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MTN.GNG/NG11/12
13 June 1989
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Negotiating Group on Trade-Related Aspects
of Intellectual Property Rights, including
Trade in Counterfeit Goods

MEETING OF NEGOTIATING GROUP OF 11-12 MAY 1989

Chairman: Ambassador Lars E.R. Anell (Sweden)

Note by the Secretariat

1. The Group adopted the agenda as proposed in GATT/AIR/2772.

I. Continuation of the negotiations as required by paragraph 4 of the TNC decision of 8 April 1989, taking account as appropriate of paragraphs 5 and 6 and of other relevant paragraphs of that decision

2. Some delegations expressed the view that the TNC decision of 8 April (MTN.TNC/11, page 21) provided the basis for a discussion of substantive questions in the Group. Some stressed the need for a balanced outcome of the negotiations in which there would be no winners or losers and which would reflect a strengthened confidence in the multilateral trading system. It was said that the work of the Group had the potential of altering the way in which national policies could be pursued in the future and it was therefore important to carry along all participants in the Group's work. Some participants emphasized the importance they attached to the work under the three agenda items being pursued in a balanced manner.

3. In regard to paragraph 2 of the TNC text, it was said that specific references contained therein to the principles set out in paragraphs (iv) to (vii) of Part I.B of the Punta del Este Declaration remained essential to the successful conclusion of the Uruguay Round in attaining the expansion of world trade to the benefit of all countries, especially the less-developed ones.

4. In regard to paragraph 3 of the TNC decision, some delegations emphasized that negotiations were being conducted without prejudice to views on the implementation of their results; the relationship of the negotiations with the GATT had to be kept open and it would be misplaced to talk at this stage of a "GATT agreement". A delegation reaffirmed its view that normative aspects relating to intellectual property rights and any other issues not concerning trade impediments and distortions would be better dealt with in other fora.

5. Some participants stressed the importance they attached to paragraph 5 of the TNC decision of 8 April 1989; in one participant's view it provided the criterion to ensure that conflicts of national interest arising in this area could be reconciled. Some participants said that intellectual

property systems served as an instrument, in conjunction with others such as policies relating to transfer of technology and foreign direct investment, of national economic policy to further the process of economic and technological development and the public interest more generally. Therefore, in evolving standards of trade-related intellectual property rights, developmental and public interest concerns such as poverty alleviation, provision of health care, nutrition and food production, and technological considerations such as the promotion

of scientific and technological capability, generation and diffusion of technical knowledge and its incorporation into the production process, and improvement of access to technology on fair and reasonable terms, had to be taken into account in order to balance the protection provided to the creators or owners of intellectual property. To address these concerns, a participant suggested that the standards of intellectual property rights protection would have to include provisions to ensure: the local working of patents, it being understood that such working could not be replaced by importation; a balance between the rights of intellectual property owners and the obligations to be fulfilled by them; that technologies notably those required to meet basic nutritional and health needs were made available to developing countries on fair and reasonable terms; and that effective curbs were imposed on abuses of intellectual property rights by rights holders. Another participant suggested greater scope for compulsory licensing in the absence of local working.

6. A participant, stressing the importance of paragraph 5 of the TNC decision to his delegation, said that the public policy objectives underlying the protection of intellectual property rights in his country were based on a recognition that research and development was a costly exercise necessary for the creation of technology and hence for the advancement of all countries, developed and developing. His country's constitution provided for the promotion of progress of science and the useful arts by granting to authors and inventors, for a limited time, the exclusive rights to their creations. The Group had to examine whether provisions relating to exclusions from patentability, compulsory licensing and local working requirements were based on fulfilling the legitimate objectives of intellectual property systems or served illegitimate trade objectives by protecting industries that were imitating the creations of others. He expressed the hope that, in taking into account the considerations relating to paragraph 5, participants would also address the substance of the negotiations agreed to by ministers in April contained in other paragraphs, notably 4(b), 4(c) and 4(d), and would respond to the proposals put forward in this regard.

7. The question was raised as to why the term "as appropriate", qualifying the reference to paragraphs 5 and 6 of the TNC decision, appeared in item I of the agenda; some participants held that these paragraphs were as important as others and had to be reflected as such. In reply, the Chairman clarified that the formulation was meant to indicate that these paragraphs would be taken into account where relevant, for example, paragraph 6 in relation to item I(D) and paragraph 5 in relation to all items. It was his view that all paragraphs of the TNC decision were equally important and this constituted the basis of further work in the Group.

