiting and copyright piracy. Thus, for example, criminal procedures and penalties can be applied to infringement that was not willful or committed on a commercial scale.

The IIPA has interpreted Article 61 as a part of Article 41. This means that in order for criminal procedures and penalties to be effective, they must also be applied in practice.¹⁹⁰ Moreover, seizure, forfeiture, and destruction come together as a package. One remedy cannot come without the other.¹⁹¹ Returning seized goods only facilitates continued piracy and negates the requirement that remedies must act as deterrents.¹⁹²

B. The Effectiveness of TRIPS Enforcement Provisions

From the outset, skeptical commentators have voiced their uncertainty about the effectiveness of TRIPS enforcement provisions. The minimum enforcement standards required by TRIPS were criticized by scholars as being too vague and difficult to enforce in practice. Professors Jerome Reichman and David Lange called the enforcement provisions the Achilles’

¹⁸⁸ See DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS*, 134 (3rd ed. 2008) (interpreting “similar gravity” as corresponding to “serious crimes against property.”)

¹⁸⁹ *Id.* (noting that the materials used to help commit the offense include manufacturing and production equipment).

¹⁹⁰ IIPA, *supra* note 178, at 4.

¹⁹¹ *Id.*

¹⁹² *Id.*

heal of the TRIPS agreement.¹⁹³ They contended that the provisions are “crafted as broad legal standards, rather than as narrow rules, and their inherent ambiguity make it harder for mediators or dispute-settlement panels to pin down clear-cut violations of international law.”¹⁹⁴ This, and the fact that the provisions are worded to provide deference to different legal systems, will make it even more difficult for rights holders to effectively enforce their rights.¹⁹⁵ Christine Thelen noted that developing countries would find it especially challenging to provide enforcement because they lacked the institutions necessary to do so.¹⁹⁶ Even more troubling for TRIPS, was the observation that some countries may enact enforcement laws but fail to implement them.¹⁹⁷ Moreover, according to some commentators, the ACTA is a product of developed nations’ frustration with the TRIPS agreement, whose enforcement mechanisms are not viewed as up to par.¹⁹⁸

The 2009 WTO Panel Report China-Measures Affecting the Protection and Enforcement of Intellectual Property Rights [hereinafter: Panel Report] was the first to interpret the

¹⁹³ J. H. Reichman & David Lange, *Bargaining Around the TRIPS Agreement: The Case for Ongoing Public-Private Initiatives to Facilitate Worldwide Intellectual Property Transactions*, 9 DUKE J. COMP. & INT’L L. 11, 34-40 (1998) (discussing the weaknesses in the enforcement provisions).

¹⁹⁴ *Id.* at 35. See also Donald P. Harris, *The Honeymoon is Over: The U.S.-China WTO Intellectual Property Complaint*, 32 FORDHAM INT’L L. J. 96, 116 (2009) (noting that member states have are given “considerable latitude in fashioning laws to meet their enforcement obligations” because the enforcement provisions contain “vague phrases such as “effective,” “reasonable,” “undue,” “unwarranted,” “fair and equitable,” and “not ... unnecessarily complicated or costly.””)

¹⁹⁵ Reichman & Lange, *supra* note 193, at 35-36.

¹⁹⁶ Christine Thelen, *Carrots and Sticks: Evaluating the Tools for Securing Successful TRIPs Implementation*, 24 TEMP. J. SCI. TECH. & ENVTL. L. 519, 525-26 (2005). See also, Ramma John Ruppenthal, *TRIPS Through the Far East: High Tech Product Piracy and the Need for Alternative Regional Solutions*, 20 WIS. INT’L J. 143, 169-70 (explaining how TRIPS enforcement measures are intended for nations and not regions, and thus do not properly address piracy in East Asia, where piracy takes place on a regional level).

¹⁹⁷ Tuan N. Samahon, *TRIPS Copyright Dispute Settlement after the Transition and Moratorium: Nonviolation and Situation Complaints Against Developing Countries*, 31 L. & POL’Y INT’L BUS. 1051, 1052 (2000) (asking “[w]hat happens after January 1, 2000, when developing country WTO members have appropriate intellectual property measures and enforcement provisions on their books, but limited or no actual enforcement occurs? May a developing country reply to a TRIPS violation claim that its statutory enactments fulfill WTO obligations and that actual enforcement of its laws is uniquely a matter of prosecutorial or judicial discretion?”).

¹⁹⁸ Kimberlee Weatherall, *Politics, Compromise, Text and the Failures of the Anti-Counterfeiting Trade Agreement*, 33 SYDNEY L. REV. 229, 237 (2011).

enforcement provisions of the TRIPS agreement comprehensively.¹⁹⁹ As such, it had the potential to provide valuable guidance in interpreting how some of the more vague provisions should be understood and implemented by signatory states. Not surprisingly, the decision exposed the TRIPS agreement weaknesses rather than its strength as set forth below.

1. The Case

The United States turned to the WTO dispute settlement body, claiming that China's laws were not in accordance with the TRIPS Agreement.²⁰⁰ *First*, the United States claimed that China's criminal thresholds were too high, thereby excluding counterfeiting and piracy acts from criminal procedures and penalties (in violation of Article 61 and 41). *Second*, the United States contended that China's measures regarding the disposal of confiscated, infringing goods were incompatible with its obligations under Article 59 and 46. *Third*, the United States claimed that unauthorized works (that did not pass Chinese censorship laws) were not awarded copyright protection. This was in violation of the Berne Convention (which is incorporated through Article 9.1 of the TRIPS agreement) and Article 41.1. of the TRIPS agreement.

It is also important to note that the United States limited its claims to Chinese law as opposed to Chinese enforcement in practice.²⁰¹

2. The Panel's Decision

¹⁹⁹ Panel Report, China-Measures Affecting the Protection and Enforcement of Intellectual Property Rights, WT/DS362/R (Jan. 26, 2009) available at: http://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf.

²⁰⁰ *Id.* at 2-3, 134-35 (s. 2.2-2.4, s. 8.1-8.2)

²⁰¹ Jan Bohanes & Adrian Emch, *WTO Panel Report on China-IPR: A Mixed Result*, 2 (Mar. 2009) (available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1516907).

2.1 Criminal Thresholds

The United States claimed that China's criminal thresholds were too high, thereby preventing the prosecution of copyright piracy and trademark counterfeiting which fell below the thresholds. In order to ascertain whether the United States' claim was valid, the panel had to interpret Article 61. This entailed deciding what "willful and trademark counterfeiting or copyright piracy on a commercial scale" meant, in order to determine whether the cases that fell below the criminal thresholds constituted counterfeiting or piracy.²⁰² If there were such cases that were excluded by Chinese law, then China would not be in compliance with Article 61.

The panel decided that the first sentence of Article 61 imposes an obligation on member states.²⁰³ Moreover, the panel stated that Article 1.1 of TRIPS does not give member states the freedom to digress from the minimum standards and obligations set forth by the agreement. Article 1.1 only enables them to determine the method with which they will implement those standards.²⁰⁴ As such, the panel turned to interpreting the obligation. Article 61, which stipulates that criminal procedures and penalties must be provided, is applicable only to copyright and trademark infringement that constitutes copyright piracy or trademark counterfeiting.²⁰⁵ Such piracy and counterfeiting must be willful and committed on a commercial scale.²⁰⁶

²⁰² Panel Report, at 97,104 (s. 7.479, s. 7.517).

