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

MEETING OF THE NEGOTIATING GROUP OF
28 OCTOBER 1987

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

Note by the Secretariat

1. The Negotiating Group adopted the agenda as set out in GATT/AIR/2491.

2. The Chairman welcomed the representatives of the World Intellectual Property Organization who were attending the Negotiating Group for the first time, pursuant to the TNC decision of 3 July 1987.

First Indent of the Initial Phase: Trade-Related Aspects of Intellectual Property Rights

3. The Negotiating Group took up the requirement in its Initial Phase to have an initial examination of the specific suggestions by participants for achieving the Negotiating Objective and of the procedures and techniques that might be used to implement them.

4. The representative of Brazil, introducing the Brazilian suggestion in MTN.GNG/NG11/W/11, said that this suggestion was made in relation to Item B of the agenda, trade in counterfeit goods. Signature of the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods would be a contribution towards combatting trade in counterfeit goods. The purpose of the Madrid Agreement was the customs control of counterfeit goods. Although the coverage was limited to indications of source, it would seem that its extension to the field of registered trademarks would not be a difficult task in the context of WIPO, especially with the support of all those countries which had shown interest in action on this matter in the Negotiating Group. Before proceeding to the presentation of new agreements, which if necessary should be done in WIPO, the sufficiency of existing international intellectual property treaties should be fully considered.

5. The representative of the United States, introducing his country's suggestion (MTN.GNG/NG11/W/14) said that trade problems were arising from inadequacies or gaps both in the provision of basic intellectual property rights under national law and in their enforcement. The United States

proposal was designed to reduce these problems. While he expected that the proposal would evolve through a process of discussion and negotiation, he emphasised that it reflected the strongly-held United States' view of the objectives of the Group. In the area of enforcement of an intellectual property agreement among signatories, the US suggestion drew on well-recognised GATT principles and mechanisms for international dispute settlement. With respect to the enforcement of the intellectual property rights themselves, the suggestion included border and internal enforcement measures, both of which were necessary for effective action against the entry of infringing goods. In regard to standards or norms, the suggestion was to incorporate those elements of established international conventions which provided for the adequate protection of intellectual property, supplementing them where necessary and appropriate. As work proceeded, the Group should continue to look at the ongoing work of other international organisations and consider incorporating

resulting provisions into the proposed GATT agreement.

6. Turning to the annex to the United States suggestion, the representative of the United States said that it was clear that, if enforcement mechanisms were to be provided for, it would be necessary to specify what was to be enforced. The norms suggested in the annex were not intended to be a final statement, but rather an indication of the direction in which the United States believed deliberations on this matter in the Negotiating Group should go. The five areas covered were not envisaged as necessarily limiting, but as an indication of areas felt to be important and where work should start. The annex on patents reflected the US view that this was an area where existing international conventions were unfortunately weak in providing adequate standards for protecting inventions. The annex on trademarks was intended to incorporate the standards which already existed in many countries. One important addition would be the requirement that service marks be registered and protected. The annex on copyright essentially incorporated the standards provided in the Berne Convention for the Protection of Literary and Artistic Works and attempted to clarify certain aspects, for example the applicability of copyright protection to forms of expression such as computer programmes and data bases. The annex on trade secrets provided for an important addition to the field of intellectual property, aimed at giving some assurance under national laws that proprietary information, provided for example as part of turn-key plant projects or licensing agreements, would be respected and not released into the public domain. This was especially important in the area of government requirements to obtain information, for example for the purposes of registering pharmaceuticals and agricultural chemicals. The annex on semi-conductor chip design layout protection captured the essence of work proceeding in WIPO on that matter.

7. The representative of Switzerland said the purpose of his country's suggestion (MTN.GNG/NG11/W/15) was to present the questions that needed to be addressed in defining a negotiating framework in order to achieve the Negotiating Objective and also to suggest a way in which participants might collectively attempt to find the answers to such questions. It did not purport to present ready-made answers. In regard to the first indent, one aspect was the definition of GATT's part in the international system for the protection of intellectual property and, in particular, the relationship between the final product of the Group's work and the General Agreement. The second indent envisaged the establishment of an institutional framework for activities on the trade-related aspects of intellectual property rights in the context of the GATT after the end of the negotiations. Much emphasis was put on the desirability of developing cooperation with WIPO, but it was necessary also to envisage the possibility of the suggested GATT body taking, on a subsidiary basis, the initiative in its own right on trade-related aspects of intellectual property rights. As regards the third indent, Switzerland hoped that the GATT dispute settlement provisions, as reinforced by the Uruguay Round, could be used as much as possible and with as few adaptations as possible. In regard to the fourth indent, his delegation believed that the GATT could bring about a substantial contribution in the field of technical assistance on trade-related aspects of intellectual property rights. As regards the fifth element of the Swiss paper, this underlined the need to define the manner of cooperation with WIPO on each of the four preceding elements. The Swiss aim was not to develop a new system for the protection of intellectual property but to build on the basis of what existed in WIPO and in the General Agreement. In conclusion, he hoped that participants would indicate their ideas on the various elements in the Swiss paper and that this would provide a way in which the Group could attempt to establish a common negotiating basis. His delegation was ready to undertake bilateral, plurilateral or multilateral consultations with interested participants to this end.

8. A participant suggested that a comprehensive agreement, encompassing both minimum standards for intellectual property rights and for their enforcement, should be negotiated, with a view to the development of international trade. Basic GATT principles, such as m.f.n. treatment, national treatment and transparency should be clearly stipulated in the agreement as governing the protection of intellectual property rights. Present thinking was that an agreement should cover patent rights, trademarks, design rights, copyright and semi-conductor chip lay-out design. Enforcement mechanisms in an agreement should provide for timely measures while ensuring due process. International dispute settlement mechanisms should also be specified. Implementation of the agreement would be facilitated by providing for surveillance in relevant international fora, such as GATT, and necessary technical and other assistance to developing countries.

