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

MEETING OF NEGOTIATING GROUP OF 11-13 SEPTEMBER 1989

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

Note by the Secretariat

1. The Group adopted the agenda proposed in GATT/AIR/2821 with the inscription under "Other Business", at the request of the Chairman, of two matters concerning respectively the proposals for secretariat papers and the request by Unesco for attendance at meetings of the Group. As agreed at its July 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 agenda items I(B), I(D), I(E) and I(F).

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

- Applicability of the Basic Principles of the GATT and of Relevant International Intellectual Property Agreements or Conventions, submitted by India (NG11/W/39);

- Enforcement of Trade-Related Intellectual Property Rights, submitted by India (NG11/W/40);

- Multilateral Framework for International Trade in Counterfeit Goods, submitted by India (NG11/W/41);

- Enforcement of Trade-Related Intellectual Property Rights, submitted by Canada (NG11/W/42);

- Enforcement of Trade-Related Intellectual Property Rights, submitted by Japan (NG11/W/43).

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

3. Introducing the Indian submission in NG11/W/39, the representative of India recalled the view of his delegation that it would not be appropriate to establish within GATT any new rules and disciplines on IPRs. Therefore there could be no link between the basic principles relating to IPRs and the GATT system. Without prejudice to this position, his delegation had identified the basic principles of the GATT and examined their applicability to IPRs, and also those of international intellectual property conventions with a view to examining their adequacy as was required by the April TNC decision. The generally recognised basic principles of the GATT were most-favoured-nation treatment, national treatment, protection through tariffs, stable basis for trade, transparency and differential and more favourable treatment of developing countries (paragraphs 4-8 of NG11/W/39). In his view only the latter two principles were relevant for IPRs; these were relevant for reasons inherent to them, not because they figured in the General Agreement. The mfn principle of GATT was inapplicable to IPRs as it concerned governmental measures at the border affecting international trade in products whereas in the case of IPRs the concern was the protection of the intangible rights of private parties within national boundaries. The GATT national treatment principle was inapplicable to IPRs because it pertained to the treatment of imported products and like products of national origin and not to that of persons or of their intangible rights. It was not surprising that most GATT principles were not directly applicable to IPRs because the GATT stood for free trade and fair competition whereas the essence of the IPRs system was its monopolistic and restrictive character. As regards the main international intellectual property agreements, the Paris and Berne Conventions, the basic principles enshrined in them were freedom on scope and level of protection, national treatment, balance of rights and obligations, primacy of public interest, non-reciprocity and independence of protection (paragraphs 10-15 of NG11/W/39).

4. Some participants welcomed the submission made by India and extended their preliminary support to the views expressed in it. It was said that the submission constituted the first structured treatment of the issues from the point of view of developing countries. A participant said that it was not convinced that some of the basic GATT principles were not applicable to IPRs; for example, denial of the applicability of the GATT national treatment principle to IPRs would not be in conformity with India's support for the adoption of a recent panel report concerning this issue. The national treatment principle was relevant once it was admitted that measures relating to the protection and enforcement of IPRs might have an impact on the sale and distribution of goods. In his view, India appeared to acknowledge such relationships in its other submissions to the Group (NG11/W/40 and NG11/W/41). In response, the representative of India said that internal enforcement measures did not relate to trade whereas the issue of counterfeit goods was clearly trade-related as it involved the use of border measures in controlling counterfeit imported goods.

5. The comment was made that it was difficult to understand the Indian position that the principle of differential and more favourable treatment of developing countries, which only had meaning in relation to GATT obligations, was applicable while at the same time other GATT principles were not. Various delegations said that the principles of balance of rights and obligations between signatories, non-reciprocity and reciprocity, should be reflected as basic GATT principles. The representative of India replied that the principle of balance of rights and obligations in international intellectual property conventions differed from that in GATT, because in respect of the former it applied to private owners of IPRs whereas in GATT it applied to governments.

6. With regard to paragraphs 11.1 and 11.2 of the Indian paper, a participant disagreed with the characterisation of freedom on scope and level of protection as a basic principle, arguing that it took inadequate account of the common substantive standards relating to, among others, the rights conferred on right holders that were prescribed in international intellectual property conventions. The freedom referred to in the Indian submission had arisen more because of inability to reach agreement among member States in the past on these

substantive standards. The fact that most international conventions had been the subject of successive revisions aimed at higher standards demonstrated that no such basic principle existed. Moreover, if such freedom had been granted it was difficult to understand why India had not adhered to all of these conventions. Replying, the representative of India said that, although common standards had been agreed upon in some areas, in others it had been recognised that this was not desirable; the freedom allowed to countries was a conscious decision of the international community.

7. With regard to the statement in paragraph 12.2 that the national treatment principle in intellectual property conventions was extended only through the domestic law, the comment was made that this did not follow from the wording of Article 2(1) of the Paris Convention as implied in the submission. Replying, the representative of India said that Professor Bodenhausen in the introduction to his Guide to the Application of the Paris Convention had categorised the national treatment provision as one whose implementation required the intervention of domestic law; this was in contrast to another category of provisions containing rules of substantive law, the contents of which could directly govern the situation in those countries where international treaties were self-executing in nature.

8. Some general remarks were offered on this sub-item of the agenda followed by a discussion in turn of each of the groupings of basic principles indicated in paragraphs 9-22 below. In his general remarks, a participant stressed the importance of preserving the concept of multilateralism in discussion of IPRs. That did not imply however that these matters had to be addressed in GATT. For example, the appropriate standards of intellectual property protection could be prepared in WIPO. Another participant said that the points made on some basic principles appeared to be based on a presumption that the outcome of the negotiations would be a GATT agreement. It had to be borne in mind that questions relating to the contractual nature of obligations in any final agreement, as well as to its forum of implementation, were as yet undecided. Priority should be given to the examination of WIPO principles, but any provisions resulting from the work should be non-mandatory in character. It was also said that the consideration of basic principles had to be taken up in their trade context. A participant said that only mfn/ non-discrimination and national treatment were basic principles, in the sense that they were capable of legal expression as commitments independent of other provisions. The other proposals were not basic principles in this sense since they would need the development of rules to apply them. Some participants said that agreement on the applicability of basic principles should be reached as a package, so as to ensure a balance of rights and obligations among participants. Some GATT principles in their present form were not applicable to TRIPS; the Group should consider how GATT could be made to apply to IPRs in the light of their specific characteristics.

(i) <u>National treatment and most-favoured nation treatment/non-discrimination</u>

9. Some delegations underlined the importance of these principles for the work of the Group. It was said that the principles of national treatment and mfn treatment should form an important part of any TRIPS agreement. Even though their formulation differed in IPR conventions and in GATT, the GATT principles, with suitable adaptations, would be relevant to IPRs. Some delegations reiterated their view that there were difficulties with the application of the GATT national treatment and mfn principles to IPRs because the principles in GATT applied to goods while those in IPR conventions applied to persons; it was necessary to demonstrate their applicability before advocating their application. A participant suggested that this distinction between the two national treatment concepts did not really exist if the issue was seen in the light of the precepts of jurisprudence according to which rights were always attached to people and not to goods; this meant that, even in GATT, rights were attached to sellers and buyers of goods and not to the goods themselves. In response it was said that this point addressed the question of who was the beneficiary of the GATT principle rather than to what it applied. Another participant said that the GATT national treatment principle could be easily transposed to a TRIPS agreement irrespective of where this was implemented. Even as presently formulated, Article III:4 applied to IPRs, since it concerned all laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of goods. Moreover, it was not necessary to be concerned about the distinction between national treatment as applied to goods and to persons because in many instances

the equal treatment of goods required equal treatment of persons. The GATT principle might however require greater specification in the TRIPS context, but that was for later when the shape of the agreement became clearer. It was said that, although the GATT principles of mfn and national treatment could not be easily transposed to IPRs, the Group should consider different ways of applying these notions, bearing in mind their links to other principles such as reciprocity/non-reciprocity. The view was expressed that the same national treatment should apply to both standards and enforcement.

10. The representative of India emphasised that the national treatment principle of IPR conventions applied only to the protection of IPRs and not to their use. In certain circumstances the use of foreign trademarks in the domestic market might have to be determined in the light of several other considerations including those of public interest.

11. Some participants had doubts about the need for mfn/non-discrimination principles, arguing that such principles were not contained in the intellectual property conventions and that the question of their applicability arose only when national treatment did not apply, for example if foreigners were granted more favourable treatment than nationals. It had to be considered how often such situations were likely to arise. Another participant expressed reservations about mfn treatment, saying that it went beyond national treatment; if such a principle were included, its acceptance should not be made obligatory. Some other participants said that there were situations where treatment more favourable than national treatment was being accorded to some foreigners, as a result of recently concluded bilateral agreements, to the detriment of nationals of their countries. The mfn/non-discrimination principle was vital in ensuring the multilateral character of what was agreed and that the benefits extended under bilateral agreements applied to the nationals of all countries. A participant added that there might be situations where regulations only affected imported goods, for example in respect of parallel imports and certain procedures applicable solely to imported goods; in such cases the national treatment concept would be irrelevant and an mfn commitment would be essential.