²⁰³ *Id.* at 102 (s. 7.503).

²⁰⁴ *Id.* at 104, (s. 7.513).

²⁰⁵ *Id.* at 104-05, (s. 7.518-19).

²⁰⁶ *Id.* at 106, (s. 7. 523-24).

The focal point of the dispute was in the interpretation of “commercial scale.” The United States claimed that the term encompassed not only actions “of a sufficient extent or magnitude to qualify as ‘commercial scale’ in the relevant market,”²⁰⁷ but also commercial activities undertaken with a motive for profit.²⁰⁸ China, in turn, argued that the United States’ definition completely removed “scale” from the term itself and should therefore be rejected.²⁰⁹ The panel rejected the United States’ definition, opting to define commercial scale as “counterfeiting or piracy carried on at the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market....The magnitude or extent of typical or usual commercial activity relates, in the longer term, to profitability.”²¹⁰ The panel recognized the term “commercial scale” as flexible, imprecise, and contingent upon circumstances.²¹¹ “Commercial scale” also applies in cases of technological infringement (i.e., the term is technology-neutral).²¹² Moreover, in response to China’s claim that Article 41.5 does not require member states to allocate more resources towards prosecuting intellectual property infringement (which China claimed would occur if it must lower its criminal threshold and thereby prosecute more cases), the panel further stated that its interpretation was limited to “the issue of what acts of infringement must be criminalized and not those which must be prosecuted.”²¹³

²⁰⁷ *Id.* at 97, (s. 7.480).

²⁰⁸ *Id.* at 97, (s. 7.480).

²⁰⁹ *Id.* at 97-98, (s. 7.481).

²¹⁰ *Id.* at 115-16, (s. 7.577).

²¹¹ *Id.* at 116, (s. 7.578). In that same section, the panel also noted that terms such as “deterrent” and “corresponding gravity” were of a similar, flexible nature.

²¹² *Id.* at 130, (s. 7.657).

²¹³ *Id.* at 118, (s. 7.596).

The panel opined that the United States must back up with evidence its claim that China excluded willful, commercial-scale piracy and counterfeiting.²¹⁴ It dismissed the United States' claim on evidentiary grounds, stating that the evidence provided was "too little and too random to demonstrate a level that constitutes a commercial scale for any product in China."²¹⁵ The panel could not "distinguish between acts that, in China's marketplace, are on a commercial scale, and those that are not."²¹⁶ The press articles which the United States provided to prove its claims were also found to be insufficient to make a *prima facie* case against China.²¹⁷

The United States also claimed that the criminal thresholds that applied only took into account value and volume, as opposed to other "indicia of commercial scale operations, such as the presence of unfinished products and fake packaging."²¹⁸ The panel dismissed this claim as well, citing as grounds for dismissal the lack of evidence that such indicia was not taken into account.²¹⁹ In addition, the panel addressed the question of whether the term "commercial scale" requires authorities to take this other indicia into account. The panel found it unlikely that Article 61 created a broader "obligation addressing issues of evidence and procedure."²²⁰

Finally, the panel emphasized that it did not provide any position on whether Article 61 applied to counterfeiting and piracy "committed without any purpose of financial gain."²²¹ In sum, as Peter Yu aptly summarized "*without determining whether China has satisfied its TRIPS obligations*, the WTO panel found that the United States had failed to substantiate its claim."²²²

²¹⁴ *Id.* at 119, (s. 7.602).

²¹⁵ *Id.* at 122, (s. 7.617).

²¹⁶ *Id.* at 121, (s. 7.609).

²¹⁷ *Id.* at 125, (s. 7.629).

²¹⁸ *Id.* at 126, (s. 7.633).

²¹⁹ *Id.* at 129, (s. 7.652).

²²⁰ *Id.* at 128-29, (s. 7.651).

²²¹ *Id.* at 131 (s. 7.662).

²²² Peter K Yu, *The TRIPS Enforcement Dispute* 16 (2010), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1676558.

2.2 Customs Measures: Disposal of Infringing Goods

Chinese customs regulations allowed customs to give the infringing goods to social welfare undertakings or to the holder of the intellectual property rights. Where these two options were not applicable, the regulations permitted customs to remove the infringing features and auction them.²²³ According to the United States, this law violated Article 59 because it did not give customs authorities the discretion to destroy goods. Rather, they were subject to a compulsory scheme where destruction was possible only if the other options were inapplicable.²²⁴

First, the panel decided that the conditions in Article 59 are confined to imported goods and not exported goods.²²⁵ In other words, “whatever Article 59 prescribes in terms of combating IP infringement, China only needs to worry about it in respect of imports from other countries; not in respect of goods produced within China itself destined either for exportation or domestic consumption.”²²⁶

Second, the Panel determined that the United States had not established its claim that custom authorities did not have the discretion to order other remedies before exhausting the first three options given in the Chinese regulations.²²⁷ Consequentially, the regulations were not inconsistent with Article 59 (which incorporates the first sentence of Article 46).²²⁸ From an interpretive standpoint, the panel also noted that the powers given in Article 59 to authorities are

²²³ Panel Report at 42-43 (s. 7.194).

²²⁴ *Id.* at 43 (s. 7.197)

²²⁵ *Id.* at 48 (s. 7.224)

²²⁶ Joost Pauwelyn, *The Dog That Barked But Didn't Bite: 15 Years of Intellectual Property Disputes at the WTO*, 33(Nov. 2010) available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1708026.

²²⁷ Panel Report at 73-74, (s. 7.348).

²²⁸ *Id.* at 75, (s. 7.355)

discretionary, meaning that the authorities do not have to exercise them.²²⁹ The United States did not raise claims with regard to how customs authorities enforce in practice, but rather, challenged the Chinese regulations alone.²³⁰ As such, even though the panel declared that Article 59 provides discretionary powers and that they need not be exercised, one could still file a WTO claim alleging that enforcement is not applied in practice.²³¹

Third, the panel found that removing an infringing trademark and then auctioning the goods was in violation of Article 46.²³²

2.3 Copyright Protections for Unauthorized Works

The panel decided that China's Copyright Law, which denied copyright protection to works that failed to pass review was inconsistent with TRIPS.²³³ While China argued that under Article 17 of the Berne Convention, it had the right to deny copyright protection, the panel decided that Article 17 enables governments to limit the rights awarded under copyright. However, it does not permit the complete denial of copyright protection.²³⁴

3. Ramifications

²²⁹ *Id.* at 50-51, (s. 7.236).

²³⁰ James Mendenhall, WTO Panel Report on Consistency of Chinese Intellectual Property Standards, American Society of International Law, Vol. 13, Issue 4 (Apr. 2009) available at <http://www.asil.org/insights090403.cfm>.

²³¹ *Id.*

²³² Panel Report at 79, 81 (s. 7.379 and 7.393-94).

²³³ *Id.* at 134, (s. 8.1a).

²³⁴ *Id.* at 32 (s. 7.132).

