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Negotiating Group on Trade-Related Aspects
of Intellectual Property Rights, including
Trade in Counterfeit Goods

MEETING OF NEGOTIATING GROUP OF 3-4 JULY 1989

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

Note by the Secretariat

1. The Group adopted the agenda set out in GATT/AIR/2797. As agreed at its May meeting, the Group had the whole of its agenda before it but focused its discussion on items I(A), I(C) and II. No interventions were made under the agenda items I(B), I(D), I(E) and I(F).

2. The Group had before it the following new documents:

- Proposal by the European Community for the Negotiations on the Enforcement of Trade-Related Intellectual Property Rights (NG11/W/31);

- Basic Principles of the Main Multilateral Treaties in the Field of Intellectual Property, paper prepared by the International Bureau of WIPO (NG11/W/34);

- A communication from the International Bureau of WIPO containing information on developments in activities in that organisation (NG11/W/5/Add.7);

- Synoptic Tables Setting Out Existing International Standards and Proposed Standards and Principles, prepared by the secretariat (NG11/W/32);

- Synoptic Table Setting Out Proposals on Enforcement and Corresponding Provisions of Existing International Treaties, prepared by the secretariat (NG11/W/33).

3. On behalf of the Group the Chairman thanked the International Bureau of WIPO for the two papers it had provided in response to the requests made at the previous session of the Group.

4. A number of participants stated their deep concern about certain decisions taken by the United States under Section 301 of its Tariff Act, in particular the listing under "special" Section 301 relating to IPRs of countries on a "priority watch list". These decisions were jeopardising the work of the Negotiating Group and threatened to wreck the Uruguay Round

as a whole. It was said that these decisions, together with the associated announcements, represented an attempt

to use coercive pressure to prejudge the results of the Uruguay Round. They were thus inconsistent with the compromise reached in April to enter into substantive negotiations in this Group and caused uncertainty about the relevance and utility of the multilateral trade negotiations in general. The United States' decisions constituted an attempt to improve its negotiating position inconsistently with the commitment on standstill in Section C(iii) of Part I of the Punta del Este Declaration. This intention had been made very clear by the explanatory documentation produced by the United States authorities in conjunction with the "special" Section 301 decisions. It was also said that the United States' decisions were not consistent with the principle of differential and more favourable treatment of developing countries contained in the Declaration of Punta del Este. The decisions taken by the United States were already having an adverse effect on the negotiations, but the potential for harm was much greater. If the negotiations were to continue on a sound basis, it was essential that the United States desist from pursuing the course that it had entered on. A delegation said that, if this were not the case, it would have to reassess its position in relation to the negotiations and decide upon their relevance.

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

(A) The applicability of the basic principles of the GATT and of relevant international intellectual property agreements or conventions.

5. A participant made a general statement in which he presented the following eight conditions that in his view the work of the Group should satisfy:

- GATT could deal only with trade-related aspects of IPRs, that is to say aspects related to the provisions of the General Agreement. Thus, it was not appropriate to negotiate in the Group on standards, which was the sphere of competence of WIPO.

- The agreement finally reached should be multilateral; in other words, it should give rise to rights and obligations for all contracting parties and not only a group of them. The possibility of establishing "codes of conduct" of the kind agreed during the Tokyo Round was therefore excluded.

- Rather than a proliferation of detailed articles, the multilateral agreement reached should follow the style of the General Agreement; that is to say, it should consist of some very general principles which would be incorporated into the General Agreement as additional provisions to those that already exist. For example, one such provision might state: "It is necessary to reduce trade problems resulting from excessive or inadequate protection of intellectual property".

- As the TRIPS agreements would be included as provisions in the General Agreement, all the other provisions of the General Agreement would apply to them, and above all those provisions having the nature of basic principles, such as: most-favoured-nation clause, principle of national treatment, non-discrimination, transparency, safeguards, special treatment for developing countries, and the dispute settlement system.

- The incorporation into the General Agreement of the TRIPS provisions should take account of the principle of reciprocity. At present there were contracting parties which could derogate from the provisions of the General Agreement simply by enacting a piece of domestic legislation, while other contracting parties could not do so, since the General Agreement was embodied in their domestic legal system with higher status than that of a law. He therefore proposed that whatever undertakings were finally entered into as regards TRIPS, they should only be binding on contracting parties in so far as such undertakings were mutually complied with.

- The basic principle of the Uruguay Round of globality should be respected; if some participants were to be required to make sacrifices in the area of TRIPS, there should be a readiness to make sacrifices for their benefit in agriculture, natural resources or other negotiating groups.

- There should be provision for principles or provisions explicitly condemning the monopolistic action of patent holders.

- Developing countries should also be guaranteed access to technology: that guarantee would work in their favour as a credit which they could always invoke when tasked with the obligations ensuing from whatever agreements reached in the Uruguay Round.

6. In the discussion on basic principles, many participants indicated that their views were preliminary in nature and that this matter required further reflection both in their capitals and in the Group. It was said that refinement of views on the applicability of basic principles would be facilitated by the work of the Group on other substantive items on its agenda; this would provide more precise guidance as to what subject matter basic principles might apply. Some participants considered that the Group should compile an open-ended list of points proposed by participants for consideration as basic principles and examine the applicability of each of them. It was also suggested that the Group might compile an exhaustive list of basic principles in the General Agreement and in intellectual property treaties and then consider in turn the applicability of each of them.

7. A participant said that safeguards should be considered a basic principle. He believed that this view was supported by the proposals of the United States (NG11/W/33, page 16) and of the European Communities (NG11/W/31, page 17). Some delegations indicated that they too attached importance to safeguards to ensure that measures and procedures to enforce IPRs were not employed as barriers to legitimate trade.

8. A participant was of the view that the dispute settlement system should be examined as a basic principle or mechanism. Some other participants indicated that they shared the view that effective dispute settlement procedures were essential and noted that the Group was committed to work on this matter under paragraph 4(d) of the TNC decision. It was also noted that the Group had agreed to postpone detailed examination of this matter till later.

9. In regard to national treatment, a number of participants drew attention to the written proposals they had made on this matter (NG11/W/14/Rev.1, NG11/W/17, NG11/W/26 and NG11/W/31). It was said that the national treatment principle, as contained in the General Agreement, was a key provision for ensuring that the protection of intellectual property and the procedures used in this regard did not create barriers to legitimate trade. The national treatment principle as contained in intellectual property conventions was the cornerstone of multilateralism in the protection of IPRs. Attention was drawn to the distinction between the national treatment concept in intellectual property agreements and that in the General Agreement; the former was aimed at preventing discrimination between foreigners and nationals in the protection of IPRs, the latter at preventing discrimination between imported and domestically-produced goods. Some saw these two national treatment concepts as complementary and a role for both in a TRIPS agreement; they noted that both were actually in force. It was suggested that it might be useful to explore the extent to which they might overlap; sometimes it might not be possible in practice to grant national treatment to imported goods without also doing so for foreign nationals. The view was also expressed that the national treatment concept in the form in which it was embodied in the General Agreement was inapplicable to IPRs, since IPRs dealt with persons rather than goods. Another participant saw the difference between the two concepts resulting from the GATT being permissive regarding the protection of intellectual property while intellectual property conventions were prescriptive in this respect. In approaching the question of the applicability of the two national treatment principles, one should start by being clear about the problems one was trying to solve. Another participant saw the GATT national treatment concept as particularly relevant to enforcement and that of intellectual property conventions as more particularly relevant to substantive standards. He also stressed two aspects of the national treatment concept as applied in intellectual property conventions: it did not imply harmonisation of national intellectual property

laws but rather recognised that differences in such laws could remain; and it implied that protection in a country of the intellectual property of foreigners was not accorded on the basis of reciprocity. It was also suggested that when considering the applicability of the national treatment principle as embodied in intellectual property conventions, account should be taken of the principle of special and differential treatment; developing countries should have flexibility to depart from national treatment by placing appropriate restrictions on foreign nationals in respect of the availability, scope and use of IPRs. Commenting on the provisions on national treatment in the proposal of the European Communities on enforcement (NG11/W/31), a participant considered that in certain circumstances signatories should be able to extend the benefits under a TRIPS agreement to the nationals and products of non-signatory countries.