12. One participant saw another difficulty in applying an mfn principle to IPRs, that of identifying the nationality of the real owners of rights, especially when these were multinational companies. However, as there could be cases where more favourable treatment could be granted to foreigners and some delegations had referred to experience of discrimination between foreign countries in this connection, his delegation would be willing to examine further the applicability of the mfn principle. Another speaker drew a distinction between the principle of mfn treatment and that of non-discrimination. The former applied in respect of advantages, favours, privileges or immunities granted while the latter was concerned with the imposition of restrictions. It was also said that the mfn principle should be studied further with a view to eliminating the risk of reciprocity.

13. A participant said that, assuming that there was no intention to derogate from existing obligations, it had to be realised that, irrespective of the content and forum of implementation of a final TRIPS agreement, the GATT national treatment and mfn principles and the national treatment principle of international intellectual property conventions already existed and would continue to apply. The question was therefore one of clarification rather than of negotiation. What remained as matters for negotiation were first, to what extent the national treatment and mfn principle as concerning goods and the national treatment principle as concerning rights holders should apply in a final TRIPS agreement and second, whether in such an agreement the mfn principle should also be extended to apply to right holders.

(ii) Transparency

14. The representative of Switzerland urged the Group to consider the proposal concerning prior notification put forward by his delegation last year (in document NG11/W/25) which envisaged that draft legislation would be circulated to other contracting parties, so that informed comments could be made by them, thus diminishing the risk of conflicts arising in this area. He stressed that there was no intention to place restrictions on national sovereignty: countries could decide whether to take account of others' concerns. Another participant raised doubts about the usefulness and feasibility of such a system of prior notification. He said that transparency

should imply a commitment to make available to the public, through publication in official gazettes, relevant laws and acts regulating the subject; it would also mean the establishment of mechanisms to oblige IPR holders to disclose information as a condition of protection as well as information concerning the absorption of know-how by licensees. Transparency should also imply the commitment to indicate conditions under which IPR holders exploit their inventions in order to make possible the verification of whether anti-competitive or restrictive practices existed. This would allow, inter alia, the surveillance of transnational corporations' practices in the field of intellectual property. The representative of the European Communities referred to the written suggestion and earlier statements that his delegation had made on transparency (NG11/W/26).

(iii)Special and differential treatment, safeguards and exceptions

15. Some delegations emphasised that special and differential treatment of developing countries was a fundamental principle that had to be applied to the field of IPRs and to any possible outcome in this regard. This principle was applicable in all fields of international economic relations involving countries at different stages of development and was based on the notion that obligations should be commensurate with the level of economic development of participants. It was said that, given the great differences between the capabilities of developed and developing countries in the field of technology, application of this principle was necessary to redress the adverse effects that higher levels of intellectual property protection could have, such as in freezing the technological superiority of developed countries to the detriment of the international competitive situation of developing countries, the creation of import monopolies and restraints on competition in the domestic market, the displacement of local firms using similar technologies and the monopolisation of markets leading to higher prices in sectors satisfying basic needs. Another participant, recalling the provisions of the Punta Declaration on special and differential treatment, said that the question was not whether the principle should be applicable but how.

16. Some delegations said that the principles of safeguards, exceptions and special and differential treatment were linked to the principle of freedom on the scope and level of protection, that is to say the freedom allowed to countries to set up IPR systems depending on their level of development, including the right to introduce exceptions in the pursuit of public interest needs and of the goals of economic growth and development. It was said that for the same reasons the principle of special and differential treatment was also linked to that of balance of rights and obligations between the interests of the rights holder and those of the public at large. A participant believed that it would have been appropriate to include in the document on basic principles of international intellectual property conventions (NG11/W/34) a reference to the principles of special and differential treatment and safeguards.

17. With regard to the principle of safeguards, a participant referred to Article 17 of the Berne Convention which he suggested could be considered for adoption by the Group. He also drew a distinction between the principles of exceptions and safeguards: under the former a substantive provision was never applied where certain conditions were met, while under the latter the choice of not applying a substantive provision could be exercised. It was said by a participant that the principle of safeguards was especially relevant for enforcement matters, notably the establishment of procedures to prevent the creation of obstacles to legitimate trade. Also in connection with enforcement it was necessary to take into account that certain countries with large borders or under financial constraints could not be expected to provide enforcement procedures similar to others not in the same situation. Another speaker said that, in the face of the divergent views in the Group, a satisfactory outcome to the negotiations that would secure the widest possible participation required consideration of the principles of special and differential treatment, safeguards and exceptions, including the incorporation of reasonable transitional arrangements.

(iv) Public interest

18. Some participants stressed the importance of this principle for the work of the Group. It was a fundamental basis of IPR systems. The State must have the right to balance the exclusive rights it conferred on

holders of IPRs by measures to secure the public interest. This principle was also reflected in the freedom granted to countries to determine the level of intellectual property protection in the light of their situation. Reference was made in connection with public interest to the importance of the pharmaceutical, agricultural, chemical and veterinary products sectors, to shortage of foreign exchange and indebtedness and to the maintenance of public order and national security. In their view, the applicability of this principle for the Group's work was already established by paragraph 5 of the April TNC decision; the question was how it should be applied.

19. A participant believed that the public interest of all countries was best served by providing for higher levels and more effective protection of intellectual property and thus eliminating trade distortions. It was up to each country to determine what were its public interest needs, but it had to be borne in mind that the assumption of international obligations with respect to the nationals and products of other countries might also serve public interest needs. He urged that the concepts of public interest, exceptions, safeguards and special and differential treatment be viewed in this larger perspective, rather than from the viewpoint of allowing unilaterally determined exceptions to international disciplines, which would be very dangerous. In reply, the representative of India recalled that his country's submission on standards (NG11/W/37) had referred to the recognition of the principle of the public interest in many patent laws. It would be unfortunate if, while discussing these matters in a forum like GATT which stood for free trade and fair competition, the need to circumscribe the extraordinary rights conferred on right holders was not adequately addressed. This need to balance monopolistic rights also arose from the unequal nature of the intellectual property market where a very large proportion of patents was owned by nationals of industrialised countries.

(v) Balance of rights and obligations and reciprocity/non-reciprocity

20. Some participants said that the principle of the balance of rights and obligations required that obligations had to be undertaken by IPR owners in return for the exclusive rights conferred on them, and allowed governments to take certain remedial measures in the event of non-fulfilment of these obligations so that the protection of IPRs could promote industrial creativity to the benefit of society in general. This principle, which was recognised in existing international intellectual property conventions and in national laws of many countries, should inform international cooperation in the intellectual property area. One of these participants proposed that delegations should therefore consider the elaboration of rules which would include, inter alia, the following obligations: (a) assuring the access of developing countries to modern technology; (b) eliminating non-use, misuse or abusive use of IPRs, especially with a view to avoiding trade distorting practices; (c) accepting the necessary flexibility in the protection of intellectual property in the public interest and in accordance with the developmental and technological needs of developing countries. The principle of assuring the access of developing countries to modern technology called for a series of rules and mechanisms which could give a more practical and objective expression to this concept. For that purpose, some specific provisions would have to be considered in connection with individual trade-related IPRs. For instance, patent owners should provide developing countries with full disclosure of information concerning inventions, complemented by technical assistance which would enable developing countries to absorb new technological information. Furthermore, licensees should be allowed to have access to the technology embodied in patents through provisions on transfer of technology. Penalties might be considered for cases of refusal to comply with the full disclosure principle. Broader considerations should also receive attention, such as the need to provide developing countries with adequate mechanisms of financial support for the promotion of scientific research on a national or regional basis. With regard to the elimination of trade distorting practices arising from the excessive use or enforcement of IPRs, trade considerations regarding IPRs had traditionally implied the need to avoid unneccessary ostacles to trade as a result of excessive levels of protection and rigid systems of enforcement of IPRs. Some improvements could be discussed by participants, in the form of obligations on IPR holders or on signatories to an agreement. In this context, participants should discuss national laws, rules and disciplines to prevent and control anti-competitive or abusive use of IPRs.

21. Some countries considered that the GATT principle of securing a balance of rights and obligations

among signatory governments should be taken into account. In this connection it was stated that balance should prevail not only with regard to specific aspects of TRIPS but also within the TRIPS area and Uruguay Round negotiations as a whole. A participant referred to a lack of balance stemming from the fact that the General Agreement had the status of law in some countries and not in others. He reiterated the suggestion made by his delegation at the Group's meeting of 3-4 July to redress this imbalance by taking into account the principle of reciprocity (NG11/13, paragraph 5, indent 5).