The Panel Report is largely seen as having failed to improve intellectual property enforcement.²³⁵ Joost Pauwelyn has remarked that the report casts doubt as to TRIPS' ability to ensure intellectual property enforcement in signatory states.²³⁶ According to Peter Yu, the report also "signals to other less developed countries that the TRIPS Agreement does not require the high TRIPS-plus standards of intellectual property protection and enforcement that are now being advanced through bilateral, plurilateral, and regional trade and investment agreements as well as the proposed ACTA."²³⁷ The report further reinforces the considerable leeway given to members in implementing TRIPS.²³⁸ As the panel itself acknowledged, criminal matters (Article 61) are of a "sensitive nature" and involve "attendant concerns regarding sovereignty."²³⁹

From a practical standpoint, member states have learned that if they are to bring claims under Article 61, they will need to provide sufficient evidence to support their contentions.²⁴⁰ In order to do so, member states will have to receive information directly from rights holders about infringing activity.²⁴¹

Given that the claims and report focused only on China's legislation and not upon the quality of its enforcement, it remains unclear what the rules would be if a signatory state implemented TRIPS enforcement procedures and remedies into its legislation but did not

²³⁵ Yu, *supra* note 222, at 41.

²³⁶ Pauwelyn, *supra* note 226, at 35.

²³⁷ Yu, *supra* note 222, at 41.

²³⁸ Weatherall, *supra* note 198 at 237. Yu, *supra* note 222 at 45.

²³⁹ Panel Report at 102, (s. 7.501).

²⁴⁰ *Id.* at 119 (s. 7.602); Bohanes & Emch, *supra* note 201, at 2.

²⁴¹ *Id.* at 2 (stating that "companies may wish to play a more active role in assisting WTO challenges brought by their governments. Their support of cases may be crucial. Companies in China should keep records of IPR infringements and other possible WTO violations, and provide input to industry associations, chambers of commerce and governments where appropriate. Helpdesks and contact points for industry input may become valuable assets.").

effectively enforce the legislation. This point is particularly poignant with China, who even if forced to lower criminal thresholds, would not have to change its enforcement of such laws.²⁴²

The WTO dispute-settlement system has been criticized as being ineffective unless member states cooperate in good faith.²⁴³ Thus, if a country's other interests override their interests in complying with a decision, TRIPS and the WTO dispute-settlement panels will be ineffective.

Peter Yu has noted that the dispute allowed the United States to learn about China's legal reasoning and the strategies it uses in the WTO. In addition, the U.S. was able to receive information about "censorship regulations, customs procedures, and criminal thresholds" in China, thereby giving the U.S. a better sense about how to protect intellectual property rights.²⁴⁴ One could also maintain that these benefits would apply to other member states who file claims. The panel reports facilitate information transparency that can be useful for rights holders when assessing how to further protect their rights in a given country.

In addition, Yu notes that the panel report emphasized that initiating the enforcement of intellectual property rights through Section II, III, and IV is the responsibility of the rights holder.²⁴⁵ This places the burden on the rights holder as opposed to the government. Likewise, the panel also "rejected the use of recently-negotiated bilateral, plurilateral, and regional trade and investment agreements as a relevant subsequent practice for determining the term 'commercial scale.'" ²⁴⁶ The decision benefits countries who are not signatories to such

²⁴² Jung Yun Yang, *Bringing the Question of Chinese IPR Enforcement to the WTO Under TRIPS: An Effective Strategy or a Meaningless and Overused Tactic by the U.S.?* 10 PGH J. TECH. L. & POL'Y 1, 14-15 (2010) (observing that "The problem at issue does not seem to arise from China's reluctance to amend and enact domestic laws, giving higher IPRs, but rather from China's failure to enforce such laws.").

²⁴³ *Id.* at 21. The author also criticizes the WTO for its lack of adequate remedies. *Id.* at 19-20.

²⁴⁴ Yu, *supra* note 222, at 42.

²⁴⁵ *Id.* at 45; Panel Report at 53, (s. 7.247 page 53).

²⁴⁶ *Id.* at 46.

agreements.²⁴⁷ Finally, because there was not a clear winner in the dispute, less developed countries need not be deterred from bringing forth a claim against developed countries.²⁴⁸

In summary, the China-U.S. WTO dispute exposed the weaknesses of the TRIPS agreement and has played a role in bringing about the serious consideration and the conclusion of the Anti-Counterfeiting Trade Agreement (ACTA).

Additionally, because the TRIPS agreement is criticized by developing countries for being outdated, failing to recognize digital advancements, and not adequately addressing piracy and counterfeiting as illustrated by the China-U.S. case, these criticisms had also led developing countries to push for heightened enforcement standards for intellectual property rights and ultimately to the negotiations of the ACTA.

C. The ACTA Agreement

The Anti-Counterfeiting Trade Agreement²⁴⁹ (hereinafter: ACTA) aims to increase international cooperation and enforcement in order to combat the proliferation of trademark counterfeiting and copyright piracy in the twenty-first century.²⁵⁰ Dubbed as the “Anti-China Trade Alliance,”²⁵¹ the ACTA has caused a firestorm of debate, in part because the negotiations preceding it were veiled in secrecy. This section intends to trace the development of the ACTA

²⁴⁷ *Id.*

²⁴⁸ *Id.* at 47.

²⁴⁹ Office of the U.S. Trade Rep., ANTI-COUNTERFEITING TRADE AGREEMENT (2010), available at http://www.ustr.gov/webfm_send/2417.

²⁵⁰ Office of the U.S. Trade Rep., Anti-Counterfeiting Trade Agreement (ACTA), <http://www.ustr.gov/acta>

²⁵¹ Peter Yu, *Six Secret (and now Open) Fears of ACTA*, 16 (2010) (citing Remarks of Howard P. Knopf, Macera & Jarzyna, LLP, at the 18th Fordham Annual International Intellectual Property and Policy Conference, Fordham University School of Law, in New York (Apr. 9, 2010)) available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1624813.

as well as the justifications behind its inception. The ACTA's provisions in general and those pertaining to criminal copyright enforcement will be outlined as well as what it adds beyond TRIPS²⁵² and existing treaties. The section will conclude with a review of the literature criticizing the ACTA and the presentation of a new approach concerning steps that can be taken in order to achieve a more effective copyright criminal enforcement regime internationally.

1. Background

The ACTA was a product of countries' desire to strengthen intellectual property rights protection and enforcement in light of the continued "proliferation of counterfeit and pirated goods as well as the proliferation of services that distribute infringing material" which serve as barriers to legitimate trade.²⁵³ Countries wanted to establish more stringent standards than the minimum ones found in the TRIPS agreement.²⁵⁴ Moreover, the agreement was negotiated outside of the accepted WTO and WIPO forums because of frustration with the "apparent multilateral stalemate on enforcement" in these forums.²⁵⁵ A more exclusive forum would enable developed countries to establish standards that lean towards a maximalist approach to copyright protection and away from a minimalist approach.²⁵⁶

²⁵² TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

²⁵³ Preamble of ACTA.

²⁵⁴ Emily Ayoob, *The Anti-Counterfeiting Trade Agreement*, 28 CARDOZO ARTS & ENT. L. J. 175, 182-83 (2010).

²⁵⁵ Kimberlee Weatherall, *Politics, Compromise, Text and the Failures of the Anti-Counterfeiting Trade Agreement*, 33 SYDNEY L. REV. 229, 238 (2011). *See also* Margot E. Kaminski, *An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement*, 21 ALB. L. J. SCI. & TECH. 385, 388 (2011).

²⁵⁶ Weatherall, *supra* note 255. *See also* Kaminski, *supra* note 255, at 388-89 (describing how countries with maximalist IP goals switched from the WIPO forum to the WTO forum, and then from the WTO forum to the ACTA forum in order to establish stronger protection and enforcement standards).