10. Some participants saw the possible application of mfn/non-discrimination principles as particularly complex and in need of further reflection, including as to whether there should be common or separate such principles governing enforcement on the one hand and substantive standards on the other. It was noted that the intellectual property conventions did not contain an mfn requirement. It was also suggested that, if a national treatment provision were to be included, an mfn rule would be redundant. In response, it was said that a national treatment rule would not prevent a country deciding, for whatever reason, to give better treatment to foreigners or to foreign goods, in which case an mfn commitment could serve a function. A participant thought it necessary to distinguish between the mfn principle - which involved extending concessions automatically to all parties - and the non-discrimination principle - which was relevant to ensuring that countries were not discriminated against in the application of restrictions. He saw the relevance to the work of the Group of the non-discrimination principle, but doubted the relevance of the mfn principle. It was suggested that the mfn principle embodied in the General Agreement was inapplicable to IPRs, since the GATT principle related to goods and rules on IPRs related to persons. A participant saw elements of conditionality in the proposal on mfn treatment of the European Communities in document NG11/W/26 and said that his authorities were still studying this. Another participant expressed the difficulties his delegation would have with a conditional mfn provision.

11. Many participants stressed the importance they attached to transparency. Some speakers referred to three types of transparency. First, it was suggested that there was need for transparency at the national level of laws, regulations and requirements regarding the availability, scope, acquisition, maintenance, use and enforcement of IPRs. The ability of owners of IPRs actually to benefit from the IPR system depended importantly on such transparency. This was particularly true with regard to foreigners. A second form of transparency referred to was the need for transparency in the actual operation of national procedures regarding the acquisition, maintenance and enforcement of IPRs. This was necessary so that the parties to such procedures could have a fair hearing and could judge if they had been fairly treated or whether they should have recourse to appeal possibilities. Finally, it was suggested that there was need for transparency at the international level of what was being done at the national level to implement a TRIPS agreement. This would require international institutional machinery which would be aimed at ensuring that signatories adhered to their international obligations, in terms of the conformity both of their national legislation and of its application. Various participants referred to the written suggestions they had made on transparency (NG11/W/14/Rev.1, NG11/W/17 and NG11/W/26) and also to the provisions relevant to transparency in their proposals on enforcement. It was suggested that a commitment along the lines of that in Article X of the General Agreement concerning the publication of laws, regulations, judicial decisions and administrative rulings of general application would be important. It was also said that the various intellectual property conventions provided for transparency, for example as in Article 12 of the Paris Convention.

12. Some participants stressed the need to consider the applicability of the principle of special and differential treatment in favour of developing countries, especially in the light of the references in the April TNC decisions to the provisions of the Punta Declaration on this matter. It was said that in the GATT this principle implied levels of obligation differentiated according to the stage of development. Application of this principle was vital if the developmental, technological and other needs of developing countries were to be taken into account.

13. It was suggested that the applicability of the principle of reciprocity/non-reciprocity should be examined. One participant saw a difference between intellectual property conventions and the GATT in that the former did not require any material reciprocity. Another participant emphasised the importance of strict adherence to the concept of non-reciprocity. A participant referred to the importance recognised in intellectual property conventions of the independence of the registration of IPRs, which he saw as closely relevant to the enforcement of IPRs.

14. Suggestions were also made for other concepts that the Group should examine the applicability of as basic principles. These included: public interest; balance of rights and obligations; and exceptions. Reference was made to the Brazilian submission in document NG11/W/30 in this connection.

15. Concluding the discussion, the Chairman suggested that the Group continue with the approach that it had adopted to discussion on this item, namely that of having an open-ended list of principles for discussion, enabling each delegation to add to the list any point it considered important. He noted that a number of principles had been proposed: national treatment, mfn/non-discrimination, transparency, special and differential treatment, safeguards, exceptions, public interest, balance of rights and obligations, reciprocity/non-reciprocity, and dispute settlement. In connection with dispute settlement, he noted that the Group would certainly have a full discussion since it had a specific agenda item dedicated to this matter. He urged countries proposing the discussion of a basic principle to make a contribution explaining how they saw the principle as applicable. He noted that many of the comments had been preliminary in nature and the view that it was only when the Group had proceeded further in other areas of its work that it would be possible to refine views in regard to basic principles.

I(C) The provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems

16. The representative of the European Communities introduced his delegation's proposal for the negotiations on enforcement of trade-related IPRs that had been circulated in document NG11/W/31. He recalled that he had already described to the Group the main elements of this proposal at the Group's previous meeting (recorded in document NG11/12, paragraph 10). He said that, in the preparatory work on the proposal, an important factor had been that the enforcement of IPRs was but one type of enforcement activity that took place under legal systems that also dealt with the enforcement of many other aspects of law. It was therefore necessary to take account of different legal systems and traditions. The Community proposal was not a reflection of the legal system in any one country, but was based on the experience of countries with a range of different legal systems, including civil law countries and those that shared the common law legal tradition. The proposal put emphasis on internal procedures and remedies for the following reasons: enforcement was most effective at the point of production; border procedures ran a greater risk of giving rise to obstacles to legitimate trade; and often infringing goods did not cross the border. Within internal procedures, the proposal put the emphasis on judicial procedures. Judicial procedures constituted in themselves an important safeguard against barriers to legitimate trade, at least to the extent that judicial procedures conformed to the principles commonly referred to as due process of law, which were outlined in the proposal. In addition to specifying the remedies that should be available against infringement, the provisions of the proposal on civil judicial procedures provided for an additional important safeguard against barriers to legitimate trade: a defendant wrongly restricted due to an abuse of enforcement proceedings would have the right to claim compensation. The possible use of administrative procedures for the enforcement of IPRs was not ruled out, provided that they conformed to principles equivalent to those set out for judicial procedures and that final administrative decisions were subject to judicial review. Requirements to provide for provisional measures allowing rapid intervention by the judicial authorities were included. In this connection, the proposal put great emphasis on safeguards: the adoption of provisional measures must be subject to the presentation of sufficient evidence by the applicant or the provision of security sufficient to prevent abuse; such measures should be subject to strict time-limits; and there should be an obligation on the applicant to compensate a defendant wrongly restricted by

provisional measures. It was proposed that the provision of border measures in regard to counterfeit goods be obligatory, since such infringements were relatively easily detectable by customs administrations. Customs action against the importation of other goods which prima facie infringe an IPR, although not obligatory, was not excluded by the proposal. Great emphasis was placed on safeguards against barriers to legitimate trade, requiring the applicant to fulfil a certain burden of proof, time-limits on customs detention, judicial review, and the lodging of security by the applicant which was obligatory in respect of infringing goods other than counterfeit goods. Even where special border measures were not provided for, it would be possible to take border action against infringing goods through court injunctions, maybe of a preliminary nature, directed at the importer with regard to the importation of specific goods. Finally, the proposal would make the provision of criminal procedures and sanctions obligatory only in respect of wilful infringements of trademarks and copyright on a commercial scale, but did not exclude their application to other infringing activities.

17. Some participants indicated that the Community proposal was acceptable as a basis or a starting point for negotiations on enforcement. They could broadly accept the approach adopted by the Community. Among the general aspects of the proposal welcomed by one or more of these participants were the importance attached to safeguards against obstacles to legitimate trade and the balance struck between this objective and that of ensuring effective enforcement; the effort made to accommodate different legal systems and the balance between generality and detail; and the emphasis on general principles, which would help ensure that procedures and remedies were in accordance with GATT principles, as well as the emphasis on internal procedures.