22. With respect to reciprocity a participant said the international intellectual property conventions did not admit reciprocity but the GATT stood for material reciprocity in goods. Another participant believed that recognition should be given to the importance of the principle of non-reciprocity in intellectual property conventions as presented in document NG11/W/34 and in the Punta Declaration in respect of developing countries.

23. It was proposed that the principles of access to technology, freedom on scope and level of protection and independence of protection should be reflected separately as basic principles on the list of proposed principles for discussion in the Group. In response, the question was raised whether access to technology and freedom on scope and level of protection were reorganized as basic principles in GATT or in international intellectual property conventions and therefore whether they should be included on the list. Concluding the discussion, the Chairman recalled that the Group had agreed to leave the list of principles open-ended, enabling each delegation to add to the list any principle it considered important.

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

24. The Group had before it three new proposals for the negotiations under agenda item I(C), from India, Canada and Japan. These were circulated in documents NG11/W/40, W/42 and W/43 respectively.

25. The representative of Canada introduced his delegation's proposal on enforcement of trade-related IPRs (NG11/W/42). He said that Canada believed that in the light of the objectives of the Uruguay Round the Group should not aim at designing in detail the ideal intellectual property enforcement system, but rather at developing those enforcement measures and procedures necessary to deal effectively with trade impediments and distortions. Canada believed that seven enforcement principles would serve this purpose. The annex to the proposal expanded on those principles and provided the detail in relation to the synoptic tables. If the negotiations proceeded on a detailed level, Canada would be willing to participate but an attempt had been made to suggest that an approach which focused on principles might be an alternative. Because of the differences in legal systems among countries which the TNC Decision required the Group to take into account, Canada believed that GATT obligations on enforcement measures should be built around certain core enforcement principles, encompassing all specific requirements and providing for effective protection but also recognising the differences in procedures under various legal systems. An additional reason for placing greater stress on principles was the fact that in contrast to the area of standards there was not a solid foundation of international conventions dealing with the question of enforcement. The enforcement proposals put forward by Canada were intended to achieve acceptance by the widest possible range of countries. Their fundamental objectives were three-fold. First, to develop effective and transparent enforcement procedures which provided more commercial certainty for international trade in goods and services involving IPRs. Secondly, to develop effective, equitable and non-discriminatory measures at the border that resulted in a minimal interference with legitimate trade, i.e. to ensure that the procedures against importation were not more onerous than domestic procedures. And thirdly, to significantly reduce international trade in counterfeit products, in accordance with the emphasis on this aspect in the Punta Declaration.

26. He added that Canada believed that, in order to reduce trade distortions caused by intellectual property infringements and related problems, enforcement provisions should strike an appropriate balance between the commercial and economic interests of various parties, including IPR holders and their licensees, exporting

companies of all sizes producing a wide range of goods and services, companies which largely served domestic markets, and consumers. This balancing was needed because international trade distortions could be caused both by inadequate enforcement of IPRs, and by overly zealous, arbitrary or unfair enforcement measures, particularly at the border. The international enforcement system established should meet the needs not only of large international companies with worldwide production facilities and sales outlets, but also of smaller companies, which typically produced in one country and used licensees, agents and importers to expand their businesses in foreign markets. The Canadian delegation had been informed by Canadian-based companies that they had sometimes been discouraged from exporting by both inadequate and overly zealous enforcement measures. Some Canadian companies and industries had not pursued potential market opportunities in selected countries because of unfair competition from counterfeit or otherwise infringing products. To an even greater extent, Canadian companies had been hurt by unfair competition from infringing products which had found their way into the domestic market. In adddition, case studies of Canadian companies which had become defendants in actions under special border enforcement procedures in export markets showed that unfair or discriminatory border measures which did not apply to domestic firms were very expensive to fight and could seriously impede the export efforts of Canadian companies; exporters of other countries had no doubt suffered similarly. Smaller firms with limited legal resources and expertise were particularly vulnerable to these types of border actions.

27. The representative of Canada then introduced the seven proposed principles. He emphasised in particular the importance of the principle relating to national treatment, which he saw as essential for ensuring the free flow of trade in goods and services embodying intellectual property and also for preventing distortions in the location of plants and other production facilities. In relation to principle E concerning the remedies which should be available, he added that the basic principle for assessing compensation to a party whose rights had been infringed was that such compensation should put the right holder in the same position he would have had, had the infringement not occurred. In some cases, however, it might be necessary to provide additional damages as an effective deterrent to infringement. With regard to principle F, he said that border measures were one of the most effective ways of reducing trade in counterfeit and pirated goods; they could usually stop trade in infringing products at a far lower cost to the rights holder or the the justice system than internal measures and were particularly important in stopping trade in infringing goods from non-participating countries. On the other hand, border measures probably had the greatest potential for interfering with legitimate trade and therefore it was particularly important to subject them to appropriate safeguards, including the liability for damages for improper detention, the provision of a security up-front and the requirement that detention be temporary, within very strict time-limits and with an automatic release of the goods in question on expiry of the time-limit.

28. Introducing the proposal of his country (document NG11/W/40), the representative of India said that the document contained his delegation's views on internal enforcement. India's proposals concerning enforcement at the border to check the imports of counterfeit goods through intervention by customs authorities would be presented in a separate document under agenda item II, on trade in counterfeit goods. He emphasised the importance of such separate treatment: not only was it recognised in the Punta Declaration, but also, while the linkage of a multilateral framework dealing with international trade in counterfeit goods to the GATT system could be discussed in the Group, other enforcement measures, and in particular those concerning internal enforcement of IPRs, were not related to international trade in merchandise, and rules evolved on that subject could not be linked to the GATT system. He also stressed the view expressed in the paper that in order to take account of differences in national legal systems, as required by the April TNC Decision, it was advisable to stay at the level of general principles in the matter of internal enforcement of IPRs. He then presented each of the general principles set out in his country's proposal.

29. Introducing his country's proposal (NG11/W/43), the representative of Japan said that his delegation agreed with the European Communities and Canada on the necessity of taking into account different legal systems and judicial traditions. However, they disagreed with the approach of staying at the level of general principles in the matter of internal enforcement of IPRs. His delegation was proposing civil law and

administrative procedures to provide IPR holders with specific means to obtain remedies, and criminal procedures to deter and suppress future infringements by imposing appropriate sanctions. Bearing in mind such differences of objectives, they had made relatively detailed proposals concerning civil and administrative procedures, but had limited their proposals concerning criminal procedures to some principles on criminal sanctions. The proposal dealt with internal enforcement only. Japan was still examining ways to ensure effective enforcement of IPRs at the border, taking into account the proposals of other countries; a concrete proposal would be submitted at the October meeting of the Group.

30. A number of participants welcomed the emphasis on general principles in the Indian and Canadian papers, as being the only way of reconciling different national legal systems as required by the TNC Decision of April 1989. It also took into account that countries would only be prepared to implement new rules on the enforcement of IPRs through their normal judicial and administrative systems. Some of these participants said that, for the same reasons, they had doubts about the appropriateness of the more detailed proposals contained in the Japanese paper and in the annex to the Canadian paper, which, like the earlier proposals of the United States and the European Communities, contained concepts and terminology that would in many cases be extremely difficult to reconcile with different national legal systems. In this connection, reference was made, inter alia, to proposals concerning the collection of evidence, appeal to quasi-judicial bodies, recovery of profits even when infringers had not acted intentionally or with negligence, requirements concerning personal appearance by parties and the facilitation of the acceptance of evidence including expert testimony and technical or test data.

31. Some participants, while expressing broad agreement with the general principles proposed by India and Canada, believed that an agreement on enforcement would need to be more detailed if the Group's negotiating objective and the requirements of the TNC Decision in this respect were to be met. A certain level of specificity was required in order to provide sufficient guidance to governments and a basis for interpretation in a multilateral dispute settlement system. They believed that this could be done while taking into account different national legal systems and without requiring harmonization of national law. It was said that paragraph 4(c) of the TNC Decision should not be interpreted as ruling out any requirement on governments to change aspects of their national law and procedures; rather it was a reference to the fact that the enforcement of IPRs took place within wider national procedural systems for the enforcement of law, the fundamental features of which countries could not be expected to change as a result of an agreement in the Uruguay Round on TRIPS. For example, in the view of one of these participants, while there should be a general requirement concerning the availability of evidence to an injured right holder, it would be inappropriate to specify whether this should be done by way of pre-trial discovery or in some other way. On the other hand, a requirement to provide for the possibility of enforcing trademark rights at the border against imports of counterfeit goods could very well be adopted without the necessity of changing national legal systems as such. Another reason given for requiring a certain level of detail in rules on enforcement was the need to indicate necessary exceptions to the general principles laid down; for example, if an ex parte proceeding were not to be forbidden, it would be necessary to explicitly provide for it as a limitation on the right to have a hearing. It was also said that in order to provide for effective safeguards against obstacles to legitimate trade some detail was necessary concerning such matters as fair and equitable treatment, the posting of security and indemnification. Assurance of some degree of commonality of procedures in different jurisdictions would also greatly facilitate the use of enforcement systems by foreign IPR holders.