The premise behind the ACTA agreement was first developed by Japan in 2005.²⁵⁷ Following Japan's proposal of an anti-counterfeiting treaty, the U.S. initiated a similar proposal calling for IPR-protecting countries to work together to formulate a new plan for strengthening enforcement.²⁵⁸ In 2007, the United States announced its intent to negotiate an anti-counterfeiting trade agreement with Canada, the European Union, Japan, Korea, Mexico, New Zealand, and Switzerland.²⁵⁹ The goal of the undertaking was to "set a new, higher benchmark for enforcement."²⁶⁰ Several informal discussions took place in 2007, and by the middle of 2008, the participating countries had entered into negotiations.²⁶¹ Eleven rounds of negotiations followed before the countries finalized the ACTA.²⁶² The agreement was altered several times, as it came under open criticism when leaked and then released to the public.²⁶³ However, by the end of 2010, the final agreement was released.²⁶⁴ Legal verification was completed by April 2011, such that the ACTA agreement has been open to signature since May 2011.²⁶⁵

2. Provisions

²⁵⁷ Yu, *supra* note 251, at 5; Kaminski, *supra* note 255, at 389.

²⁵⁸ Yu, *supra* note 251, at 6-7 (citing Declaration of Stanford McCoy 4-5, EFF v. Office of the U.S. Trade Rep., No. 08-1599 (RMC), (D.D.C. filed 2009), available at http://www.eff.org/files/filenode/EFF_PK_v_USTR/McCoy.pdf).

²⁵⁹ Office of the U.S. Trade Rep., Ambassador Schwab Announces U.S. Will Seek New Trade Agreement to Fight Fakes, (Oct. 23, 2007) available at http://ustraderep.gov/Document_Library/Press_Releases/2007/October/Ambassador_Schwab_Announces_US_Will_Seek_New_Trade_Agreement_to_Fight_Fakes.html. Australia, Singapore, and Morocco eventually joined the negotiations, with the noteworthy absence of China and India; countries with excessive piracy and counterfeiting rates. See David M. Quinn, *A Critical Look at the Anti-Counterfeiting Trade Agreement*, 17 RICH. J. L. & TECH. 16 at ¶¶ 3-4 (2011).

²⁶⁰ Ambassador Schwab, *supra* note 259.

²⁶¹ Kaminski, *supra* note 255, at 389.

²⁶² Office of the U.S. Trade Rep., *supra* note 250.

²⁶³ Yu, *supra* note 251, at 30; Quinn, *supra* note 259, at ¶ 31.

²⁶⁴ ACTA, *supra* note 250.

²⁶⁵ Foreign Affairs and International Trade Canada, Anti-Counterfeiting Trade Agreement, available at http://www.international.gc.ca/trade-agreements-accords-commerciaux/fo/intellect_property.aspx?view=d.

The ACTA is divided into six chapters. The discussion below will highlight the key enforcement provisions introduced by the ACTA while paying special attention to its criminal enforcement measures pertaining to copyrights. In ACTA's first chapter, the nature and scope of a party's obligations are described along with general definitions.

Chapter two of the ACTA establishes the legal framework for enforcing intellectual property rights. Section two of chapter two obligates member states to make available civil judicial procedures for enforcing intellectual property rights.²⁶⁶ Judicial authorities must have the authority to issue injunctions against an infringing party or third party infringers.²⁶⁷ Member states must ensure that judicial authorities have the authority to award damages,²⁶⁸ and in the cases of "infringement of copyright or related rights protecting works, phonograms, and performances, and in cases of trademark counterfeiting," there must be a system of statutory damages or an alternative system.²⁶⁹ Article 10 addresses providing remedies, which include ordering the destruction of the infringing goods and the materials that were used to facilitate the infringement, at the right holder's request.

Section three of chapter two sets forth the rules governing border measures (which do not apply to patents and trademarks).²⁷⁰ Border measures apply not only to imports but also to exports and in-transit goods.²⁷¹ Customs authorities must be given the authority to act on their own initiative, and right holders must be allowed to request competent authorities to "suspend the release of suspected goods."²⁷² As described by David Quinn, member states can allow their customs authorities: "(1) to search an individual's personal electronic device; (2) confiscate the

²⁶⁶ Article 7.1 of the ACTA.

²⁶⁷ Article 8 of the ACTA.

²⁶⁸ Article 9 of the ACTA.

²⁶⁹ Article 9.3 of the ACTA.

²⁷⁰ Footnote 6 of the ACTA.

²⁷¹ Article 16.1 and 16.2 of the ACTA.

²⁷² Article 16 of the ACTA.

device upon suspicion of infringing goods; (3) perform an internal investigation; (4) determine that the device in fact contains infringing goods; (5) and charge the individual with civil liability.”²⁷³ Competent authorities must also be given the authority to destroy infringing goods or dispose of them outside the channels of commerce.²⁷⁴ In addition, member states may authorize competent authorities to provide a right holder with information about shipments of goods.²⁷⁵

Most importantly, criminal enforcement is tackled in section four of chapter two. This section does not exclude patents and trademarks. Article 23 calls for member states to provide for criminal procedures and penalties in willful “trademark counterfeiting or copyright or related rights piracy on a commercial scale.” Commercial scale is defined to include acts “carried out as commercial activities for direct or indirect economic or commercial advantage.”²⁷⁶ Criminal procedures and penalties must also be available in cases of label and packaging offenses and unlawful copying of movies in cinemas.²⁷⁷ Aiding and abetting must also be subject to criminal liabilities.²⁷⁸ Offences must be punishable with imprisonment *and* monetary fines.²⁷⁹ Article 25 dictates that competent authorities must have seizure, forfeiture, and destruction authorities and describes how those authorities should be applied. Article 26 enables *ex officio* criminal enforcement.

Section five of chapter two addresses the heated topic of enforcing intellectual rights in the digital environment. Article 27 extends civil and criminal enforcement to infringing acts that are carried out in the digital environment (the internet). Enforcement procedures apply to

²⁷³ Quinn, *supra* note 259, at ¶ 13.

²⁷⁴ Article 20.1 of the ACTA.

²⁷⁵ Article 22 of the ACTA.

²⁷⁶ Article 23.1 of the ACTA.

²⁷⁷ Article 23.2 and 23.3 of the ACTA.

²⁷⁸ Article 23.4 of the ACTA.

²⁷⁹ Article 24 of the ACTA.

“unlawful use of means of widespread distribution for infringing purposes”²⁸⁰ which could “target both commercial and non-commercial peer-to-peer file-sharing.”²⁸¹ Such procedures must be implemented so that they do not violate freedom of expression, fair process, and privacy principles.²⁸² In addition, Article 27 calls on member states to “provide adequate legal protection and effective legal remedies against the circumvention” of technological measures used to protect right holders’ works. Furthermore, the ACTA sets forth provisions protecting electronic rights management information.²⁸³ These provisions are similar to the U.S. DMCA.²⁸⁴

Chapter three addresses best enforcement practices and chapter four discusses international cooperation. Chapter five establishes the “ACTA Committee;” a separate body from the WIPO and WTO.²⁸⁵ Among other things, it has the authority to review the implementation of the agreement, proposed amendments to the agreement, and the terms for becoming a party to the agreement.²⁸⁶ Chapter six contains final provisions pertaining to matters such as signing the agreement, withdrawing from the agreement, and ascension.²⁸⁷

3. The ACTA and TRIPS

²⁸⁰ Article 27.2 of the ACTA.