18. Some participants found the proposal excessively detailed and believed that for this reason it would pose difficulties for different legal systems. It was said that in this respect it was not consistent with the style of the General Agreement. In their view, obligations in the field of enforcement would more appropriately take the forms of general principles. The view was expressed that the proposal put excessive emphasis on the rights of IPR holders in relation to those of other parties. Concern was also expressed about the resource implications for developing countries if they were to implement an agreement along the lines of the Community proposal, and also about the absence of provision for special and differential treatment in their favour. In this connection, it was asked how it would be possible to take adequately into account that problems in administration of justice necessarily differed according to the conditions prevailing in different countries. For example, in developing countries investigations often took more time because of shortage of technical facilities or the absence of administrative structures.

19. Some participants considered that parts of the Community proposal needed further elaboration. It was suggested, for example, that some of the language was too vague or ambiguous; the proposed safeguards against obstacles to legitimate trade required tightening and clarifying; and there was need for more explicit rules regarding procedures for the gathering of evidence and criminal procedures. In regard to safeguards against obstacles to legitimate trade, a participant believed that a TRIPS agreement should place the responsibility to prove infringement on the IPR holder; should put an obligation on an applicant to provide sufficient security; and should provide for strict time-limits, right of appeal, and for compensation not only in respect of direct damage to legitimate interests but also in respect of such matters as damage to reputation or damage suffered because of failure to meet delivery dates.

20. Noting that there were views both that the proposal was too detailed and that some aspects of it needed further elaboration, the representative of the European Communities said that in the preparation of a proposal an attempt had been made to find a reasonable balance between conflicting considerations; an example was to find a balance between ensuring effective enforcement and safeguarding against obstacles to legitimate trade. This latter consideration was one of the reasons why certain parts of the proposal were fairly detailed; this applied in particular to the sections on provisional measures and direct border intervention by customs authorities, in respect of which there were greater risks of barriers to legitimate trade than in respect of ordinary judicial procedures. The proposal also represented an attempt to take account of a wide range of national legal systems.

21. To some participants it appeared that the Community proposal implied that the result of the work would

take the form of a code. They reiterated their objections to the code approach. The representative of the European Communities said that this was not the intention of the Community. There had been no change in the Community position that it would prefer an agreement that all contracting parties would sign. The use of the term signatories should not be taken to imply the contrary. In this context, the Community had been sensitive not to appear to prejudge the final form and location of an agreement.

22. Responding to a question on the relationship between the different sections of the Community paper, the representative of the European Communities said that Section A should be understood to apply horizontally to matters covered by the other Sections; and each of these other Sections, B, C, D and E, should be read in isolation from each other, except where a cross-reference was specified.

23. In regard to the third paragraph of the introduction to the Community proposal, some delegations wondered what were the arguments for and against having separate mfn and national treatment obligations in respect of enforcement and standards. The representative of the European Communities said the Community was still reflecting on this matter. One element, for example, that had to be taken into account was whether an mfn type obligation in this area might have an effect beyond what was sought, since enforcement procedures applied to areas much wider than intellectual property.

24. In relation to the fourth paragraph of the introduction, a participant recalled the view of his delegation that special border measures should be limited to trademark and copyright infringement, since prima facie determinations of such infringement were relatively easy to make. Another participant said that any extension beyond trademark infringement would require additional safeguards, which might risk aggravating the problems already arising from the level of detail in the proposal. The representative of the European Communities said that the Community was still examining the pros and cons of an obligation to provide also customs intervention for infringing goods other than counterfeit goods and would be grateful for suggestions from other participants in this respect.

25. The following records the specific comments made on the individual paragraphs of the Community proposal and the responses given by the Community to questions on those paragraphs. A reference is given to the paragraph of the Community proposal being dealt with (e.g. A.1 refers to paragraph 1 of Section A).

A.1 Some participants welcomed the importance placed in paragraph A.1 of the Community proposal on the avoidance of the creation of obstacles to legitimate trade. A participant, noting the reference to administrative law was concerned about the risk of barriers to legitimate trade that he believed arose in connection with the use of such law, although he recognised that it would be difficult to eliminate its use. He emphasised the need for safeguards in this connection. Another participant, noting the reference to "any act of infringement", said that he understood that the definition of infringement would be that laid down in national law, taking into account whatever results might be achieved by the Group. Responding to questions, the representative of the European Communities said that the term "administrative law" was used in this context in a wider sense than simply customs procedures; this was made clear by paragraph B.7. In regard to the proposed obligation to protect IPRs, he said that their protection comprised both making the rights available as well as enforcing those rights, but the obligation here referred specifically to enforcement. As to whether this included the concept of deterring infringement and trade in infringing goods, he thought that it was made sufficiently clear in the subsequent paragraphs of Section A as well as in the subsequent Sections of the paper that this was the case. Concerning whether the list of types of law to be used for the protection of IPRs was intended to be exhaustive, he said that if certain other countries had types of law which they called constitutional law, the Community would have nothing against the use of such laws in the enforcement of IPRs. A participant said that another type of law that could be relevant in some countries was penal customs law.

A.2 A participant expressed support for the approach reflected in the footnote to this paragraph. Another participant said that this paragraph was probably acceptable if it was understood as a general

guideline, but would cause difficulties if it implied the establishment of a special régime for the enforcement of IPRs. Responding to comments that the obligations in the paragraph were somewhat vague, especially the reference to "adequate opportunities", the representative of the European Communities said that this paragraph had to be interpreted in the light of the proposal as a whole as well as of its objectives. The approach suggested in the paper was that enforcement should be primarily at the initiative of the right holders and that their access to procedures could not be deemed adequate if it prevented them from effectively enforcing their IPRs. Responding to another question, he said that the intention was not to limit ex officio action to the possibility of intervention by the customs authorities with regard to imported products.

A.3-4 Providing, in response to questions, further explanation on these paragraphs, the representative of the European Communities said that these provisions referred to the issue of national treatment, in particular the distinction between national treatment as applied to goods and to right holders; the former concept was covered by paragraph A.3 and the latter by paragraph A.4. The purpose of the phrase in paragraph A.3 "without prejudice to the provisions on national treatment provided for in the Paris Convention and the revised Berne Convention" was to make clear that an agreement on TRIPS should not derogate from the existing rules on national treatment as contained in these two Conventions. As for the phrase "without prejudice to the rights specially provided for by this agreement", he said that the purpose was simply to make it clear that not only national treatment must be accorded but also that for foreign nationals enforcement mechanisms must at least meet the specific standards laid out in the agreement. In regard to paragraph A.4, he said that there was no substantive difference between the standards "shall not discriminate" and "no less favourable"; both referred to the national treatment principle as already contained in the General Agreement. The reference to Article XX(d) related to both sentences of paragraph A.4. In relation to the last sentence of paragraph A.3, he said that this was intended to be an exhaustive list of exceptions to the national treatment principle in question. A participant wondered if the provisions in these paragraphs might not limit the right of developing countries to take legitimate measures, for example on balance of payments or developmental grounds, such as to regulate foreign investment or require domestic working of patented inventions.

A.5 Responding to questions about the relationship between this paragraph and paragraphs A.3 and A.4, the representative of the European Communities said that paragraph A.5 resulted from the internal examination in the Community of the extent to which it would be appropriate to embody in a TRIPS agreement an mfn type principle. The Community had not yet concluded its reflections on this matter and the provisions of paragraph A.5 represented what it considered to be a minimum formulation in this regard. It was based on formulations contained in Article XX of the General Agreement.