8. With regard to agenda item I(A) (basic principles), it was suggested that initially the Group should identify the basic principles of GATT and those of other international intellectual property agreements and conventions. Reference was made to differences between them: for example, the national treatment provision in intellectual property conventions applied to persons whereas that in GATT applied to goods. The view was expressed that a discussion of the applicability of the basic principles of GATT would show that, for GATT purposes, a primary concern should be to avoid that rights recognized under the General Agreement be nullified or impaired through the non-use, misuse or abusive use of intellectual property rights. The examination of the relevant international intellectual property agreements or conventions might lead to the conclusion that, as it had taken so many years and such efforts to reach those agreements, it would be more sensible and productive to discuss and, if necessary, improve those international instruments in the appropriate fora instead of trying to tackle such matters in this Negotiating Group. In the view of some delegations, differential and more favourable treatment of developing countries was an important GATT principle in addition to others such as most-favoured-nation treatment, national treatment and transparency, and had to be given importance in the conduct of future negotiations on trade-related aspects of intellectual property rights. A participant suggested that it was necessary to identify the trade aspects arising in connection with intellectual property rights in order to apply the principles of the General Agreement. In relation to the Chairman's informal paper on the relevant GATT provisions, a participant suggested the inclusion of references to Articles XIX, XX and XXI.

9. In regard to item I(B) (standards and principles), some delegations emphasized the importance of the factors described in paragraphs 4 and 5 above. In this light and given the differing standards of living and levels of economic development of participants, it was difficult to envisage setting uniform standards and

principles. The question of avoiding duplication between the work of the Group and that in WIPO and other fora was also raised. In this connection mention was made by a participant of the work in WIPO on the conclusion of a treaty for the protection of the layout-design of semi-conductor integrated circuits and on patent law harmonization, and their possible overlap with proposals before the Group. This overlap was important especially in the light of his delegation's understanding that the intention was that only broad principles, and not the details, would be discussed in GATT. Some delegations stated that the exercise should not be seen as one aimed at the harmonization of standards. A participant stated his understanding that the term "use" in item I(B) allowed the discussion of the misuse, abuse and non-use of intellectual property rights.

10. In regard to agenda item I(C) (enforcement), the representative of the European Communities made an oral presentation indicating this his delegation was planning to submit its ideas in writing and in greater detail to the Group in the near future (now available as document MTN.GNG/NG11/W/31). His delegation had consistently stressed that effective enforcement of intellectual property rights along with substantive standards constituted two fundamental pillars of the task being undertaken in the Group. Effective enforcement consisted of two elements - enforcement internally and at the border. The former was more effective in dealing with trade distortions arising from intellectual property rights infringements as it tackled the problem at the point of production and because often goods infringing intellectual property rights did not enter into international trade. Nevertheless border enforcement measures remained indispensable: they were an effective means of controlling infringing goods as they crossed borders through customs authorities. In discussing effective enforcement, due consideration had to be accorded to the objective of avoiding the creation of unjustified obstacles to legitimate trade; the Group was also obliged to take account of differences in legal systems and traditions. Attention had to be paid to the applicability of the general principles including GATT principles as was called for by the April TNC decision. The work done in GATT should not conflict with existing international intellectual property conventions. At this stage it was still an open question whether these general principles had to be addressed distinctly under both substantive standards and enforcement. On internal enforcement it was proposed that all parties to an agreement should have judicial procedures for the protection and enforcement of intellectual property rights. These should conform to the rules of due process comprising inter alia access to courts, rights to be heard, right to defend one's rights, open and transparent decision-making etc. On the one hand, procedures should provide for effective remedies, consisting of competence of judicial authorities to issue injunctions to stop or prevent continuation of intellectual property rights infringements, ancillary remedies to deal with the treatment of infringing goods, and adequate compensation for injury caused to intellectual property rights owners; on the other, there should be adequate safeguards to ensure that those unjustifiably prevented from selling their goods could claim compensation in appropriate circumstances. In addition to judicial procedures outlined above, there should be the option of having administrative procedures for the enforcement of intellectual property rights which should be subject to principles equivalent to those concerning judicial procedures. Administrative decisions, at least final ones, should be subject to judicial review. In order to obtain speedy redress against intellectual property rights infringements and to preserve relevant evidence with regard to such infringements, it was essential to provide for provisional measures. These measures should be subject to appropriate safeguards comprising the imposition of the burden of proof on persons requesting the use of provisional measures, the fixing of time limits for the use of such measures and the provision to the defendant of access to compensation if provisional measures proved eventually to have been unjustified. As regards intervention at the border, his delegation was considering whether customs authorities should have the competence to intervene against counterfeit goods upon request, and even on their own initiative. For border intervention, as for provisional measures, it would be necessary to establish safeguards against abuse and the creation of unjustified obstacles to legitimate trade. For example, detention of