²⁸¹ Quinn, *supra* note 259, at ¶15.

²⁸² Article 27.2 of the ACTA.

²⁸³ Article 27.7 of the ACTA.

²⁸⁴ Quinn, *supra* note 259, at ¶15.

²⁸⁵ Article 36 of the ACTA.

²⁸⁶ Article 36.2 of the ACTA.

²⁸⁷ Article 39, 41, and 43 of the ACTA.

The ACTA builds upon the minimal standards set by the TRIPS agreement, heightening the standards for civil enforcement, border measures, and criminal enforcement, as well as adding requirements that do not exist in other treaties.²⁸⁸

At the very start of the agreement, when defining “counterfeit trademark goods” and “pirated copyright goods,” the ACTA expands upon the definition given in TRIPS, defining goods as infringing in accordance with to the law of the country where procedures “are invoked”²⁸⁹ as opposed to the “country of importation.”²⁹⁰ This grants customs authorities the authority to seize goods that are merely passing through their countries (as opposed to only the goods’ final destination).²⁹¹ In addition, “intellectual property” is defined broadly thereby protecting a greater scope of intellectual property rights throughout the ACTA than did TRIPS.²⁹² Moreover, the definition of “person” includes legal persons which will “heighten liability for companies challenged as direct infringers, such as search engines or peer-to-peer services.”²⁹³

In the area of civil enforcement, the ACTA stipulates that judicial authorities must be given the authority to order the destruction of infringing goods, whereas such a stipulation does not exist in TRIPS.²⁹⁴ Where TRIPS required that the seriousness of the infringement be taken into account when awarding remedies, the ACTA contains no such provision.²⁹⁵ In contrast to TRIPS, provisional measures and injunctions are extended to apply to third parties, such that

²⁸⁸ Kaminski, *supra* note 255, at 390-91 (discussing how the ACTA built upon the TRIPS agreement outside of the WTO).

²⁸⁹ Article 5(d) of the ACTA.

²⁹⁰ Article 51 of the TRIPS agreement.

²⁹¹ Kaminski, *supra* note 255, at 395-96.

²⁹² *Id.* at 396-97.

²⁹³ *Id.* at 397.

²⁹⁴ *Id.* at 398; Article 10.1 of the ACTA.

²⁹⁵ *Id.* at 398; Article 46 of the TRIPS agreement.

they can be ordered against internet service providers.²⁹⁶ Perhaps one of the most significant ACTA additions to the TRIPS standards is in regard to damages. Article 9.1 mandates that when “determining the amount of damages for infringement of intellectual property rights...judicial authorities shall have the authority to consider...any legitimate measure of value the right holder submits...” This gives right holders a generous alternative to TRIPS,²⁹⁷ where judicial authorities were given the authority to order damages “adequate to compensate for the injury the right holder has suffered because of an infringement.”²⁹⁸ In addition, the ACTA requires that statutory damages be available for copyright or related rights infringement and trademark counterfeiting, an obligation that goes beyond TRIPS’ requirements.²⁹⁹

The ACTA’s section on border measures is similarly not bereft of additions to TRIPS’ standards. Border measures are applied to every intellectual property right besides patents and trademarks.³⁰⁰ The exclusion of de minimis imports from border measures are notably reduced from “small quantities of goods of a non-commercial nature contained in travelers' personal luggage or sent in small consignments”³⁰¹ to only “small quantities of goods of a non-commercial nature contained in travelers' personal luggage.”³⁰² Customs officials may also seize in-transit goods which are not entering the country but are only passing through.³⁰³ This addition to TRIPS “gives rise to the seizure of goods that do not infringe in either the originating or importing country thereby (1) maximizing IP internationally to the standard of the IP maximalist

²⁹⁶ *Id.* at 398-99; Article 12.1 and Article 8.1 of the ACTA.

²⁹⁷ This provides the right holder with an alternative to the “strict proof-of-loss method of calculating damages.” *See* Legal Information, Swiss Federal Institute of Intellectual Property, Frequently Asked Questions on the Anti-Counterfeiting Trade Agreement (June 2011) available at <https://www.ige.ch/en/legal-info/legal-areas/counterfeiting-piracy/acta.html#c4032>.

²⁹⁸ Article 45 of the TRIPS agreement.

²⁹⁹ Kaminski, *supra* note 255, at 400. Article 9.3 of the ACTA.

³⁰⁰ Footnote 6 to the ACTA.

³⁰¹ Article 60 of the TRIPS agreement.

³⁰² Article 14.2 of the ACTA.

³⁰³ Article 16.2 of the ACTA.

countries through which goods are shipped, and (2) challenging the sovereignty of the shipping countries, whose citizens risk confiscation of their goods by third-party countries.”³⁰⁴ Furthermore, the ACTA applies border measures to exports as well as imports, where TRIPS only applied to imports.³⁰⁵

Margot Kaminski points out that the border measures of the ACTA alter the previous balance struck between the interests of right holders and importers to weigh in favor of right holders.³⁰⁶ For instance, where TRIPS required a higher burden of proof in order to seize goods, the ACTA permits customs authorities to seize goods (*ex officio*) if they are “suspect.”³⁰⁷ Right holders can also request that customs authorities provide them with information about shipments of goods, even if those shipments are not suspect.³⁰⁸ Moreover, the process for requesting that goods be seized is also easier in the ACTA and applies to a greater variety of intellectual property rights than the application process in TRIPS.³⁰⁹ The ACTA also reduces the penalties applied to applicants who abuse the application process and the liability of customs officials, in comparison to TRIPS.³¹⁰ With regard to the avenues of recourse for importers, the ACTA also limits the paths opened in TRIPS.³¹¹

Criminal enforcement is significantly strengthened in the ACTA agreement. The scope of enforcement is broadened to include piracy of copyright-related rights, whereas TRIPS applied only to trademark counterfeiting and copyright piracy.³¹² While TRIPS did not define “commercial scale,” the ACTA defines it as acts “carried out as commercial activities for direct

³⁰⁴ Kaminski, *supra* note 255, at 403.

³⁰⁵ *Id.* at 404; Article 16.1 of the ACTA.

³⁰⁶ *Id.* at 401.

³⁰⁷ *Id.* at 405. Article 16 of the ACTA.

³⁰⁸ *Id.* at 404.

³⁰⁹ *Id.* at 404-05.

³¹⁰ *Id.* at 405-06.

³¹¹ *Id.* at 406-07.

³¹² Article 23.1 of the ACTA; Article 61 of the TRIPS agreement.

or indirect economic or commercial advantage.”³¹³ According to Kaminski, “indirect economic or commercial advantages” may also apply to online infringement, thereby including “such benefits as advertising revenue or the prevention of expenditures.”³¹⁴

The ACTA criminalizes infringement activities that were not even discussed in TRIPS.³¹⁵ Labeling and packaging (trademark) offenses, recording movies in theaters, and aiding and abetting are all criminalized. Kaminski notes that the extension of criminal liability to legal persons who aid and abet may also include “companies such as Google or Facebook, for infringement by their members.”³¹⁶

TRIPS mandated that crimes be punishable with imprisonment or fines, and the ACTA mandates that crimes be punishable with imprisonment *and* fines.³¹⁷ The ACTA also broadens provisions regarding seizure, forfeiture, and destruction of “of defendants' assets.”³¹⁸ Finally, the ACTA permits *ex officio* enforcement.³¹⁹

In the area of digital enforcement, the ACTA breaks new ground that TRIPS did not even touch. Here, the WIPO Copyright Treaty³²⁰ bears relevance, as the ACTA adds onto the obligations contained in that treaty.³²¹ The ACTA imposes liability for infringement through digital networks, which may include downloading and uploading on peer-to-peer networks.³²² In addition, the ACTA sets new international standards for acts of circumvention.³²³ Legal protection and remedies must be applied when “effective technological measures” are

³¹³ Article 23.1 of the ACTA.