A.6 Responding to questions, the representative of the European Communities said that the concept of effectively stopping or preventing the infringement of IPRs was intended to cover that of preventing and deterring trade in infringing goods. The persons or entities which might be subject to procedures for enforcement and to remedies against infringement were the infringers; whether they were traders, manufacturers etc. would depend on the concrete case. As regards the amount of compensation in the event of infringement, the intention was that the obligation be limited to compensation of damage caused by the infringement. The qualifying phrase "while corresponding to the importance of the infringement in question" was a reference to the principle of proportionality. The purpose of the last sentence was to flag the general principle of the importance of providing safeguards against the abuse of enforcement procedures. These safeguards should apply horizontally to all the aspects which are treated in the subsequent Sections, the particular safeguards relevant in a given situation being those spelt out in greater detail in these Sections. Some participants said that the specific wording of this sentence might cause difficulties; in many countries it was possible to strike out frivolous or vexatious complaints, thus providing a safeguard against abuse at an early stage in proceedings. The Community proposal would cause less difficulty if was understood to relate to interim measures, for example taken at the border by customs authorities at the request of an IPR owner. Another participant was concerned that this

provision might enable injured persons to obtain compensation not only from other persons that had instituted enforcement proceedings against them but also from administrative authorities; and furthermore that where such an injured person was a foreigner and its government was dissatisfied with the amount of compensation awarded by the courts, it might have recourse to international dispute settlement proceedings against the State in question, thus leading to it possibly being penalised twice in respect of the same action.

A.7 Explaining why an absolute requirement for all decisions on the merits of a case to be in writing and reasoned was not proposed, the representative of the European Communities said that the intention had been to cover the situation in some legal systems where decisions on the merits may be reasoned but not in writing. This should not be regarded as derogating from the firm view of the Community that written and reasoned decisions should be the general rule in respect of the enforcement of IPRs. A participant said that in his country it was a quite common procedure for judgments to be rendered orally on simple matters, and this procedure had been found quite satisfactory. Another participant expressed an interest in the meaning of the phrase "fair and open manner".

A.8 Responding to questions, the representative of the European Communities said that the proposal did not require that appeal of initial judicial decisions be allowed because the Community did not wish to prescribe to countries the way in which they should structure their court system. It did not wish to oblige countries which provide in certain instances only one judicial level to add a second judicial level. A participant wondered whether signatories could provide for a time limit within which appeals must be lodged. Another participant wondered whether a requirement to provide for appeal against administrative decisions might make administrative authorities work more slowly; because of the greater consequences attached to possible errors, in terms of domestic liability and possibly international retaliation, they might tend to be more careful.

A.9 Responding to questions, the representative of the European Communities said that the purpose of paragraph A.9 was to signal that certain general principles which should apply to the enforcement of IPRs should also apply with regard to the acquisition of IPRs. The paragraph referred not only to acquisition but also to procedures relating to opposition, revocation, cancellation etc. which it was considered should be dealt with on similar lines.

B.1 In relation to the first sentence, some participants said that in their countries acts of exporting were not specified as infringing acts under their intellectual property legislation. They wondered if this question was not a matter better dealt with in the context of work of the Group on substantive standards. Explaining the reason for this provision, the representative of the European Communities recalled that Section D of the Community proposal would not make the provision of direct customs measures in regard to exportation obligatory. The intention in paragraph B.1 was to ensure that IPR holders could obtain under civil judicial procedures a court order enjoining an exporter from exporting infringing goods. In relation to the second sentence of paragraph B.1, a participant doubted that it was appropriate to talk of the holders of IPRs being given appropriate access to the courts, since the issue of whether an applicant was indeed the holder of an IPR was itself a matter that could only be decided by the court. Questions were raised about the precise meaning of the second and third sentences of paragraph B.1. One delegation wondered if the rights that should be available to parties "to present the evidence relevant for the establishment of the facts ... as well as to exercise their rights of defence" included: the right to receive written notice prior to commencement of proceedings; the means to gain access to and present to authorities statements of witnesses, information, documents, records and other articles of evidence, including the right to compel its production; and the ability to appear through representatives. Responding, the representative of the European Communities said that in general these elements were covered, but the Community had considered that it would be excessive to go into that amount of detail in the proposal. In response to a question whether the same provision would also include an obligation to facilitate the gathering of evidence in other countries needed for the effective enforcement of an IPR, the

representative of the European Communities said that the Community was aware of the US proposal on these matters, but had thought that it should limit itself to what was proposed in the paragraph. He also referred to existing international conventions on the collection of evidence abroad, such as the Hague Convention Relating to Civil Procedure. As regards the last sentence of Section B.1, some participants indicated that this provision might cause them difficulties while another participant thought it unnecessary to mention since it was a basic feature of civil judicial procedure. In response to a remark, the representative of the European Communities said that the requirement to offer parties an opportunity to be heard would be satisfied if they were given an opportunity to make submissions in writing.

B.2 In response to a question, the representative of the European Communities said that the reference to acting with negligence covered acting without intent but where the infringer should have known that he was engaged in an infringing act.

B.3 A participant wondered whether the condition that forfeiture "not be out of proportion to the infringement in question" was redundant in the light of the other condition that it be in accordance with the relevant provisions of national law. The representative of the European Communities said that the former condition was intended to place a limit on what could be done under national law. He confirmed that one example of the application of such a condition might be along the lines of paragraph D.10 which precluded the application of certain enforcement measures to small quantities of goods of a non-commercial nature in personal luggage or sent in small consignments. A participant said that the requirement that materials and implements for the creation of infringing goods be predominantly used for that purpose was not consistent with the practice in his country and doubted that it was consistent with common practice internationally. The representative of the European Communities said that this requirement was a reflection of the principle of proportionality. A participant was concerned that such a provision could cover materials or implements, for example warehouses, owned by persons with no reason to be aware of the infringement. In his view, materials or implements should only be subject to forfeiture if their owner had acted negligently or wilfully. Another participant had difficulties with the concept of "infringing goods", since in his view goods were neutral in this regard; only persons could infringe an IPR. As regards the expression "channels of commerce", the representative of the European Communities explained that this had been drawn from the 1982 draft agreement on trade in counterfeit goods (NG11/W/9); it referred to channels whose use would not damage the commercial interests of the right holder.

B.4 Responding to questions, the representative of the European Communities said that "adequate compensation of the injury" could include statutory damages, assuming that statutory damages were not equivalent to punitive damages. The phrase "restitution of the situation as far as possible as it existed prior to the infringement" was a reference to the general principle that the result of compensation should be to put the IPR holder in the same position as he would have been in if the infringement had not taken place; often this would entail compensation in the form of payment of damages. As to whether such restitutions and recovery of profits were intended to set limits on remedies, he said that the Community had not wanted to create an obligation to provide for punitive damages. In response to another comment, he said that the Community would re-examine whether it was appropriate to refer to compensation taking the form of restitution and recovery of the profits or whether these remedies should be presented as alternatives.

B.5 Some participants doubted that this provision would be acceptable to them. The representative of the European Communities said that the Community saw it essential for effective enforcement that an infringer be obliged to disclose certain information, but believed that this requirement should be limited by the principle of proportionality. A participant wondered when it would be "out of proportion to the importance of the infringement" to require an infringer to reveal the source of infringing goods.

B.6 Some participants saw giving a party wrongfully restrained or enjoined the possibility of

claiming compensation from the authorities as problematic. In one view this was a matter usually addressed in a different type of legal framework. Responding to these comments and certain questions, the representative of the European Communities noted that the provision in question had been drafted as an option open to a signatory, not as an obligation on it. It had not been envisaged that the option would be available where courts of law had been responsible for the enforcement activities, but rather where administrative bodies had been involved. In relation to the first sentence of paragraph B.6, he said that wrongful enjoinder or restraint did not always constitute an abuse of enforcement procedures and therefore by itself did not give rise to a right of compensation. Responding to a concern expressed by a participant, under whose common law legal system redress for wrongful restraint could be obtained but not necessarily as swiftly or at as early a stage as that participant understood the Community proposal to require, he said that the Community proposal did not require immediate payment of compensation.