32. A participant believed that it was inappropriate to attempt to relate the degree of detail required in rules on enforcement to the needs of a dispute settlement process, since no understanding had as yet been reached on what type of dispute settlement system might be provided for.

33. Some participants were concerned at the extent to which the new proposals as well as the earlier proposals concerning enforcement might place on States the responsibility for preventing or repressing the infringement of IPRs, in particular where ex officio action was called for. It was said that a concept of international responsibility for the failure to repress infringements of IPRs did not exist and it would be

inappropriate to consider any such provision since the whole question of the responsibility of States was under discussion elsewhere. The responsibility for the enforcement of IPRs should remain with the holders of those rights using the legal remedies and procedures available under the law of the country concerned. Some participants also had considerable doubts about the appropriateness of any provisions that would make the State liable to compensate or indemnify private parties for the consequences of any action, or of failure to act, by it. It was said that this type of national liability, as well as the possibility of international liability through a multilateral dispute settlement system, might make government officials more cautious in carrying out their responsibilities and thus increase the risk of obstacles to legitimate trade.

34. Some participants said that the proposals from Japan and Canada, like those previously submitted by the United States and the European Communities, did not take adequately into consideration the practical difficulties that some developing countries faced. Developing countries could not be expected to enter into obligations that would entail considerable additional administrative or financial burdens. Countries which had doubts about their ability to comply with the obligations of an agreement, for example on the duration of proceedings, would be unwilling to sign, especially if under that agreement they could be penalized for failure to comply. It could not be expected that countries would establish special procedures for the enforcement of IPRs, nor could it be expected that they would provide priority in enforcement to the rights of foreign nationals over nationals or to intellectual property cases over other cases before the courts. Some of these countries, especially those with long borders, were particularly concerned about the burdens that rules on border enforcement might put on their customs services, for example in terms of providing the expertise necessary to identify infringing products and the facilities necessary for stocking such products where custom clearance had been suspended. In response, the representative of Canada said that his delegation's proposal envisaged that it would be a country's normal court system that would deal with intellectual property infringement cases. As regards border enforcement, it had to be recognized that countries already had customs officers involved in clearing products for importation. Moreover, the Canadian proposal would give countries the option of either relying on the courts to direct customs to take action or having customs act administratively on the basis of requests from right holders; the choice of system that countries made could take into account the impact on their resources. Some participants also expressed difficulties with proposals that would entail an obligation on customs to take action against imports of infringing goods on their own authority because they feared that such a degree of administrative discretion would risk creating obstacles to legitimate trade. Some of these participants doubted the consistency of such a requirement with their national legal systems.

35. Giving their general reactions to the Canadian proposal, some participants welcomed in particular the emphasis on basic principles such as national treatment and mfn/non-discriminatory treatment. The view was also expressed that the Canadian paper succeeded well in balancing the interests of different parties affected by IPR enforcement proceedings, such as IPR holders, users of IPRs and the competitors of IPR holders. A participant expressed concern about the use of concepts like "reasonable" or "not unreasonable". In his country's legal system it was not permissible to include such imprecise concepts in national law. He also saw the principle contained at point A of paragraph 8 as possibly causing legal problems in his country, since it might be problematic to base enforcement actions on something no more specific than a principle. Responding, the representative for Canada said that terms such as "reasonable" and "in appropriate circumstances" were intended to give signatories a degree of flexibility in the implementation of an agreement. Another participant believed that the use of such concepts was a well-established practice in GATT, that worked and should be retained.

36. The specific comments, questions and responses on the individual paragraphs of the Canadian proposal are recorded below.

> Paragraph 3. Responding to a question, the representative of Canada agreed that international trade distortions could be caused by discriminatory enforcement measures as well as inadequate or excessive measures. Therefore, Canada had given prominence to the principles of national and mfn treatment.

Paragraph 4. Responding to a question, the representative of Canada said that the terms "otherwise infringing product" and "otherwise fraudulent goods" were intended to cover goods which involved intellectual property infringements not covered by the Canadian definition of counterfeit goods, which was restricted to registered trademarks. Thus otherwise fraudulent goods could include those related to common law trademarks or passing-off actions.

Paragraph 5. In response to a question, the representative of Canada said that "legitimate goods" meant non-infringing goods.

Paragraphs 4 and 5. In response to a question, the representative of Canada said that Canada did not have specific proposals on the subject of parallel imports and grey market goods. The Canadian proposals would leave countries free as regards enforcement measures relating to parallel imports, provided that those measures conformed to the principles set out in paragraph 8.

Paragraph 6. Responding to a view that public interest considerations, such as the prevention of consumer deception, should also be taken into account in striking a balance among the interests involved in enforcement matters, the representative of Canada said that effective enforcement of intellectual property would benefit consumers and agreed that this aspect should also be taken into account in the further work.

Paragraph 8, Principle B. A participant believed that a national treatment principle relating to enforcement of IPRs should be limited to persons and not cover goods or services. Some participants believed that matters relating to services as such should not be discussed in the Group. Responding to questions on why Canada had included a reference to services in the national treatment principle, the representative of Canada said that IPRs covered more than just goods, for example service marks, so that a national treatment principle should cover services as well to be complete and effective. Responding to a question as to why Canada had not provided for exceptions from national treatment as allowed in Article 2(3) of the Paris Convention, he said that Canada considered it most important to clearly establish the principle of national treatment as being a cornerstone of a TRIPS enforcement agreement. Canada was concerned that too many exceptions would undermine this objective. Nonetheless, Canada recognised that some minor exceptions such as those in Article 2(3) of the Paris Convention might be legitimate; this should be examined further, e.g. in relation to an overall exceptions section of a future agreement.

Paragraph 8, Principle C. In response to a question as to whether the mfn/non-discrimination obligation would only apply between signatories, the representative of Canada said that a TRIPS agreement could not bind non-participants, but the objective of his delegation was to have a TRIPS agreement which would be acceptable to all contracting parties. The proposed mfn principle would then be universally applicable. Responding to questions about the need for an mfn as well as a national treatment principle, the representative of Canada recalled the discussion on this matter under item I(A) of the agenda (paragraphs 11-12 above) and emphasised the importance his delegation attached to ensuring that enforcement measures would treat all parties to a TRIPS agreement equitably and that all parties would receive full benefits under such an agreement. A participant wondered whether Canada saw a distinction between the mfn and the non-discrimination principles.

Paragraph 8, Principle D. The representative of Canada, in response to questions, said that the term "ex parte judicial proceedings" referred to proceedings initiated before the courts without informing the opposing party. Such an approach could be necessary in limited circumstances, to prevent the destruction of evidence. Pre-trial judicial procedures were not required by the general principles Canada was proposing; however, if they were provided, they would have to conform to those principles.

Paragraph 8, Principle E. Responding to questions, the representative of Canada said that the intent of

the Canadian proposal was to require criminal remedies only for wilful and commercial trademark counterfeiting and copyright piracy. For other IPRs his delegation believed criminal sanctions under most circumstances would be inappropriate, as for example in most patent litigation. However, Canada would not oppose other countries having criminal sanctions more broadly available, as long as they would be used in a manner which was fair and equitable to all. Current Canadian law provided criminal sanctions only for trademark counterfeiting, copyright piracy and limited other copyright infringements, e.g. concerning public performances. In response to further questions, he said that the proposed definition of counterfeit goods was based upon that of the Customs Cooperation Council; it covered only registered trademarks. Countries would be free to establish protection against infringements of well-known but unregistered trademarks, including criminal remedies. The definition of pirated goods was also based upon that of the Customs Cooperation Council. The purpose of the reference to copies made "indirectly from an article" was to make it clear that even if an unauthorised copy had been made from a copy of the work rather than from the original, it would still have to be considered a pirated good.

Paragraph 8, Principle F. In response to questions, the representative of Canada said that Canada was not proposing an obligation on countries to provide administrative border measures independent of the court system. An option had been proposed: countries could either choose administrative border measures independent of the court system, or provide for effective, non-discriminatory border enforcement through reliance on court direction of customs authorities. The Canadian proposals did not require any government involvement in initiating customs detention. Only with respect to criminal measures would government initiation be expected.