³¹⁴ Kaminski, *supra* note 255, at 408.

³¹⁵ *Id.*

³¹⁶ *Id.* at 408-09; Article 23.5 of the ACTA.

³¹⁷ Article 61 of the TRIPS agreement, Article 24 of the ACTA agreement.

³¹⁸ Kaminski, *supra* note 255, at 409-10.

³¹⁹ *Id.* at 410; Article 26 of the ACTA.

³²⁰ WIPO Copyright Treaty art. 10, Dec. 20, 1996, WTO, available at: <http://www.wipo.int/treaties/en/ip/wct/>.

³²¹ Kaminski, *supra* note 255, at 410.

³²² *Id.* at 411. Article 27.2 of the ACTA.

³²³ *Id.* at 412-13.

circumvented.³²⁴ According to Kaminsky, effective technological measures can be “substandard or poorly designed digital rights management,” which expands the scope of protection.³²⁵ Moreover, marketing circumvention devices is prohibited as well as manufacturing products that are primarily designed to circumvent.³²⁶ Kaminsky argues that these provisions set a new international standard that stifle innovation “as new products or programs that have not yet found a market will be prohibited under this language so long as it can be shown that they circumvent technological measures.”³²⁷ With regard to digital management rights, the ACTA prohibits “making available” to the public copies of works whose digital management information has been removed.³²⁸ Kaminsky notes that this adds to the WIPO Copyright Treaty because “making available” applies to peer-to-peer networks.³²⁹

Finally, the ACTA differs from TRIPS by focusing on international cooperation through information sharing and assisting other member states in ratcheting up their enforcement capabilities.³³⁰ The ACTA also establishes a new international forum for intellectual property enforcement, called the ACTA Committee.³³¹

4. Criticism

³²⁴ Article 27.5 of the ACTA.

³²⁵ Kaminski, *supra* note 255, at 413.

³²⁶ Article 6 of the ACTA.

³²⁷ Kaminski, *supra* note 255, at 413.

³²⁸ Article 7 of the ACTA.

³²⁹ Kaminski, *supra* note 255, at 414.

³³⁰ Article 34 and 35 of ACTA.

³³¹ Article 36 of the ACTA.

Given the fact that with each new draft problematic provisions were removed or neutralized, much of the previous criticism written about the ACTA draft provisions is less relevant.³³² Nevertheless, the finalized ACTA agreement has been critiqued for the lack of transparency in the negotiations preceding its public release, its potentially ineffective international cooperation and enforcement requirements, and the problematic consequences of its provisions.

Initially, the process behind the development of the ACTA agreement had been heavily criticized for being enveloped in secrecy and negotiated outside of the accepted international intellectual property forums.³³³ Although part of this criticism was forestalled with the release of the agreement to the public in April 2010, commentators have continued to underline the importance of negotiating sensitive enforcement issues in a public forum where the interests of affected parties can be expressed and debated.³³⁴ “By creating a new framework, outside of existing international bodies such as the WTO and WIPO, the ACTA is shielded from the necessary robust debates on the proper scope of enforcement.”³³⁵ Moreover, from an American perspective, negotiations behind closed doors may result in treaties that require Congressional ratification and subsequent changes made to U.S. law. This kind of “heavy-handed legislating” has been criticized as ‘policy laundering.’³³⁶

³³² Note: *Keeping our Balance in the Face of Piracy and Counterfeiting: Limiting the Scope of Intellectual Property Rights Enforcement Provisions in Free Trade Agreements*, 42 GEO. WASH. INT'L L. REV. 159, 186-88 (2010) (discussing which problematic provisions regarding online enforcement were removed); Weatherall, *supra* note 255, at 230.

³³³ Quinn, *supra* note 259, at paragraph 31; Yu, *supra* note 251, at 70 (critically observing that because the ACTA was developed outside of the WTO, “It throws away the many hard-earned bargains less developed countries have won through the TRIPS negotiation process.”); Margaret Chon, *Global Intellectual Property Governance (Under Construction)* 12 THEORETICAL INQ. L. 349, 378-79 (2011) (describing how the lack of transparency raises questions concerning accountability and policy laundering).

³³⁴ Keeping our Balance, *supra* note 332, at 189-90.

³³⁵ *Id.* at 190.

³³⁶ *Id.* at 183-84. See Quinn, *supra* note 259, at ¶ 27 (noting that whether the ACTA is an executive agreement or a treaty (and therefore subject to senate approval), is up for debate).

Kimberlee Weatherall critiques the claims that the ACTA will improve international law enforcement cooperation and enforcement standards.³³⁷ In regard to international cooperation, Weatherall compares the ACTA with other plurilateral agreements and finds that the ACTA seeks to advance cooperation through general provisions that lack the specific language contained in other agreements.³³⁸ Weatherall criticizes the ACTA for being “a lightweight, containing only rudimentary ‘motherhood’ provisions stating aspirations rather than establishing real, tangible tools for cooperation.”³³⁹ Moreover, in order to be effective, Weatherall argues that the ACTA should have specified which acts of infringement were appropriate for international cooperation, instead of just using blanket terms such as ‘copyright piracy’ and ‘trademark counterfeiting.’³⁴⁰ These terms include a wide range of infringements undeserving of international cooperation.³⁴¹ Instead, the focus should have been upon willful, large-scale infringements.³⁴²

Furthermore, Weatherall contends that the ACTA does not create a “gold standard” of enforcement, because its provisions are unclear.³⁴³ For instance, Article 9.3 mandates that member states instill a system for awarding additional damages, and three different systems are included.³⁴⁴ Weatherall argues that these systems are incoherent and do not lead to equivalent outcomes.³⁴⁵ Consequentially, with each nation adopting a different system (that accommodates its own domestic legislation), the level of punitive damages will vary from state to state, thereby

³³⁷ Weatherall, *supra* note 255, at 230-31. *See also* Yu, *supra* note 251, at 70 (questioning whether the ACTA is likely to set more effective international intellectual property enforcement norms when TRIPS failed to do so).

³³⁸ Weatherall, *supra* note 255, at 238-40.

³³⁹ *Id.* at 239.

³⁴⁰ *Id.* at 241-42.

³⁴¹ *Id.*

³⁴² *Id.* at 242.

³⁴³ *Id.* 243-44.

³⁴⁴ Article 9.3 of the ACTA.