infringing goods by customs authorities should be limited in duration and subject to decisions on the substance of the case in question by competent authorities, usually a court of law; in addition, there should be the possibility, and in some cases even the obligation, to require security from the party requesting intervention by customs authorities. Finally, to allow for the possibility that the measures described above might not be sufficient in deterring intellectual property right infringements, the agreement should contain as an important element the provision of adequate criminal procedures and penalties in cases of wilful infringements, on a

commercial scale, of certain intellectual property rights.

11. On the subject of enforcement, a delegation held that, if differences in national legal systems had to be taken account of, an agreement could merely lay down some general principles such as natural justice, right of appeal, etc, that had to be complied with. Negotiations on enforcement should not aim at harmonizing national legislation because there existed wide diversity in national conditions. Enforcement issues were related to the legal system as a whole and it would be difficult to address them in the TRIPS context alone. The resource constraints facing countries were also raised. If additional resources were to be allocated to enforcement, it had to be asked who was going to pay for the additional cost and whose interests would it serve. A delegation said that in dealing with enforcement, a trade-based approach had to be adopted, that is, the means to enforce trade-related intellectual property rights had to be related to trade acts. The need to ensure a balance between the rights of intellectual property rights owners and the avoidance of the creation of obstacles to legitimate trade was emphasized by some participants. For example, adequate safeguards in the form of compensation for loss of reputation and time of legitimate traders unjustifiably penalized had to be provided for. A delegation considered that matters relating to enforcement were confined to domestic legislation and as such a multilateral agreement could only include the engagement of individual participants to analyse and, if necessary, improve domestic measures.

12. With respect to agenda item I(D) (dispute settlement), a participant said that procedures for dispute settlement should apply only to the trade-related aspects of intellectual property rights. It was said that the exhaustion of domestic judicial remedies concerning intellectual property rights issues would be the first step towards preventing and settling disputes in this area.

13. As regards transitional arrangements (agenda item I(E)), some participants suggested that these had to be considered not just in terms of the time frame allowed to different countries to implement any final agreement but also in terms of the levels of technological and economic development that countries had attained. A number of European countries had only recently extended patent protection to areas such as pharmaceuticals and others would do so as late as 1992 or 1995. It was said that although this subject could only be discussed in detail when substantive matters had reached an adequate stage of maturity, it would still be useful for concerned participants to put forward ideas so that others could get a clearer view of their positions and their expectations concerning the results of the negotiations.

14. In response to a suggestion by a participant, a number of participants confirmed that the proposals they had submitted to the Group remained on the table.

15. The Group agreed to a proposal to request the secretariat to prepare a document setting out in synoptic form the specific proposals submitted to the Group on standards and enforcement, along with the relevant provisions of existing international conventions. It was understood that the document would be factual and would not be used as a negotiating document.

16. The Group agreed to a proposal to request the International Bureau of WIPO to prepare a paper on basic principles of relevant international intellectual property agreements and conventions, in order to assist further work on item I(A). The Chairman thanked the representative of WIPO for the willingness expressed to carry out this request.

II. Trade in counterfeit goods

17. Some delegations emphasized the importance they attached to this item and to the conclusion of a multilateral framework as called for at Punta del Este. A participant said that, although there were interrelationships between the issues of counterfeiting and enforcement, the Punta del Este Declaration had called for a multilateral agreement on trade in counterfeit goods. As decisions on the international implementation had to be taken at the end of the Uruguay Round and as the possibility of the decision on the

implementation of an agreement on trade in counterfeit goods being different from that on other results of the Group's work could not be ruled out, this had to be retained as a separate agenda item; participants should discuss the various proposals submitted in respect of trade in counterfeit goods and come to an agreement on the elements requiring consideration. Another participant argued for a separate treatment of trade in counterfeit goods on the grounds that this subject was not covered by agenda item I(C) on enforcement which in his view related to domestic provisions and ultimately belonged to the sovereign domain of individual countries, while trade in counterfeit goods was clearly relevant to international trade. In his view, the Group had not adequately discussed the work of the GATT Group of Experts on Trade in Counterfeit Goods and texts like the Madrid Agreement (Indications of Source) which could serve as a useful basis for further work on trade in counterfeit goods.