Paragraph 8, Principle G. Responding to a view that it was premature to address the question of whether a dispute settlement system would be within the GATT, the representative of Canada said that the purpose was to put on record the view of his delegation that a TRIPS agreement should be subject to dispute resolution within the GATT.

Annex A(5). Responding to a request for clarification, the representative of Canada said that the phrase "facilitate the acceptance of evidence" meant, for example, that certain types of documentary evidence would be accepted from either party without requiring that all people involved in the production or signing of those documents be present in the court. Facilitating the acceptance of expert evidence might mean, for example, making exceptions to normal rules with respect to opinion evidence. A participant said it would be difficult to introduce cross-examination and disclosure of adverse information into the legal system of his country. In reply, the representative of Canada said that these were intended as safeguards and would be relevant only where there were special provisions with respect to accepting documents or expert evidence.

Annex A(6). A participant welcomed the provision on access to information, noting that it went beyond the mere preservation of evidence. Some others said the provision might be inconsistent with their national laws. In response, the representative of Canada said that the provision intended to ensure that both parties to a litigation would have ample opportunity to prepare their case and argue it on the basis of the best possible evidence. Pre-trial discovery was not required; any method of disclosure, such as listing and providing documents, would be sufficient. In some cases it might lead to a settlement out of court or a withdrawal of the case/proceedings, thereby saving time and expense both to the parties and to the justice system.

Annex A(8). In response to a question, the representative of Canada said that ex parte judicial proceedings to preserve evidence were intended to enable measures to be taken to prevent the destruction or disappearance of evidence. They therefore should be taken without giving prior notice to the other party. A participant wondered whether it was proposed that such proceedings be provided in respect of all types of evidence. Another participant said that it would be unacceptable under his country's legal system to allow a party to a case to use judicial procedures to seek evidence unnecessary

for the purposes of the case in hand. In his view matters relating to the collection of evidence should be left to national law. Some other participants indicated similar concerns. Responding to questions and comments in this connection, the representative of Canada said that the intention was to facilitate obtaining the identity of those behind the infringement and also to enable the right holder to pursue the matter against people down the line and to trace additional infringing copies. As regards the last sentence, concerning the treatment of such information as confidential, he said that the court could specify precisely who would be entitled to be informed, for example only the lawyers for the party obtaining the information or those directly involved in the litigation. Responding to a question as to how the information could be kept confidential if it could be used in another infringement proceeding, he said that this was an exception to the general confidentiality rule. The information could not be used for commercial purposes.

Annex A(9). Responding to a request for clarification, the representative of Canada said that the use of the word "may" was intended to be permissive in relation to the action that a court might take if a party refuses to provide information, rather than in relation to the inclusion of a provision in national law entitling the court to take such action. There could be cases where a court might refrain from making a determination, for example where little evidence had been presented. To require the court to make a decision would be too intrusive.

Annex A(11). Responding to a question as to why compensation was not contingent on infringement being deliberate or negligent, the representative of Canada said it was not intended to say that in absolutely every case a right holder was entitled to compensation; it had not seemed necessary to spell out the widely accepted limitations, such as applied to many types of purely private end-user infringement. He wondered whether examples of non-deliberate, non-negligent infringement could be given. In response to a question concerning the phrase "derive the infringer of any profit", he said that the Canadian proposal in this respect was similar to the proposal in paragraph II.2(5)(b) of the Japanese paper: in appropriate cases, the right holder should be entitled to compensation for damages or the profit made by the infringer whichever was larger. Responding to questions about the provision of damages to deter further infringement, he said that these applied only "in appropriate cases". Countries would be required to provide the possibility of punitive or examplary damages in special circumstances, such as wilful and commercial infringement. By providing such measures in the civil system, reliance on criminal remedies would be reduced. Limiting damages to straight compensation could sometimes act as a licence to infringe. Deterrent damages would not involve a calculation of the value of possible future infringement. They were not aimed merely at the infringer in a particular proceeding; they were a warning to that party and other possible infringers not to engage in particularly serious and deliberate types of infringement. A participant had difficulties with the concept of deterrent damages since its introduction would entail a change in his country's legal system.

Annex A(12). Responding to a question about why it was seen as necessary to provide a right of appeal in respect of initial judicial decisions, the representative of Canada said that he believed that it was commonly accepted that judicial decisions should be subject to appeal because the first court might have made an error. It was not intended that in all cases appeal should be automatic; countries could still require leave to appeal.

Annex B(2). A participant wondered whether this provision was more restrictive than that of the European Communities' in its proposal (NG11/W/31). The representative of Canada said that it was not intened to exclude international organisations from having standing to initiate procedures.

Annex B(3). The representative of Canada, responding to questions with regard to point (b), said that under its second paragraph provisional measures would lapse only if the defendant wanted to proceed but the plaintiff was unable or unwilling to do so. The third paragraph was a purely permissive provision enabling signatories to provide for the provisional measures to lapse where the plaintiff did

not pursue the matter expeditiously. A participant believed that it would be excessive to require revocation of provisional measures in the absence of a request by the party subject to them. Another participant wondered why in point (c) the hearing had to be oral. In relation to point (d), a participant wondered why indemnification of parties wrongfully restrained was dependent on abuse of enforcement procedures where provisional measures were concerned but no similar condition was provided for in paragraph B(6) where parties were wrongfully restrained by final remedies.

Annex B(4). The represenative of Canada, responding to comments with regard to point (c), said that the phrase "where the relevant good has been previously held on the merits to infringe an intellectual property right" was intended to limit the obligation to provide for the possibility of an award of costs to cases of clear-cut infringement. This was why the requirement had been limited to counterfeiting and piracy, which limitation also provided countries with flexibility. It referred only to costs in the immediate litigation; there was no intention to provide for an award of costs in respect of the previous litigation. Some countries did not award costs in litigations of any type and some may feel it inappropriate to award costs where there was a serious issue to be tried or where there was genuine doubt as to whether the good was actually infringing.

Annex B(6). Responding to comments, the representative of Canada said that signatories would only be required to provide for the possibility of awards of compensation against authorities "in appropriate cases". Those cases could be significantly limited to cases where there would be exceptional conditions, such as negligence on the part of the authorities.

Annex C(2). Responding to requests for clarification of the second paragraph of point (b), the representative of Canada said that the paragraph was intended to make it clear that countries would retain the greatest flexibility in deciding whether to stop parallel imports at the border. A participant said that his delegation supported this proposal, which would permit but not require civil authorities to take action with regard to grey market goods. Another participant expressed the view that goods that had been put on the domestic market or the market of a third country with the consent of the right holder could not be counterfeit or pirated goods. As regards the third paragraph of point (b), the representative of Canada said in response to a question, that there would be no obligation to apply the provisions on border enforcement to small but valuable quantities of goods of an non-commercial nature but countries would remain free to do so if they so wished.

Annex C(8). Responding to questions, the representative of Canada agreed that damages against the infringer were not relevant to border detention per se. He believed that the fact that an innocent importer might suffer loss did not make it inappropriate to remove infringing goods from the channels of commerce.

37. Some participants welcomed the Indian submission and expressed broad support for the principles contained therein. A participant expressed doubts as regards the argument that the issue of counterfeit goods was trade-related but the issue of internal enforcement was not. If one was willing to establish in GATT obligations with respect to measures for the suppression of trade in counterfeit goods, it was difficult to understand why these obligations should not be extended to measures taken internally with exactly the same objective; legitimate trade was displaced both through domestically-produced as well as through imported counterfeit goods. In this connection he drew attention to the first note and supplementary provision to Article III, which said that any law or regulation applied to an imported product and to the like domestic product and enforced at the time of importation was to be regarded as an internal law and regulation and therefore subject to the provisions of Article III; the national law on trademarks which was enforced at the border would fall into this category, which meant that the distinction between internal and border enforcement as regards their being covered by certain GATT provisions could not be maintained. Another participant believed that it was important to have in GATT a set of rules applying to all enforcement in order to ensure consistency to the greatest extent possible between internal and border enforcement. In response, the representative of India said

that there was a clear distinction between enforcement measures at the border, which were designed to check imports and exports of counterfeit goods, and internal enforcement measures applied to infringing goods in the internal market which often did not enter the domain of international trade at all. In his view, the Punta del Este Declaration recognized this distinction in calling for a treatment of trade in counterfeit goods distinct from that of other IPRs. He emphasised that his delegation supported the supression of counterfeit goods in the domestic market but took the position that this was not a subject falling within the ambit of GATT. Some other delegations considered that the distinction made by India was a useful one and reiterated their view that it was premature and inappropriate to talk of a GATT agreement on enforcement. Another participant could accept the incorporation in the General Agreement of very general rules concerning enforcement. He was willing to discuss in the Group more detailed provisions, but on condition that these would be referred back to WIPO for action.