³⁴⁵ Weatherall, *supra* note 255, at 259.

bypassing the ACTA's aim to establish clear standards.³⁴⁶ In sum, Weatherall claims that the ACTA avoids setting coherent standards in favor of "politically expedient" provisions.³⁴⁷

Margot Kaminski has criticized the ACTA on several fronts. In its preamble, the ACTA describes piracy and counterfeiting as funding organized crime, when the connection between online infringement and organized crime has yet to be proven.³⁴⁸ The preamble also hints toward graduated-response terminations of internet connections of people who repeatedly infringe online.³⁴⁹ Kaminski also criticizes the lack of exceptions given in the preamble for fair use and other principles.³⁵⁰

Kaminski notes, that with regard to privacy and disclosure of information, the ACTA does not have an auditing system that will ensure its stipulation that "the Party receiving the information shall, subject to its law and practice, refrain from disclosing or using the information for a purpose other than that for which the information was provided."³⁵¹ Kaminski criticizes the damages system in the ACTA, which allows judicial authorities to award damages based on "any legitimate measure of value the right holder submits."³⁵² Because it is very hard to measure the losses accrued from infringement, this measurement is considered inappropriate.³⁵³ Furthermore, Article 11 allows the judicial authorities to order infringers (who could be internet service providers) to disclose the identity of people involved in the infringement. According to

³⁴⁶ *Id.*

³⁴⁷ *Id.* at 231.

³⁴⁸ Kaminski, *supra* note 255, at 393.

³⁴⁹ *Id.*; Preamble of the ACTA "Desiring to promote cooperation between service providers and right holders to address relevant infringements in the digital environment."

³⁵⁰ *Id.* at 394-95.

³⁵¹ *Id.* at 395; Article 4.2 of the ACTA.

³⁵² *Id.* at 399-400; Article 9.1 of the ACTA.

³⁵³ *Id.*

Kaminski, this encourages “the breach of privacy of internet users for the benefit of right holders.”³⁵⁴

In terms of border measures, Kaminski states that the authority to seize in-transit goods undermines the sovereignty of shipping countries.³⁵⁵ With regard to criminal enforcement, the definition of “commercial scale” is worrisome because it has the potential to apply to a wide scope of people (from online infringers to shipping companies).³⁵⁶ Moreover, making imprisonment a mandatory penalty is problematic because “criminal law systems of different countries handle judicial and prosecutorial discretion in different ways, so one country's enforcement may be far more draconian in practice than others.”³⁵⁷ The application of criminal liability for aiding and abetting to legal persons puts innovation at risk “for global online companies.”³⁵⁸ Furthermore, the ACTA’s forfeiture provisions may also lead to the forfeiture of assets “that have no direct relation to actual value gained from actual infringement.”³⁵⁹

In the digital environment enforcement front, Kaminski warns that prohibiting the manufacture, distribution, or importation of a device “which has only a limited commercially significant purpose other than circumventing an effective technological measure,” will squash start-up ventures.³⁶⁰

Kaminski finds enforcement practices that mandate raising public awareness about respecting intellectual property rights, “the co-opting of government resources by private parties with an agenda regarding public perception.”³⁶¹ In regard to the ACTA Committee, Kaminski points out

³⁵⁴ *Id.* at 401.

³⁵⁵ *Id.* at 403.

³⁵⁶ *Id.* at 407-08.

³⁵⁷ *Id.* at 409.

³⁵⁸ *Id.*

³⁵⁹ *Id.* at 409-410.

³⁶⁰ *Id.* at 413-14.

³⁶¹ *Id.* at 415-16.

the transparency of the Committee's operations are not ensured in the ACTA.³⁶² Moreover, Michael Geist has observed that the ACTA Committee could be a threat to the WIPO forum, by taking on similar responsibilities.³⁶³

The absence of "author" or "inventor" from the definition "right holder" in the ACTA has also been criticized as promoting corporate interests above those of the creator.³⁶⁴

5. ACTA – The Road Ahead

The ACTA has been the subject of many criticisms pertaining to its different provisions in general and its criminal enforcement measures in particular. This Article focused on the ACTA's criminal enforcement measures by exploring the theoretical foundations for employing criminal law in the intellectual property law field as well as exploring the American experience in this field and what lesson(s) can be learned from it. Given the findings and criticisms outlined above, it is important to ask whether the ACTA will achieve its goals. This Article thoroughly explored the intersection between copyright law and criminal law and touched upon major findings pertaining to this intersection. The theoretical analysis of this intersection has revealed the presence of many difficulties pertaining to using criminal law sanctions in the copyright law realm. The moral ambiguity of personal use infringement and the obscure harm caused to copyright owners shake the pillars supporting the application of criminal law. Additionally, as others have argued, social norms are operating against criminal infringement provisions, and

³⁶² *Id.* at 417-18.

³⁶³ Yu, *supra* note 251, at 76-77 (citing Michael Geist, *Toward an ACTA Super-Structure: How ACTA May Replace WIPO*, <http://www.michaelgeist.ca/content/view/4910/125/> (Mar. 26, 2010)); Kaminski has noted that the ACTA committee does not have to defer to the WTO's dispute settlement system. Kaminski, *supra* note 255, at 418.

³⁶⁴ Quinn, *supra* note 259, at paragraph 11.

many people do not find any correlation between copyright infringement and theft or other property-oriented perspectives.

While the social norms argument has not yet been empirically established, there is no doubt that copyright infringement is indeed widespread, suggesting that criminal enforcement is ineffective. Therefore, any enhancement in criminal sanctions *without more* will not necessarily bring about a significant change. Because the ACTA is modeled after the United States' copyright criminal provisions, it is hard to see how the similar stronger laws on the books will bring about a change. As the discussion in Part IV demonstrated, the United States has constantly sought to update its copyright criminal measures, criminalizing many copyright violations, even willful copyright violations without apparent profit objectives. Additionally, there has been a constant change and enhancement in the amounts of the fines and imprisonment periods. ACTA's key criminal provisions have been part of the United States copyright law for many years. As the discussion in Part IV illustrated, the U.S. provided penalties for copyright infringement that included both imprisonment and fines many years before the ACTA was introduced.³⁶⁵ Those stronger penalties were applied to several acts of copyright law infringement under U.S. law. Additionally, applying criminal penalties to the act of aiding and abetting criminal conduct pertaining to copyright infringement has been part of U.S. law since 1897 although introduced to the ACTA only during the twenty first century.³⁶⁶ Moreover, "camcording" has also been criminalized before it was introduced into the ACTA.³⁶⁷ Lastly, the U.S. has also introduced copyright enforcement measures concerning the online world early on.

³⁶⁵ See, e.g., 17 U.S.C. 506.

³⁶⁶ Act of Jan. 6, 1897, ch. 4, 29 Stat. 481.

³⁶⁷ See 18 U.S.C. §2319B.

It enacted the DMCA as early as the late 90s, complying with its obligations under the WIPO Copyright Treaty. It also adapted its copyright legislation so it responds to the introduction of the Internet and the new digital world. The ACTA similarly requires the introduction of measures responding to the online environment. Given the U.S. role in initiating and promoting the ACTA, it is not surprising that there is great similarity between the ACTA and the U.S. regime.

As the discussion in Part V showed, however, there are many factors that contributed to the failure of the U.S. enforcement scheme. Therefore, it is imperative to explore the lessons learned from the U.S. experience to the extent we have data and consider what steps should be taken in order to make the ACTA a more successful enforcement scheme.

The U.S. copyright enforcement scheme has not accomplished its goals. It did not manage to reduce piracy rates over the years and in fact those rates have constantly grown. The possible reasons for the failure of these enforcement schemes are complex and cannot be accurately determined and measured. However, given the discussion in Part V, it seems that the reasons stem from the reality that the copyright provisions were not actually enforced or prosecuted to the same extent as civil enforcement measures. In fact, criminal enforcement was significantly lower. There are many reasons for low enforcement level. In the case of the United States we can point to the burdensome high costs of bringing suits as a restraint on enforcement. Additionally, some infringers are able to avoid detection through the use of developing technologies. Moreover, enforcement efforts have focused mainly upon large-scale commercial infringements without the intent to gain profits rather than the more common, small-scale, non-commercial infringement.