18. Another participant put forward the view that counterfeiting was part of a comprehensive agenda in respect of which his delegation and others had submitted specific proposals under agenda item I. However, given that decisions on implementation had to be taken at the end, his delegation was prepared to discuss the substantive issues under this agenda item if other participants so wished.

19. A participant stated his delegation's preference that this item be presented in the agenda in a manner that fully reflected the second paragraph of the Group's Negotiating Objective. In reply, the Chairman said that the formulation used was identical to that used in previous agendas of the Group, but he added that the participant's concerns would be taken into account for the future.

III. Consideration of relationship between the negotiations in this area and initiatives in other fora

20. A participant raised the question as to how the issue of duplication between the work of the Group and that of WIPO should be addressed. He cited the Diplomatic Conference on the protection of the layout-design of semi-conductor integrated circuits as one example of this overlap and urged the Group to reflect more on this issue. A participant expressed the hope that the results of the Diplomatic Conference would be satisfactory and consistent with proposals submitted to the Group. A participant said that the Group should clarify the language of paragraph 8 of the TNC text of April, notably the practical meaning of the phrase "mutually supportive relationship" contained therein. The Group should reach an understanding on the level and nature of participation of WIPO and other international organizations in the Group's work in order to give full meaning to the decision contained in paragraph 8. The possibility of having a list of organizations which deal with the subject matter of the Group and of inviting them to attend the Group's meetings should be examined as should the possibility of requesting them to prepare substantive contributions and studies on subjects discussed in the Group. For example, WIPO could be requested to prepare a study on patent terms for different products which would take into account the evolution of new technologies for different products and give indications of the practical utility of maintaining patent protection for obsolete products. Another participant expressed his delegation's keenness to draw on the expertise of WIPO and suggested that as a practical matter that organization could be asked to provide an index of its publications to prevent duplication of work already done there.

21. Some participants showed interest in the Group being continued to be kept informed of developments in WIPO's activities of relevance to matters under discussion in the Group. The Chairman said that any information received in response would be circulated to the Group as addenda to document MTN.GNG/NG11/W/5, as had been previous information of this sort made available by other international organizations.

IV. Other business, including arrangements for the next meeting of the Group

(i) Communications concerning the least-developed countries

22. The Chairman informed the Group that the Chairman of the GNG had, in accordance with the decision of GNG (MTN.GNG/19, paragraph 6), written to him asking him to draw the Group's attention to certain proposals contained in the communication presented by the Ambassador of Bangladesh on behalf of the least-developed countries (MTN.GNG/W/14/Rev.1) and to the statements made in the GNG and the related communication from the Chairman of the Sub-Committee on Trade of Least-Developed Countries (MTN.GNG/W/15), so that the Group could consider these in the light of its particular responsibilities.

23. The representative of Bangladesh said that although his delegation's communication did not contain any specific proposal for this Group, his delegation was studying the text adopted by the TNC on TRIPS, notably paragraph 5 relating to development and technological objectives. His delegation looked forward to special treatment being accorded to the LLDCs in any arrangement finally reached in the Group, in accordance with paragraph 2(d) of the Enabling Clause. He indicated his delegation's intention to submit specific proposals to the Group in the future.

24. The Chairman said that the Group would have to bear in mind the concerns of the LLDCs and that delegations may wish to revert to this issue later when the nature of commitments envisaged as a result of the work of the Group became clearer.

(ii) Organization of further work

25. The Chairman proposed that the Group should focus at its forthcoming meetings on items I(A) (basic principles), I(B) (standards and principles), I(C) (enforcement) and II (trade in counterfeit goods) of its agenda; detailed discussion on items I(D) (dispute settlement) and item I(E) (transitional arrangements) might best be left until a little later when a clearer idea of the shape of commitments that might be negotiated was available. However, the full agenda would be before each session of the Group, giving an opportunity for any matter to be discussed. He proposed that the Group's next two meetings should be scheduled respectively for 3-4 July and 12-14 July. He would consult to see if there was a possibility of scheduling a session on Monday, 17 July. At the first meeting the Group would take up the three issues of basic principles, enforcement and trade in counterfeit goods, and at the second, that of standards and principles. As regards the schedule of meetings after the summer break, the Chairman proposed that the Group should reserve the weeks beginning 11 September, 30 October and 11 December. He would consult with the Chairman of the TRIMS Group with a view to avoiding overlaps. The Group would consider in July the duration of these meetings. It was so agreed.