B.7 A participant emphasised the importance his delegation attached to requiring that administrative procedures conformed to the principles applied to judicial procedures. His delegation would prefer that the obligation be reformulated in this way since it considered that the words "equivalent to" created an element of uncertainty. The representative of the European Communities said that the formulation was intended to leave sufficient room for situations where an identical principle could, for technical or systematic reasons, not be applicable. Responding to other questions on Section B.7, he said that the phrase "ensuring effective equality of opportunities for imported products" related to the national treatment principle; it did not imply any requirement additional to that of that principle.

C.1(a) Responding to questions, the representative of the European Communities said that the obligations concerning provisional measures in Section C concerned judicial procedures; with regard to administrative procedures, paragraph B.7 would be applied correspondingly. Provisional measures should always be made available when there was need for rapid action, not only under extraordinary circumstances. The preservation of relevant evidence would extend to things other than goods, such as documents, business records, etc.

C.1(b) Some participants said that an applicant should be obliged both to provide sufficient evidence and to provide sufficient security; these should not be alternatives. Some said that both were required in their existing national law. In response, the representative of the European Communities said that the formulation of the paragraph was intended to be a reasonable compromise between the need to provide for effective protection, notably by not making the use of enforcement procedures too onerous, and the need to avoid obstacles to legitimate trade. The paragraph should be read in conjunction with paragraph C.3, which imposed a rather strict obligation for compensation of defendants wrongfully restrained by provisional measures. In response to another question, he said that, although there was no specific limitation on the amount of security that might be required, a prohibitive security requirement could not be considered to be in conformity with the general principles of Section A, which obliged signatories to provide for effective protection. Explaining the term "reasonably available evidence", he said that this could also have been formulated as "evidence which can be expected to be available to the applicant." Thus, the applicant would be required to make certain efforts to obtain evidence within reasonable limits. Responding to a view that rules relating to the preservation of evidence were related to judicial procedures as a whole and not just provisional measures and therefore should not be in this Section, the representative of the European Communities said that in his view the provision was correctly placed, because action to preserve evidence was a kind of provisional measure, i.e. a measure taken in preparation for court proceedings and requiring action by the judicial authorities within a shorter time-frame than that for general judicial procedures.

C.2 Responding to questions, the representative of the European Communities agreed that the phrase "notwithstanding a request by the defendant" might be better formulated "even in the absence of a request by the defendant". Replying to comments that the period of one month for the initiation of procedures leading to a decision on the merits was in the view of one participant too long and in the

view of another might be too short, he said this period was aimed to be a reasonable balance between conflicting objectives; it corresponded with practice in the member States of the Community. A participant, noting that the law of his country did not contain provisions along the lines of those in paragraph C.2 as well as those in the part of paragraph C.3 concerning compensation, said that his delegation recognised that such provisions might be desirable and was prepared to look at their possible introduction in the light of the overall result on TRIPS. Another participant said that the specific content of procedures of the sort proposed in paragraph C.2 should be left to be determined by each country's domestic legal system. This participant also doubted the appropriateness of the provisions in the paragraph to measures to preserve evidence.

C.3 The view was expressed that an entitlement on the part of the defendant to claim compensation was a rather weak formulation, compared to an entitlement to compensation. The representative of the European Communities said that the formulation was intended to indicate that the defendant would have a claim and could claim compensation. Responding to questions, he confirmed that the paragraph intended to impose on the applicant liability for any injury during a period of injunctive relief in any case in which the rights owner lost the case on the merits. Commenting on the view that this might have a chilling effect on the use of enforcement procedures, he said that an applicant seeking provisional measures, which were applied under conditions less strict than those of decisions on the merits in court procedures, consciously took a risk. The obligation to compensate the defendant for any injury suffered was only the equal sharing of the risk between both sides of the litigation. He further said the "any injury" referred to would include unrealised profits. Responding to a question about the absence of a provision in paragraph C.3 on the possibility of allowing claims for compensation from the authorities, like in paragraph B.6, he said that such a possibility was not excluded by paragraph C.3. It had not been mentioned because Section C concerned judicial action and in practice it would be unlikely that any country would create an obligation for the judiciary to pay compensation. A participant said that it might be prohibitively difficult or expensive for a defendant to claim compensation from an IPR holder resident in a foreign country. Requirements on the provision of adequate security by the applicant might help in this respect, but they had the disadvantage of discouraging the use of enforcement procedures. Another participant wondered what was meant by "adequate" compensation.

D.1 Some participants asked why the obligation to provide direct border intervention by customs authorities was limited to counterfeit goods, in the sense of trademark counterfeiting. A participant hoped that the Community would be prepared to extend this obligation to other forms of counterfeiting, such as in the areas of industrial designs and indications of source. Some of these participants thought in particular that copyright piracy should be covered by obligatory border procedures. One such participant said that presently in his country all decisions concerning the stopping of the importation of infringing goods had to be made by courts. However, his country would be prepared to consider, depending on how generally acceptable a TRIPS package was formulated, amendments to its trademark law to allow for interim detention by customs authorities prior to substantive determination by courts in contested cases. His country was also considering such a provision in respect of copyright piracy, in respect of which he considered administrative action might raise fewer difficulties. Another participant agreed with the definition of counterfeit goods in this paragraph and would be opposed to the extension of obligatory border enforcement measures to other IPRs. A further participant agreed with limiting such obligations to trademark counterfeiting as a first step; extension to other IPRs should be considered at a later stage. The representative of the European Community recalled that as indicated in the introduction to the Community proposal, the question of extending the obligation to cover types of infringement other than trademark counterfeiting was still under study. He recognised that there might be good arguments for such extension. Responding to a question, the representative of the European Communities said that normally suspension of release of goods would result in the physical detention of the goods in customs. However, where simplified customs procedures were applied, detention of the goods could take the form of customs authorities ordering the importer not to remove the goods from his warehouse. In response to a question concerning both paragraphs D.1 and D.2, he said that the term

"competent authority" had been used in the proposal to cover both courts and administrative authorities: it should be left to each national legal system to determine the authority which would be competent.

D.2 Responding to a comment that the standard of "full knowledge of the facts" in the second sentence might be unduly high, the representative of the European Communities said that the intention had been that the applicant should present all the evidence available to him, including that justifying his valid grounds for suspecting that the importation of counterfeit goods was contemplated, as set out in paragraph D.1.

D.3 Responding to questions on the use of the term "prima facie", the representative of the European Communities said that the intention had been to mitigate the risk of unjustified obstacles to trade by limiting border enforcement procedures to obvious infringements that were susceptible to detection by customs authorities. For example, there would normally be a considerable difference between the difficulty of detecting a patent infringement and that of detecting a counterfeit trademark. He added that it should be borne in mind that the proposed procedure was not envisaged as being limited to intervention by customs authorities upon a request with regard to a specific shipment (although that should be possible), but as enabling a right holder having valid grounds for suspecting the importation of infringing goods to request that imports be monitored for a certain period of time. Hence, the requirement of obviousness of the infringement was justified and necessary. A participant doubted that his delegation could accept a provision in a future TRIPS agreement relating to direct border intervention by customs authorities with regard to goods infringing other types of IPRs than trademarks. Another participant wondered what was the reason for purely permissive provisions, such as paragraph D.3 and also paragraph D.9.