Furthermore, it is doubtful whether there is public awareness of the legal changes and enhanced criminal penalties pertaining to copyright infringement. Lastly, according to some scholars, social norms supporting infringement behavior and the low probability of getting caught also contribute to the decrease in public compliance.

Based on these explanations, it seems logical that the following steps can be taken in order to reduce piracy rates: *first*, more resources should be dedicated to combating piracy. If more resources are dedicated to combating infringement, it is likely that they will lead to greater deterrence and an increased likelihood of catching infringers. *Second*, focusing on non-commercial, small-scale infringers is an additional route that can be taken. *Third*, it is also possible to increase sentence lengths and fines in order to achieve greater deterrence.

While such suggestions can be made at the national level, such suggestions are unworkable for many reasons. At the national level, increased penalties as well as a new emphasis on non-commercial, small-scale infringers might result in negative effects on the advancement of free speech and the preservation of free use. Increased penalties and pursuing non-commercial small scale infringers can have a chilling effect on many members of the public who might avoid taking actions that are even legal, especially in an environment where it is questionable whether the public is really aware of copyright infringement criminal provisions and penalties. As for the budget proposal, it is hard to tell how much budget will be required to achieve optimal deterrence in an age of widespread online and digital piracy. Additionally, it is unclear whether criminal enforcement of copyrights is or should be prioritized before greater enforcement of other crimes.

Such solutions are even less workable in the international environment where it seems very likely that an increased budget for enforcement is not really a feasible solution. This is especially the case with developing and less developed countries as well as other developed economies where no additional resources can be dedicated to criminal enforcement. This is evident especially in light of those countries' compliance with the TRIPS agreement, where their inability to comply, stems, *inter alia*, from budgetary constraints.

Assuming such solutions cannot be adopted and realizing that the TRIPS agreement is indeed outdated and ineffective given the major technological changes that occurred since its adoption, a new approach concerning criminal enforcement should be adopted. The better route to take should focus on a few changes: consideration of adoption of lower copyright protection thresholds; comprehensive educational campaigns; better clarity and guidance pertaining to the ACTA proposed measures; and budgetary assistance programs by the developed world.

First, ideally, and given the extensive critique of copyright laws on the books, it is evident that it is necessary to re-examine existing copyright regimes and consider the adoption of a new regime that is more responsive to the new creative environment. Such proposal will arguably result in less resistance to copyright regimes and better compliance. Suggestions along this line were raised by many scholars over the years and will not be discussed in greater detail. It should be noted, however, that it is unlikely that such proposals will be adopted given developed countries' aggressive approach towards intellectual property rights enforcement and their dominance in the WTO and the ACTA.

Second, given the widespread infringement of copyrights worldwide and according to some scholars the emergence of a social norm against compliance with copyright law,

educational campaigns should be an integral part of any initiative. Indeed, Article 31 of the ACTA requires that each member state shall “as appropriate promote the adoption of measures to enhance public awareness of the importance of respecting intellectual property rights and the detrimental effects of intellectual property rights infringement.”³⁶⁸ However, this Article is vague and unclear and does not specify what exactly can and should be done to achieve the goal of getting the public to respect intellectual property rights. The ACTA can provide better clarity by providing a more comprehensive and clear program for an educational campaign. In crafting such educational campaigns, the drafters of the ACTA can rely upon other experiences with educational campaigns. It should be pointed out that in a recent report conducted by SSRC discussing “Media Piracy in Emerging Economies” that has now been released, the authors conclude that copyright education campaigns are useless because consumers are not ignorant but rather like their cheap copies: “The consumer surplus generated by piracy is not just popular but also widely understood in *economic-justice terms*, mapped to perceptions of greedy U.S. and multinational corporations and to the broader structural inequalities of globalization in which most developing-world consumers live. Enforcement efforts, in turn, are widely associated with U.S. pressure on national governments and are met with indifference or hostility by large majorities of respondents.”³⁶⁹ Thus, educational campaigns should also address and cope with people's perceptions regarding copyright owners' economic motives and deal with the injustice allegations commonly raised regarding copyright protection.

Third, as the discussion above showed, one of the ACTA's flaws is the lack of clarity regarding the required reforms. The ACTA provides a general outline concerning criminal

³⁶⁸ Article 31 of the ACTA.

³⁶⁹ See <http://piracy.ssrc.org/the-report/>.

enforcement measures rather than specifically outlining what exact changes need to be made. It will be better if the ACTA specifically outlines what changes are required so better harmonization is achieved as well as better and more effective results.

Fourth, and lastly, it is critical, given the experience with implementing the TRIPS agreement, to consider the introduction of budgetary assistance programs by the developed world in order to make the implementation of the ACTA possible. Enhanced criminal enforcement programs as well as other ACTA's measures require resources and given the experience with the TRIPS agreement, whose implementation was postponed many times due to inability to have enforcement measures in place, it is very likely that developing and least developed countries will need resources that they do not have to implement such advanced enforcement measures.

VII. Conclusions

In sum, from its initial beginnings, the ACTA has undergone many changes that have silenced the loud outcries against it. Despite these adjustments, the ACTA remains controversial, especially because of the fact that it is viewed as a product of country-club politics. This Article has focused on the ACTA's criminal enforcement measures pertaining to copyright infringement and has made a few contributions. Descriptively, it provided a careful theoretical foundation for employing criminal law in the copyright law field, highlighting the complexities introduced by the intersection of criminal law and copyright law. It has also provided a thorough analysis of the increasing criminalization of copyright law in the U.S. and provided existing data pertaining to its effects. This analysis showed that the U.S. has not managed to successfully combat copyright piracy.

Next, the Article moved on to explore the criminalization of copyright law internationally, discussing the changes that were introduced over time since the adoption of the Berne Convention and through the ACTA initiative. The Article has shown how the TRIPS agreement has been highly criticized for being outdated given technological changes and that the U.S.-China dispute had served as a major trigger in considering a new enforcement scheme. The Article has argued and shown how the ACTA is modeled after the U.S. criminal enforcement scheme and how the U.S. experience is relevant and informative in crafting any international enforcement scheme. Normatively, the Article argues that ACTA should be designed differently in light of the theoretical difficulties introduced and the U.S. experience in criminalizing copyright infringement, suggesting that the ACTA focus more on clarity pertaining to the legislative fixes that should be adopted at the national level, rely on educational campaigns to enhance people's understanding regarding copyright infringement, offer developing and least developed countries monetary assistance concerning enforcement, and consider lowering the minimum standards initially introduced into the TRIPS agreement in order to better reflect the new creative environment.

Despite the strong criticisms of the ACTA, the enforcement of intellectual property rights is a major challenge to the developed world industries and governments. There is no doubt that the TRIPS agreement enforcement measures need to be reconsidered given the technological changes we have witnessed since its adoption. Therefore, the introduction of the ACTA is not surprising. However, given what we know about criminal enforcement and its effects to date, policy-makers should reconsider the wisdom of the ACTA in order to bring about a better framework that is actually responsive to the new creative environment.