38. Responding to comments regarding the use of the phrase "owner of intellectual property rights", the representative of India said that it had not been used as a legal term; the intention behind the choice of that phrase was to refer to the legal holder of the IPR who had validly registered himself on the books of the relevant administrative authority. This would render easy the subsequent identification of the legal right holder. He drew attention to the definition of counterfeiting and piracy contained in the Canadian submission (NG11/W/42) that had used the same phrase.

39. The following records the specific comments made on the individual paragraphs of the Indian submission and the responses given by India to questions on these paragraphs.

Paragraph 3. Responding to a question, the representative of India said that the civil and criminal law procedures of a country applied to all substantive laws and it would not be realistic to expect that a separate kind of administrative or judicial system would be introduced in order to enforce IPRs. It was however possible that enforcement procedures might vary depending on the kind of IPR; for example procedures for the enforcement of trademark law might be different from those prescribed under the copyright law.

Paragraph 4(a). Responding to questions, the representative of India said that the term "simple" had not been intended as a legal term or to weaken in any way the requirement that enforcement procedures be effective. Rather, the phrase had been used to indicate that the procedures should not be unnecessarily complicated or time-consuming. The representative of India further said that he would have no objection to replacing the term "relief" by "remedy" or "redress"; it had been used to suggest that relief could be provided to the IPR holder in various ways. The Group should not attempt detailed specification of remedies, which should rather be left to the discretion of the courts. While the Community and Canadian proposals advocated criminal penalties in all cases where there was a wilful and commercial infringement of a trademark or a copyright, in the Indian submission these were prescribed "in appropriate cases". They would be appropriate, in his view, where the interests of society and not just a private party were injured; examples of such cases might include trademark infringements in the pharmaceuticals, foodstuffs and other sectors critical to the economy as well as infringements that were repeated. His delegation accepted that civil remedies alone might be insufficient in deterring infringement but believed that a certain flexibility should be granted to governments as regards the imposition of criminal remedies.

Paragraph 4(b). In response to questions, the representative of India said that notions of natural justice, fair play, prior notice, adequate opportunities for defence etc. were well recognised principles defined by each country according to its legal traditions and should apply to the enforcement of IPRs. His delegation was open to the choice of words that would appropriately reflect these notions.

Paragraph 4(c). A participant suggested that it was important to retain an "abuse" condition if provisions on indemnification, including in respect of provisional actions, were not to deter IPR holders

from seeking remedies. In reply, the representative of India said that such provisions were required to deter the initiation of frivolous proceedings.

Paragraph 4(d). Responding to questions, the representative of India said the term "primarily" had been used to indicate that in most instances it was for the IPR holder to have recourse to the remedies provided under the law. However, there might be circumstances where the State needed to take action ex officio, e.g. where spurious or adulterated drugs were being sold under false trademarks. It should be up to each country to determine the circumstances in which these two types of action should be required. A participant said that, although it was not advocating the establishment of a separate administrative and judicial machinery for the enforcement of IPRs, countries should be obliged to designate the competent authorities so that right holders were aware of the body to which they should have recourse. In response, the representative of India said that his delegation had no problem with transparency in relation to this matter.

Paragraph 4(e). A participant said that the question of the allocation of additional resources to implement an agreement was separate from that of whether or not special machinery for the enforcement of IPRs might be required. Responding to comments, the representative of India said that, although the principle and the need for adequate and effective enforcement was recognised, the manner of implementation of a system for the enforcement of IPRs should be decided by countries in the light of the available resources.

Paragraph 4(f). Responding to questions, the represenative of India said that his delegation believed that national treatment was more than adequate to take care of most types of non-discrimination; however, as there could be cases where more favourable treatment could be granted to foreigners and some delegations had referred to the experience of discrimination between foreigners, his delegation would be open to examining the applicability of the mfn principle. A participant said that the national treatment principle should be subject to the exceptions provided for in the Paris Convention.

40. The following records the responses given by Japan to comments and questions on individual paragraphs of the Japanese submission.

I.7. Clarifying the phrase "general rules and disciplines", the representative of Japan said that this was a reference to the section entitled "General Rules and Disciplines to be Agreed Upon" in the Japanese proposal of November 1987 (NG11/W/17). The phrase was used with the same sense in paragraph II.1(1)(b) of the new paper.

II.1(1)(a). The representative of Japan said that the words "effective and appropriate" had been taken from paragraph 4(c) of the April TNC Decision; the word "appropriate" was meant to convey that enforcement measures should not be excessive for the protection of IPRs.

II.1(1)(c). Responding to a request for clarification, the representative of Japan said that the first indent of the paragraph did not relate specifically to border measures; examples of what it was intended to address were such specific enforcement provisions as existed in Japan relating to the burden of proof in process patent infringement cases and to a special remedy for copyright infringement requiring the infringer to publish an apology.

II.1(2)(a). The representative of Japan said that although this sub-paragraph made reference only to the rights of defence and not to the rights of the plaintiff to present a case, his delegation's proposal had been formulated on the premise that the right holder was entitled to present a case and to substantiate his claim. This was made clear in paragraph I.5 which required the provision to right holders of specific means to obtain remedies and in paragraph II.2(2) which entitled all parties to present relevant evidence.

II.1(2)(b). Responding to a question about the need for more precise time-limits on legal proceedings, the representative of Japan said that it would be sufficient to require that time-limits be reasonable. The exact duration would vary from case to case.

II.1(2)(c). Responding to a question as to why this sub-paragraph only referred to final decisions, the representative of Japan said that this was intended only as a minimum requirement.

II.1(2)(e). The representative of Japan said the persons liable to pay compensation would in principle be those who had abused enforcement procedures. Responding to another question, he said that the sub-paragraph applied only to abuse of procedures by private parties.

II.1(2)(f). The representative of Japan said that the provision on State liability had been left optional, as in the proposal of the European Community, because of the complexity of the issues involved and their varying treatment under different legal systems. Requirements for State liability should be determined by national laws. In Japan compensation from the State was available where government officials had caused damage wilfully or with negligence. It was envisaged that all parties concerned, including users, should be entitled to compensation from the State where a signatory provided for it.

II.2(1). In response to a comment, the representative of Japan said that his delegation would consider extending the term "right holder" to cover licensees.

II.2(3). Responding to a view that provision of such measures to preserve evidence should fall under provisional procedures, the representative of Japan said that in his country these were not a type of provisional measure; they were stipulated in the code of civil procedure as one method of taking evidence. A participant believed that such measures should be subject to certain conditions, notably submission of sufficient information to establish reason to believe that there was evidence in need of preservation. Another participant had doubts about the equity of taking measures without prior notice to the affected party.

II.2(4). The representative of Japan explained that this sub-paragraph embodied a principle of due process of law. He added that the manner of evaluation of facts should be left to the discretion of courts.

II.2(5). Replying to a question concerning the phrase "according to the type of right", the representative of Japan referred to his response in connection with the first indent of paragraph II.1(1)(c). Responding to a concern that "destruction" was an alien concept to some legal systems, he said that destruction of goods would not be obligatory in all cases of infringement. The list of remedies was a list of possibilities, their application having to be determined case-by-case, as the chapeau to this paragraph was intended to make clear. A participant considered that this provision was not adequate since it did not secure an entitlement to full compensation. There appeared to him to be an asymetry in this connection since the defendant could claim full compensation but not the right holder. Another participant also considered the provisions on remedies too restrictive and believed that civil remedies should have a deterrent function. The representative of Japan said that the amount of money normally obtainable for the working of the right established a minimum entitlement, with higher damages available in the form of an account of profits if sufficient proof was submitted. In response to a question as to how the former amount would be calculated, he said that this was often done by reference to normal business practices.

II.4(3). Responding to a comment that on grounds of equity prior notice should be given to both sides, the representative of Japan said that often provisional measures were adopted in order to avoid an imminent danger of infringement, which meant that usually there was not enough time to give prior notice to an adversary. In some cases, giving prior notice could frustrate the purpose of provisional measures because, for example, the adversary could hide the goods in question. However, safeguards

had been provided to protect the legitimate interests of adversaries, including the right to be heard subsequently. Responding to a question, he said that in the second sub-paragraph the meaning would be clarified by the insertion of the words "present evidence to" after the words "The applicant shall".

II.4(4). The question was raised as to what would happen if the suit on the merits of the case was not initiated in due course. The representative of Japan replied that where an applicant did not initiate action within a certain period of time, which would be specified by the court order in question, the provisional measure should be revoked upon request by the affected party.