D.4 Responding to a question on why there was a distinction between trademark counterfeiting and other IPR infringements with respect to the security requirement, the representative of the European Communities said that this distinction reflected the Community view that the risk of creating barriers to legitimate trade would be somewhat higher where border procedures were applied to infringements other than trademark counterfeiting. Hence, a stricter safeguard was proposed.

D.5 Some participants thought a period of two weeks was unduly long for merely referring a case to the competent authorities. Others were of the opinion that, especially with regard to patent infringements or other complicated types of infringement, the time required for gathering of evidence and for other preparations necessary before commencing a procedure on the merits before the competent authorities might be such that even the period of one month, provided for in the Community proposal in exceptional cases, could in practice prove to be unrealistic. A participant said that the Trademark Act of his country allowed a one month period. In response, the representative of the European Communities confirmed that the proposed time-limit would be applicable both to actions concerning counterfeit goods and actions concerning other infringements of IPRs. In his view, the proposal struck a reasonable balance between concerns related to effectiveness and concerns related to the avoidance of obstacles to legitimate trade.

D.6 Some participants were concerned that the provisions of this paragraph might be too far-reaching, and might conflict with existing national law and with the rights of third parties. Another participant asked why the paragraph permitted the maintenance of limitations in national laws on giving information to the right holder. In response, the representative of the European Communities said that this was a recognition that national laws differed significantly in regard to the protection of this type of information.

D.7 Some delegations asked for clarification; if the provision was aimed at parallel imports, it was unclear to them which categories of cases it would cover. A delegation said that it would be unacceptable to require border measures in respect of parallel imports, even though such parallel imports

might be subject to domestic civil remedies. It was asked whether this was really an enforcement issue or one of substantive standards. In response, the representative of the European Communities said the paragraph simply expressed the position that it would not be justified to decide, through a border enforcement mechanism of the sort proposed, on the legitimacy under substantive law of imports of goods that had been marketed with the consent of the right holder. Such questions regarding parallel imports and the exhaustion of rights should be left to judicial authorities deciding on the merits of cases.

D.8 Responding to a question, the representative of the European Communities said that the provisions on deterring and depriving those responsible for the infringement of economic benefits should not be considered to be limited to the manufacturer of the infringing goods. In fact, given the principle of territoriality, the manufacturer would usually not be the person covered. More normally, the person responsible for the infringement would be the importer or other person participating in the infringing activities within the country where the enforcement of the IPR was sought. He did not see problems with the implementation of forfeiture of goods not detained at the border, for example those detained in the importer's warehouse. Explaining the last sentence and in particular the preclusion of the re-exportation of goods in an unaltered state even when they might not be infringing in a third jurisdiction, he said that, if the importer could simply re-export the goods, he would be able then to attempt to re-import them at other customs posts and if he tried often enough he might well eventually be successful. The same reasoning concerned the preclusion of the availability of other customs procedures to such goods.

D.9 In response to questions on why this provision was permissive, the representative of the European Communities said that this reflected the Community view that in general obligations on ex officio procedures would not be as efficient in securing effective enforcement as obligations to provide for procedures upon request. He agreed with views that ex officio procedures entailed risks of barriers to legitimate trade at least as great as in regard to procedures on request, and that further thought might need to be given to safeguards in this respect.

D.10 Responding to questions, the representative of the European Communities said that this provision would apply to border enforcement with regard to any IPR. It would depend on the individual case whether a small consignment would be considered to be for commercial use. For example, a small consignment sent by a private person outside the country to a private person within the country would presumably be for non-commercial use; however, a small consignment sent by a commercial entity outside the country would normally be considered to be for commercial use. He also said, in response to comments, that there was no intention to exclude small but nevertheless valuable consignments; the text might need to be made clearer to reflect this.

26. In regard to Section E, some participants said that, although they could agree that criminal sanctions should be sufficient to be an effective deterrent, a requirement to provide for imprisonment would pose a problem for their countries, where there was a general policy to keep offenders out of prison except where they might be a danger to society. A participant stressed that it should be up to each country to decide what kind of penalties should be provided. Another participant felt there was need for more detailed provisions on the operation of criminal procedures, comparable to those provided on civil procedures, including on obtaining evidence. The view was also expressed that it would be inappropriate to deal with criminal procedures in a TRIPS agreement. In response, the representative of the European Communities, noting that there were views both that the Section was too detailed and that it was not detailed enough, said that the proposal had resulted from an attempt to balance a number of conflicting considerations. National criminal law procedures varied widely between countries and it would be difficult to specify in greater detail elements of criminal law procedures. The Community had thought it sufficient, at least at this stage, to set clear objectives on what should be achieved substantively in this regard.

27. A participant said that his delegation's preliminary views on enforcement could be summarised as

follows. The objective should be to protect IPRs, in particular by action against trade in and production of goods violating IPRs, and to avoid creating barriers to trade. Enforcement should be conducted on the basis of both established GATT principles and principles of existing IPR conventions, and differences in the national legal systems of individual countries should be respected. More predictability and uniformity should be introduced in the area of enforcement by specifying the essential elements which should be available in countries to enable the enforcement of IPRs. The elements should include internal and border measures, judicial and administrative procedures, forms of relief and remedies, conditions required to establish the right to protection, rights of defence and counterclaim, and safeguards against the abuse of enforcement procedures. Countries should remain free to decide on the type of internal procedures they might use, taking into account the type of IPR and of infringement. Internal procedures should ensure due process of law and minimise interference with legitimate trade. Border enforcement mechanisms should provide for the prevention of imports of goods infringing IPRs and for the possibility of seizure of such goods. Border procedures should also provide safeguards against their abuse and the creation of unjustified obstacles to legitimate trade. While all IPRs could be subject to domestic enforcement mechanisms, border mechanisms might have to be limited to some types of IPRs like trademarks.

28. Another participant said that, when discussing the provision of effective and appropriate means for the enforcement of trade-related IPRs, a number of important considerations had to be borne in mind. First, for the most part it was not possible to provide separate procedures for the enforcement of IPRs. These procedures were dependent on the general civil and criminal procedures of the country which applied to all substantive laws. It had to be considered if it would be realistic to expect that changes could be brought about in the administrative and judicial systems of participants for the sake of enforcement of one category of rights. It was for this reason that the TNC decision provided for the taking into account of differences in national legal systems, and it followed therefore that a very detailed set of rules could not be aimed at. He believed that the approach that the Community had adopted in Section E of its paper, namely to leave criminal procedures to the criminal law system of each country because it would be difficult to specify in greater detail elements of procedures of criminal law which varied widely, was correct and should apply to civil procedures as well. It would be advisable to stay at the level of general principles and to concentrate on a few fundamental procedural features. Second, it had to be remembered that an IPR was fundamentally the private right of an individual owner. It was for the owner of the IPR to set in motion the enforcement machinery and this responsibility could not be shifted to the national government. Third, given the paucity of resources in developing countries for their economic and social development and the varied and competing demands on those scarce resources, it was not possible for developing countries to allocate additional resources for the enforcement of IPRs. It was only through their normal administrative and judicial system that developing countries were in a position to provide for such enforcement.

29. A participant stated that each national legal system should enjoy the necessary flexibility to deal with the enforcement of IPRs as was reflected in the April TNC decision. His country had a system adequate for the enforcement of rights in general and IPRs in particular and it would not be possible to attempt to bring its internal judicial and administrative mechanisms to conform to any proposals that went beyond the laying down of general principles for enforcement. As for border enforcement, it was better dealt with separately in the context of agenda item II relating to trade in counterfeit goods - as was called for by the Punta and April TNC decisions.

30. A number of comments were made and questions raised on Section IV, relating to enforcement procedures, of the United States' proposal (NG11/W/14/Rev.1). Offering a preliminary assessment, a delegation said that it considered the submission too detailed in some respects and inadequately specific in others. Providing responses to a question on the applicability to paragraph 7 (civil remedies) and 9 (border measures) of the general principles stipulated in paragraphs 1-6 and 10-11, the representative of the United States said that the fundamental tenets of due process would apply to all procedures. Referring to the application of these tenets to provisional measures, he said that ex parte action could be taken without prior notice in some instances but such action would have to be accompanied by an opportunity to present

information and evidence. He did not believe it feasible to spell out exact time-limits for enforcement procedures generally. That would involve an excessive and inappropriate level of detail for a TRIPS agreement. The comments, and responses by the United States to questions, on specific paragraphs of the United States proposal are summarised below.

Paragraph 2(b). The question was raised whether the obligation to initiate ex officio action applied generally, or more specifically to either judicial or administrative procedures. The representative of the United States replied that ex officio action in his country was taken mostly by customs authorities or by prosecutors and was therefore largely initiated by an administrative authority, even where it was prosecuted through judicial procedures.

Paragraph 3. Some participants said that it should be specified that the competent bodies to hear complaints must be available equally to foreigners and nationals, and apply equally to foreign goods and domestic goods, for example by the application of the national treatment principle. In reply the representative of the United States said that he expected to present further United States thinking on these concepts to the Group in the near future.

Paragraph 4. Responding to the comment that the question of the points of intervention was a matter of substantive standards as well as enforcement, the representative of the United States said that the intention was to put forward the points of application for enforcement purposes of norms rather than to define the substantive standards themselves. A delegation expressed its understanding that the phrase "at the point of production" in this paragraph referred to activities directly related to the production itself. The representative of the United States replied that this was a reference to infringements occurring at the point of production.

Paragraph 5. A participant said that it was difficult to establish common procedures for all kinds of enforcement - administrative, judicial, civil and criminal. By attempting to do so, he believed that the United States proposal had not adequately differentiated the procedures and the principles applicable to each; for example, the requirement in paragraph 5(b) that parties should be allowed to appear through representatives was clearly inappropriate for criminal procedures. The representative of the United States replied that his delegation believed that sufficient flexibility was provided for, for example in paragraph 5(b) through the use of the phrase "to the greatest extent possible". Nevertheless, his delegation would welcome suggestions on how procedural rules might need to be differentiated according to the type of law.

Paragraph 5(a)(ii). A participant questioned the appropriateness of requiring the application of the "same" substantive standards rather than non-discrimination in the application of substantive standards between imported and locally produced goods. There might be instances where it would be appropriate to differentiate; a possible example related to the principle of exhaustion of rights. Responding, the representative of the United States said that, although he was not convinced by the example given, he believed that a better way of dealing with any specific situations where differentiation might be appropriate would be to place them in a list of exceptions while retaining the clear general requirement to apply the same standards. In dispute settlement proceedings it would be easier to evaluate whether the "same" standards applied than whether the standards did not discriminate, the latter being an effects-based criterion.

Paragraph 5(a)(iv). Responding to a request for clarification of the phrase "fair and open manner", the representative of the United States said that what was intended by this phrase was in large part spelt out in the requirements for due process and transparency contained in his delegation's proposal.

Paragraph 5(b). The view was expressed that the requirements contained in this paragraph were too specific. Cross-examination, for example, was a feature of common law countries, generally not

available in civil law countries. It would be difficult for such a requirement to be adopted by all signatories to a TRIPS agreement. The representative of the United States said that provision for cross-examination was not an obligation in the United States proposal; the point was used illustratively. What was an obligation was the requirement to provide conditions and provisions ensuring reliability and fairness, which he believed would be generally unobjectionable. In his view the paragraph incorporated a great deal of flexibility that could accommodate differing legal systems. He was ready, however, to engage in a joint effort aimed at extracting mutually acceptable principles from differing national procedures, or perhaps at providing for rules in the alternative, as may assist in providing effective enforcement.

Paragraph 5(c). A participant said that, while problems of confidentiality arose in all legal systems, the "protective order" system was specific to the legal system of the the United States and that of a few others. It could not be expected that other countries would be prepared to introduce such a procedural requirement, not limited to the enforcement of IPRs, into their general civil and criminal law procedures. In response, the representative of the United States said that the term "protective order" was not intended as a term of art of United States law. The provision suggested here had been drawn from the GATT Anti-Dumping Code. It did not impose an obligation to provide for a system of protective orders, but merely required that, if confidential information were to be disclosed, this could only take place where there was an adequate system for protecting it.

Paragraph 5(d). Some participants had considerable doubts as to the appropriateness of proposals to provide special procedures for international cooperation in the gathering of information. They referred to existing agreements such as the Hague Convention on this matter and argued that it would be inappropriate to establish a system of cooperation limited to only one category of civil or criminal disputes, namely those relating to IPRs. It was true that certain GATT agreements did provide for special mechanisms in this regard but those agreements related to procedures established for specific purposes and did not form part of general civil and criminal procedures. The delegate of the United States said that his delegation was not attempting to set up a special system of procedures for enforcing IPRs. He pointed to what he considered to be an important qualifying phrase; namely that the procedures must permit the taking of evidence "in any manner not prohibited by national law". He stressed the view of his delegation that a mechanism enabling parties to a dispute to secure information in order to defend and enforce their IPRs was an essential feature of an effective system for enforcement of IPRs. In the absence of international cooperation in this regard, there was a risk that countries, left to their own devices, would resort to other methods, such as in the field of evidentiary rules and shifting burdens of proof, that might prove more onerous.

Paragraph 5(e). A participant doubted the appropriateness of making the outcome of a private dispute a function of the behaviour of a foreign government. This would entail a questionable mixture of public law principles with private litigation.

Paragraph 7 (a). Replying to the comment that the provisions on seizure at the border were not sufficiently circumscribed and would permit the possibility of easy abuse, the delegate of the United States said that the proposal provided procedures to prevent abuse, such as a requirement to provide security, similar to those suggested by the European Communities, the GATT Group of Experts on Trade in Counterfeit Goods and the Draft Agreement on Trade in Counterfeit Goods.

Paragraph 7 (b). Responding to a question on the time-limit on interim measures, the representative of the United States said that this was dealt with by the general principles of due process requiring effective and prompt action rather than in terms of specific time periods. Preliminary injunctions would remain in force until there were reasons for setting them aside, or until the judicial process had concluded in favour of making them permanent.

Paragraph 7 (c). Responding to questions, the representative of the United States said that the conditions under which monetary awards to compensate fully owners of IPRs could be requested would depend on several factors such as whether the infringement was considered wilful, commercial and egregious and also whether lost profits could be recovered. As regards the award of statutory damages, the actions in respect of which statutory damages were most applicable were those involving wilful, flagrant violations of IPRs, particularly those on a commercial scale. The damages in these situations were intended to contain an element of deterrence.

Paragraph 9 (a). A participant said that it was difficult to understand how goods in transit in a country could be considered to infringe an IPR in that country. Goods in transit were not deemed to have entered the customs territory and so the question had to be asked if they were subject to the national law of the country of transit. A similar question was posed concerning the applicability of the IPR legislation of the country of transit where goods were moving between two countries in which the law deemed them to be non-infringing. The representative of the United States said that there were many issues in connection with transit, notably which the law of which county should be applied, which his delegation was examining. It might be appropriate to provide for the possibility of action on the request of other countries including third countries or the country of ultimate importation. He hoped other delegations would put forward their thoughts and provide information on their various national practices in this regard.

Paragraph 9 (c). A participant said that providing an option to signatories to provide either for ex officio action or for action at the request of the rights holder would be unsatisfactory, especially if a signatory were to place exclusive reliance on the former. In order to ensure effective enforcement, there should be an obligation to provide for action upon request of the rights holder, with the use of ex officio action being left open as an option to signatories.

Paragraph 9 (d). A participant was interested in how long goods could be detained pending a determination.