II.4(5). Responding to a concern that adequate safeguards had not been provided in respect of provisional measures, the representative of Japan said that the general principles in Section II.1(2) would apply and that parties would be entitled to claim compensation for damage caused by abuse of enforcement measures. A participant said that he was not clear whether Japan intended the provision of security by applicants for provisional measures to be mandatory in all cases, since there appeared to be an inconsistency between the last sentence of this paragraph and the last sentence of paragraph II.4(3) on this point.

II.5(1). Some participants considered that such an obligation would go too far. Criminal sanctions should be prescribed at least for trademark counterfeiting and copyright piracy under certain conditions. In view of the divergences between legal systems it was desirable to leave to the discretion of countries to determine whether criminal sanctions should be extended to infringements of other IPRs. In response, the representative of Japan said that his delegation believed that criminal sanctions should be available against infringements of all of the six types of IPRs mentioned in the submission. Under his country's legal system, criminal sanctions were limited to acts committed wilfully.

41. Some participants which had not made written proposals indicated what they would like to see in commitments on enforcement. One delegation considered that the Canadian and Japanese proposals, together with the Community proposal contained in NG11/W/31, provided a useful starting point by specifying the key elements necessary in order to strike an appopriate balance in terms of the level of detail required to ensure effective enforcement and to safeguard against obstacles to legitimate trade. Another participant believed that the central features of an agreement should be obligations to provide: effective and fair procedures for enforcement; non-discriminatory access to those procedures; adequate remedies under these procedures including deterrent penalties and compensation available to IPR holders; adequate safeguards against abuse of procedures, such as compensation and an obligation to post security in appropriate cases; and judicial review. His delegation was prepared to envisage some legislative changes, but not a fundamental change, as proposed in some of the submissions, in the relationship of customs authorities to the court system. His delegation could support in principle a requirement to provide special procedures at the border in respect of counterfeit and pirated goods. The proposals for criminal penalties for wilful, commercial counterfeiting or piracy - for which his delegation had a degree of support - would cause more difficulties. One problem was that, while criminal penalties might be applied in such cases in his country in certain circumstances, this was not done through intellectual property legislation per se but through other legal provisions, e.g. fair trading legislation. One way to overcome this difficulty might be to have an obligation to provide effective deterrence.

42. A participant said that a first basic element of an agreement on enforcement of IPRs was comprehensive coverage. His delegation would not agree to limit penal rules to violations of some IPRs, such as trademarks. Such protection and deterrence were equally necessary, for example, with respect to indications of origin or industrial designs. Rules and disciplines on enforcement had to include both procedures at the border and internally. Trade-related problems with respect to IPRs frequently arose in relation to foreign goods already within the jurisdiction of a country. At the border, trademarks, copyright, industrial designs and indications of origin might in particular be the object of procedures. A second and equally central basic element of an enforcement agreement was the need to apply fully the GATT principles of mfn and national treatment to the entire range of rules on enforcement. His delegation could not agree to limit the application of these

fundamental principles of the multilateral system, which were of crucial importance in particular to all the smaller trading nations, to specific aspects of enforcement. Neither could his delegation agree to a dilution of these principles, such as by limiting the concept to a mere prohibition of arbitrary or unjustifiable discrimination. This did not exclude slightly different procedures for domestic and foreign products or right holders, as long as they aimed at rendering procedures more expeditious and did not constitute disguised means of creating obstacles to trade. His delegation also considered that the variety of different legal systems among participants should be sufficiently taken into account in accordance with paragraph 4(c) of the TNC agreement of April 1989, in order to achieve fruitful results. Rules and disciplines should be of such a nature that they could be implemented by all legal systems without a need to introduce elements strange to them. Rules and disciplines should be of a fairly ambitious level in order to protect IPRs effectively and avoid trade distortions without becoming obstacles to legitimate trade. In this context, his delegation believed that the Canadian proposal made a valuable contribution by distinguishing general enforcement principles from more detailed obligations. Another participant said that the seven principles in the Canadian proposal could serve as a basis for a possible set of principles in the area of enforcement. He stressed, in particular, the need to include both the principles of national treatment and mfn/non-discrimination.

43. A participant said that, since the administrative and judicial burdens involved in protecting IPRs varied according to levels of development and the optimum methods of doing so depended on each country's administrative and cultural background, specific enforcement procedures should be left to be decided by individual countries. In any agreement only general guidelines, concerning such matters as responsible authorities, the possibility of imprisonment and fines etc., should be included. In order to secure a balanced approach, governments should, on the one hand, provide effective administrative and judicial procedures to prohibit production of and trade in products infringing IPRs, and to compensate for losses of rights concerning infringed products; on the other hand, governments should also provide concrete measures to prevent the above procedures from becoming themselves new barriers to legitimate trade. Standards for the protection of IPRs, procedures for obtaining such rights and dispute settlement procedures should be transparent. The same substantive standards for determining whether an enforceable IPR existed and whether it had been infringed should be applied equally to imported products and locally produced products. Enforcement procedures should be available not only at the border but also internally. With regard to civil remedies, his delegation believed the following three elements could be included: preliminary and final orders by the administrative and judicial authorities concerned to cease infringing activities; damages; and measures for the recovery of goodwill. Criminal remedies could be seizure of infringing goods and of materials and implements used in their production, forfeiture of such articles, imprisonment and monetary fines imposed upon wilful infringers. Since the use of discretionary authority by customs officers in an arbitrary manner could be another obstacle to legitimate trade, the authority and responsibility given to customs officers should be explicitly defined. As regards safeguards for the defendant, the following elements should be considered: a reasonable time-limitation on the settlement period; requirement that the complainant provide enough security to compensate the defendant if the complainant failed in his suit; and provisions for the defendant to appeal to a higher court. Another participant believed that it would be sufficient to lay down general principles concerning the provision of effective and adequate procedures for administrative and civil actions available for initiation by right holders, including full possibility for the right holder to obtain compensation for damage suffered and full possibility to seek judicial review of administrative or judicial decisions.

44. A participant said that his delegation would not approve: any provision that would commit a State to provide compensation for anything; any provision that would concern border control, at least as set out for example in the Canadian proposal; any provision that would contain detailed standards and would be implemented in GATT; the delinking of the negotiations on TRIPS from the negotiations on other subjects such as agriculture, natural resource-based products and also from problems of foreign indebtedness. On the other hand, his delegation could approve of: dealing with aspects of intellectual property linked with trade, i.e. those aspects linked with provisions of the General Agreement; a multilateral agreement containing general principles along the lines of the General Agreement, and including the basic principles of the General Agreement; the taking into consideration of the principles of globality and reciprocity in the implementation of

commitments, in order to secure a balance of rights and obligations; condemnation of the monopolistic practices of patent holders; guarantees for developing countries on access to technology, the absence of which would be taken into account as a credit factor in the event of a failure of a developing country to comply with its obligations in this area.

II. Development of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods

45. Introducing the submission of his delegation (NG11/W/41), the representative of India said that the basic objectives of a multilateral framework for dealing with international trade in counterfeit goods should be to provide for measures, procedures and remedies to discourage international trade in counterfeit goods and to ensure that such measures, procedures and remedies did not themselves become barriers to trade. He then referred to the elements that such a multilateral framework should comprise (set out in paragraphs 4-6 of the submission) and said that they shared much in common with those contained in the submissions of the European Communities and Canada. He noted that the definition of counterfeit goods in paragraph 4(i) as well as that of pirated goods in paragraph 5 was drawn from that developed by the Customs Cooperation Council in its model legislation. Concerning paragraph 4(iv), he explained that the provision for inspection was required to provide evidence necessary to pursue the case in question subsequently in court. In relation to paragraph 4(v), he said that, while counterfeit goods would normally be destroyed, the language was intended not to exclude putting the goods out of commercial circulation by using them for non-commercial purposes in a way that would protect the interests of the trademark owner. In regard to paragraph 4(vi), he said that an example of "exceptional circumstance" where customs might act on its own initiative was where its own intelligence sources or cooperation with other customs services provided sufficient information that the importation of counterfeit goods would be attempted. The "very limited period" for which customs would suspend clearance pending action by the trademark owner meant a period shorter than that provided for under paragraph 4(iii), where action was taken on request.