Paragraph 10. It was suggested that remedies and sanctions against the producer could apply only to the extent that it was located within the country. In response to a question as to what might be the "appropriate cases" under which remedies and sanctions should be available against the user of an infringing good or service, the representative of the United States said that an example would be infringements involving the illegal use of a patent.

Paragraph 11. A participant said that this provision, which he saw as central in the United States proposal to the provision of safeguards to prevent obstacles to legitimate trade, could be considerably reinforced to limit the easy abuse that the relatively broad formulations used in other provisions might otherwise allow. Responding to a question whether paragraph 11(b) also applied in respect of ex officio action, the representative of the United States said that his country's customs regulations provided for such indemnification.

31. A participant said that her delegation saw the issue of enforcement as closely related to that of trade in counterfeit goods, although it recognised that there existed differences between the two in some details. One of the essential principles that should guide the deliberations on enforcement was the clear recognition of differences in national legal systems; this meant that the same criteria and procedures could not be expected to be established in every country. A multilateral agreement on enforcement should have as its objective the prevention of enforcement measures from becoming obstacles or distortions to legitimate trade. The objective should not in any way imply an attempt in the GATT to create a new international intellectual property system. Signatories to a TRIPS agreement should provide administrative and judicial mechanisms for the enforcement of intellectual property rights both internally and at the border. The provision of enforcement measures should be guided by a set of broad and pragmatic criteria such as effectiveness, appropriateness and due process of law,

taking fully into account the flexibility necessary in each country. The obligations on signatories should take the form of establishing laws and providing enforcement mechanisms, not that of compensating private right holders in case of infringement. She made five points in regard to internal measures. First, the obligation to provide an effective and appropriate mechanism should be confined to certain types of IPRs, the coverage of which would have to be discussed under the agenda item on standards and principles. The requirement that the enforcement mechanism be appropriate meant that it should be commensurate with the specific circumstances in each country. Secondly, the responsibility should be on right holders to secure, in accordance with the mechanism laid down by government, the enforcement of their rights. States should have the right, but not the obligation, to take ex officio action. Thirdly, internal measures should not apply to goods in transit. Fourthly, internal measures, including provisional measures, should be governed by the concept of due process of law and the objective that the measures themselves must not adversely affect legitimate trade. Fifthly, the concept of liability should not be strictly applied in respect of claims for recovery of profits. In regard to enforcement at the border, including in relation to trade in counterfeit goods, she said that obligations should be confined to the IPRs which were easily detectable, namely trademarks. Their application might, at the most, be extended to trade names and false indications of source. Each signatory should have the right to regulate enforcement measures for other types of IPRs. Border measures should not be applied to parallel imports and imports of small quantities for non-commercial purposes. The concept of due process of law and the objective of preventing border measures from adversely affecting legitimate trade should also be fully respected. In relation to the acquisition of IPRs, she said that this matter was outside the scope of enforcement and should be left to each country to decide upon.

32. In response to questions seeking information on Japanese border enforcement procedures provided for under Articles 21 and 109 of the Japanese Customs Tariff Law and on the availability, with respect to the enforcement of trade secrets, of injunctions against third parties, the representative of Japan said that he would revert to these matters in the future.

II. Trade in counterfeit goods

33. A participant said that the Punta del Este and the April TNC decisions had mandated the Group to deal with the subject of trade in counterfeit goods separately. This distinction was important because action against counterfeiting was more directly related to the objective of preventing trade distortions. His delegation supported the development of a multilateral framework of principles, rules and disciplines in this regard. Such a framework should deal only with certain procedures and remedies to be applied at the border to imported goods. The basic objectives should be: (i) to provide for measures, procedures and remedies to discourage international trade in counterfeit goods; and (ii) to ensure that measures, procedures and remedies do not themselves become barriers to legitimate trade. The scope of a multilateral framework should extend to trademarks; that is, the substantive provisions should include an obligation to prohibit the importation of goods infringing trademarks. There should be provision for the suspension of clearance from customs, at the request of the owner of a registered trademark, of goods suspected to be counterfeit. However, such suspension should be for a limited period and action should be taken only upon an undertaking by the person making the application to indemnify the customs authorities and to compensate any importer for any loss or damage resulting from the suspension of clearance of goods which proved to be not counterfeit. There should be provision for inspection of suspect goods by the owner of trademarks. Where, in judicial or administrative proceedings, it was determined that counterfeit goods were liable to forfeiture as prohibited goods, the customs authorities should dispose of the goods in such a manner as to destroy them or put them outside normal commercial channels. Referring to comments on the difficulties of extending the scope of the definition of counterfeiting, he said that his delegation was also aware of the arguments in its favour and was willing to explore such an extension to include copyright while trying to ensure that measures taken would not themselves become non-tariff barriers to trade.

34. A participant renewed his country's invitation, made in document NG11/W/11, to members of the Group that were interested in combating the problem of counterfeiting to sign the Madrid Agreement for the

Repression of False or Deceptive Indications of Source on Goods of 1891. As the purpose of that Agreement was the control of counterfeit goods by customs authorities, it would be a good starting point for discussion. In his view the fact that such a legal text existed should inform the Group's work in its development of a multilateral framework for trade in counterfeit goods, as should other work undertaken in GATT on this subject. He believed that it should be possible to discuss the extension of the coverage of the Madrid Agreement to cover trademarks. He found it surprising that those who had claimed that this Agreement was limited in nature had not requested for its review in WIPO with a view to extending its coverage to other IPRs. He urged participants to study the Madrid Agreement in detail with a view to reaching agreement as to its validity for the work of the Group.

35. Some participants, emphasised the need to deal with this agenda item separately and the importance they attached to this matter. One of these participants said that the Group still had the task of developing a multilateral framework taking into account previous work, such as the Report of the Group of Experts which contained a number of useful points including on the objectives of joint action in this area. He stressed that the definition of counterfeiting should be confined to trademark infringement. The discussion on enforcement had, in his view, pointed to the risks of creating obstacles to legitimate trade that would arise if the scope were widened to cover other IPRs; the identification of infringing goods by customs authorities would be more difficult for patents or even copyright, than for trademarks. The greater trade-relatedness of this agenda item compared to others meant that the need to avoid the risks of creating trade distortions was especially important.

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

36. The representative of WIPO informed the Group of two recent events that had taken place in his organisation. First, a Treaty on the International Registration of Audiovisual Works had been adopted in Geneva in April. This Treaty was relevant to the Group's work as one of its aims was to facilitate the fight against the piracy of audio-visual works. Second, in May, a Treaty on Intellectual Property in Respect of Integrated Circuits had been adopted in Washington. This Treaty was relevant to the Group's work under the agenda item on standards and principles. He also informed the Group of developments that had taken place since the document on WIPO's activities of relevance to the Group's work (NG11/W/5/Add.7) had been prepared. In the previous week a Protocol to the Madrid Agreement concerning the International Registration of Marks had been adopted; it had already attracted nineteen signatories and would be open for signature by others until the end of the year. Further, the International Bureau had received Lesotho's instruments of accession to the Paris and Berne Conventions. Lesotho had become the hundredth member of the Paris Convention, which constituted an important step towards making that Convention more universal. It had also become the eighty-third member of the Berne Convention. Finally, China had submitted its instrument of accession to the Madrid Agreement Concerning the International Registration of Marks. This constituted an important step towards the geographical spread of that Agreement because hitherto its membership had been restricted to the countries of Europe and North Africa. He expressed the hope that other countries, in the Far East and in other regions, would accede in the near future.

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

37. The Chairman confirmed that the next meeting of the Group would be held on 12-14 July. As agreed in May, the Group should focus on agenda item I(B) (standards and principles) but the full agenda would be before the Group giving an opportunity for any matter to be discussed.