46. Some delegations welcomed the submission and said that in large part it resembled their own thinking on border enforcement. However, some expressed concern that it did not contain suggestions for internal measures to combat trade in counterfeit goods. In their view border measures alone were insufficient to combat this problem and internal measures were more effective. Border measures could only affect transborder shipments of counterfeit goods and the penalties imposed comprised mainly the loss of particular shipments. On the other hand, internal measures could deal with the problem at source viz. the point of production. This meant that they could also prevent counterfeit goods from being exported to third countries not members of an agreement as well as deal with domestic sales of counterfeit goods that displaced imports of the genuine article. Furthermore they were more effective in deterring further infringement because they allowed for the possibility of criminal remedies. Nonetheless, border measures had an important role to play, notably because they enabled action before goods were dispersed in internal circulation. In the view of another participant, another relevant consideration was that the institution of border measures against imported counterfeit goods without the institution of corresponding measures against domestic products could entail a breach of Article III:4 of the General Agreement. In reply, the representative of India emphasized that his delegation supported action in the domestic market against counterfeit goods. However, for reasons set out in document NG11/W/40 they viewed internal enforcement measures as not being trade-related and thus as falling outside the scope of GATT. In regard to Article III:4, he considered that this provision was only applicable after goods had been imported. A participant said that he found the Indian suggestion helpful, especially the separation of the issue of counterfeit goods from internal measures concerning IPRs. Responding to a suggestion that the proposed framework should also include measures to prevent exportation of counterfeit goods, the representative of India said this would require additional resources, which would be infeasible, and use of internal measures, which would be inappropriate.

47. Responding to the concern that some countries, especially those with long borders, could face administrative and financial problems in adhering to the proposed framework, the representative of India said

that it would be open to each country to decide on the manner of implementation of any agreement in respect of counterfeit goods taking account of its individual situation, and that no harmonization of procedures was implied by his delegation's submission. A participant said that in his country the penal and civil codes spelt out the internal enforcement measures required to address the problem of counterfeiting.

48. The specific comments, questions and responses on the individual elements of the Indian proposal are recorded below:

Paragraph 4(i) The question was raised as to why the definition of counterfeit goods did not include infringement of unregistered trademarks. Replying, the representative of India said that under the common law unregistered trademarks were protected in his country but he did not consider it appropriate to provide for customs intervention in cases involving border infringements of unregistered trademarks, because of the difficulty of determining sufficiently quickly whether a protected right existed. A delegation said that it wished to place on record its interest in enlarging the definition of counterfeiting to include infringements of indications of source and appellations of origin. The representative of India said that his delegation had an open mind on this suggestion and would revert to it later in the negotiations.

Paragraph 4(ii) Responding to questions, the representative of India said that it would be the responsibility of the owner of a registered trademark to initiate the action by applying to customs authorities and giving documentary evidence of infringement. The authorities, after having satisfied themselves that a prima facie case of infringment existed and after securing an undertaking concerning indemnification, could then take appropriate action. A participant said that provisions relating to the suspension of clearance from customs would need to take account of the situation of his country, which was a free port.

Paragraph 4(iii) Some participants believed that any suspension of customs clearance should be on the basis of a judicial decision; it would be dangerous to give discretion to an administrative authority in this respect. The representative of India said that, in his view, the proposal did not provide for excessive administrative authority, especially given the safeguards relating to evidence requirements before action was taken, the short period of suspension of clearance by customs on its own responsibility and the provision of security. A participant suggested that the provisions requiring indemnification against all liabilities and compensation for all losses suffered by the importer might deter trademark owners from seeking effective remedies. In his view, requirements on indemnification should not be mandatory but should be left to the discretion of competent authorities. Responding, the representative of India said that he did not believe that the provisions would be a deterrent to right holders who were sufficiently sure that their rights had been infringed. On the other hand, by deterring unjustified recourse to customs action, they were a means of preventing the creation of barriers to legitimate trade.

Paragraph 4(v) Responding to questions, the representative of India said that it was envisaged that forfeiture of counterfeit goods would be mandatory. A participant suggested that parallel measures such as the prohibition of those found to have been involved in importing counterfeit goods from engaging in import and export trade could be envisaged.

Paragraph 4(vi) Some participants expressed difficulty with the provision for ex officio action by customs authorities and said that they would have to consider it in greater detail. Another participant wondered why ex officio action should be limited to exceptional circumstances, especially given the restricted coverage of the proposal and the onus on the trademark owner to follow up ex officio suspension with an action of his own. The representative of India explained that ex officio action was provided for only in the exceptional circumstance where customs authorities had a sufficient degree of certainty that an attempt would be made to import counterfeit goods, for example because of information provided by customs authorities of other countries. Responding to questions on the period of detention

of goods, he said that it should be for a very limited period and shorter than that when action was taken upon request by the right holder; in his country for example the period of detention could not exceed four days, but it was up to each country to determine this according to its circumstances. In his view, such ex officio action by customs would not confer excessive powers because of the strict conditions associated with such action and of the requirement that the case be heard subsequently on its merits. He added that it was not the intention to make provision for ex officio action obligatory for countries whose internal legal and administrative system did not provide for such action.

Paragraph 5 Some delegations expressed doubts about the appropriateness of extending the coverage of the framework to imports of pirated goods, on account of additional burdens on customs and the risk of creating obstacles to legitimate trade that it would entail, notably because of the difficulty of identifying infringing products. Some other participants said that such an extension would, in their view, be appropriate. Moreover, the provisions aimed at safeguarding against barriers to legitimate trade should apply to all border measures for the enforcement of IPRs employed by governments, including where they extended beyond the mandatory coverage of these two categories. Another participant suggested that the definition be extended to cover infringements of all IPRs. The representative of India replied that because of the greater difficulty associated with detecting infringements of other IPRs as well as the additional resource burden that it would entail, such an extension was not desirable. In response to the question under what conditions India would be willing to accept an extension to pirated goods, he said that his delegation would examine this matter in the light of developments in the work under this agenda item and in the TRIPS negotiations as a whole.

Paragraph 6 The representative of India said that the ongoing cooperation between customs authorities under the Customs Cooperation Council should be extended to the field of counterfeit goods. A participant said this suggestion should be examined in greater detail.

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

49. The representative of the Customs Cooperation Council welcomed the fact that some of the proposals before the Group had drawn upon the work of the CCC, notably in relation to the definition of counterfeiting and piracy, although the CCC's definition covered exports as well as imports. He informed the Group that since the CCC's model for national legislation to give the customs powers to implement trademark and copyright legislation (NG11/W/5/Add.5) had been adopted there had been no further evolution in the work of the CCC on this matter. He then elaborated on the principles underlying the model legislation, such as the need to ensure that obstacles to legitimate trade were not created, to place the primary responsibility for customs intervention on the right holder and to take account of different systems of customs authority, and said that these were similar to the principles upon which some of the submissions to the Group were based.

50. Referring to paragraph 20 of document NG11/W/34 prepared by WIPO, a participant said that the Group should study in greater detail WIPO's proposed initiative in regard to dispute settlement procedures. The representative of WIPO said that WIPO's draft work programme for the next biennium contained a proposal for the setting up of a mechanism for settling disputes available to all members States of WIPO. The Governing Bodies of WIPO at their next meeting in September were expected to take a decision on this proposal; he would be in a position to provide greater information at the Group's next meeting on this and other matters relevant to its work.

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

(i) Proposals for secretariat papers

51. The Group took up the proposals for secretariat papers made at its last meeting (NG11/14, paragraph 95). With regard to the proposal on restrictive and anti-competitive conditions that might be attached to the use, licensing or assignment of IPRs, the Chairman informed the Group that informal consultations had been carried out which had been productive although no final results had as yet emerged from them. The consultations had focussed on a request that the secretariat should provide factual information illustrating the types of provisions present in national legislations which address specifically practices deemed by those legislations to be restrictive as conditions on the use, licensing or assignment of IPRs. It would be understood that, in preparing this document, the secretariat would consult as necessary with national governments whose legislation was referred to. It was also understood that the legislation in question would be that directly related to intellectual property matters. No delegations in the consultations had been opposed in principle to such a request but some had expressed the desire to consult their capitals. It was his expectation that at the Group's next meeting a decision could be taken on this subject.

52. With regard to the proposed paper on duration of patents, the Group agreed that the secretariat should put together data available from official sources on maintenance of patents through payment of maintenance fees.

(ii) Request from Unesco to attend meetings of the Group

53. The Chairman recalled that, as he had indicated at the outset of the meeting, the Director-General of GATT had received a letter from the Director-General of Unesco requesting attendance at meetings of the Group. It was open to the Group to recommend Unesco's attendance to the TNC with whom the final decision rested. The Group agreed to defer a decision on this matter until its next meeting.

(iii) Arrangements for the next meeting of the Negotiating Group

54. The Chairman recalled that the next meeting of the Group would be held on 30 October - 3 November. As agreed earlier, the Group would undertake a "second reading" of agenda item I(B) but the full agenda would be before the Group giving an opportunity for any matter to be discussed. In this connection, he noted that some participants had indicated an intention to present proposals also on enforcement at that meeting. The Group agreed to hold its final meeting for the year on 11, 13 and 14 December. The Chairman suggested a target date of 18 November for the submission of proposals on agenda items I(D) and I(E) for discussion at that meeting.