9. A participant, said that the overall objectives of the work of the Group should be to increase the volume of international trade protected by intellectual property rights and to strengthen confidence in the international trading system. Adequate, efficient and non-discriminatory enforcement of intellectual property rights, once granted by national authorities, was important for the effective functioning of the international trading system. All legal proceedings and remedies, including border measures, should treat both domestic and imported goods and services in a non-discriminatory fashion. Trademark counterfeiting and copyright piracy represented special cases because of their explosive growth in recent years; in these instances, governments must take an

active rôle in investigation and prosecution leading to imposition of penalties with deterrent effect. As for basic standards, the Negotiating Group should build as much as possible on work completed and ongoing in WIPO. Inadequate or incomplete protection of intellectual property on an international scale could, over time, dampen innovation and creativity with ultimately negative effects on the volume and variety of trade. At the same time, excessive protection could constrain the volume of trade. Careful balancing of these effects was required, therefore, to maximise the volume of trade over the long term. Furthermore, if the process of obtaining protection were discriminatory or excessively expensive and time-consuming, barriers to market access would arise. The work of WIPO with respect to harmonisation issues and the Patent Cooperation Treaty were notable for potentially beneficial effects on trade. Additional topics which the Negotiating Group might wish to examine could include the appropriate degree of control by intellectual property owners over trade, the appropriate terms and conditions of voluntary licences and the appropriate terms of compulsory licences in the context of expanding trade and use of technology.

10. Participants generally indicated that their comments on the suggestions were preliminary and reserved the right to comment in detail after the suggestions had been further studied.

11. Some delegations said that much of what was suggested in the United States paper and also in some of the other suggestions did not fall in the mandate of the Group, which did not call for the establishment of norms and standards for the protection of intellectual property. It was not the job of the Group to establish a new system for the protection of intellectual property rights in GATT. These were matters for WIPO and were extensively under consideration in the various parts of WIPO's current activities. If some countries felt that existing WIPO treaties were not adequate, they should seek improvements in that forum. These participants recalled the discussions on this matter in the Preparatory Committee in 1986, the statements made by a number of delegations at the Ministerial Meeting of Punta del Este after the adoption of the Declaration (MIN(86)SR/7) and the position that they had taken on this matter at each of the meetings of the Negotiating Group. It was also said that certain of the suggestions impinged on the last paragraph of the negotiating mandate, since it was difficult to see how they could be "without prejudice" to initiatives in other fora.

12. These participants reaffirmed their view that it would be wrong to attempt to build an intellectual property system solely on the basis of its trade adequacy. The protection of intellectual property was primarily designed to serve other social goals. An intellectual property right was a contract between the intellectual property owner and the society providing the protection, under which the intellectual property owner had not only rights but also obligations. The US suggestion, dealt only with the rights and would entail a weakening of measures to protect the public interest against abusive uses of monopoly rights in intellectual property. The existing international intellectual property system, based in large part on the reciprocal extension of national treatment by parties, recognized the diversity of situations in countries. If there were to be attempts to reduce differences between national systems, it would not be appropriate to base such an attempt on any impetus that could be attained through a trade-related approach. A participant said that adaptation by the GATT to changing circumstances should not lead to it dealing with matters outside the scope of the General Agreement.

13. Another participant said that his delegation had no overriding difficulty with the comprehensive approach in MTN.GNG/NG11/W/14, provided it was consistent with the Group's Negotiating Objective. The onus was on the sponsor to demonstrate that it was.

14. Responding, the representative of the United States said that the Group's mandate in the Ministerial Declaration enabled the Group to examine clarifications of existing GATT provisions and appropriate new rules and disciplines necessary to reduce impediments and distortions to international trade arising in connection with intellectual property rights. This view was supported by the work of the Preparatory Committee and at the Ministerial Meeting. In regard to the relation of the work in GATT to that in WIPO and other relevant international organizations, it was the strongly held view of his delegation that the work in GATT should complement that in other fora. No agreement should be negotiated that would be inconsistent with existing international agreements on intellectual property. These agreements specifically envisaged the possibility of supplementary agreements to attain higher levels of protection of intellectual property rights; where such agreements concerned the trade-related aspects of intellectual property rights, it was appropriate to negotiate them in the Uruguay Round.

15. Some participants welcomed the United States suggestion as an important contribution to consideration of how the Group might tackle the trade problems arising in connection with intellectual property rights. Trade distortions and impediments in this area were often the symptoms of inadequacies, excesses or discrimination in the protection and enforcement of intellectual property rights. It was fully within the mandate of the Group to

address these issues. They favoured a global approach that would keep all options open at this stage. They did not see how discussion of these matters in the Group could prejudice initiatives in WIPO and other fora. Some of these participants were of the view that emphasis should be put at this stage on consideration of problems related to the enforcement of intellectual property rights. The others felt that it would be wrong to give priority at this stage to one or other of the issues of basic rights or enforcement. An agreement on trade-related aspects of intellectual property rights would be empty and ineffective without at least some reference to common norms. Delaying work on norms might cause them not to be addressed at all.

16. A participant said that in work on enforcement questions it had to be recognized that participants had different points of departure with regard to the possibilities for and constraints on the use of different measures; for example, some countries had customs services and techniques better adapted to meeting any requirement to control the importation of counterfeit goods. He requested those countries employing special border procedures for this purpose to share their experience with the Group. It was his tentative assessment that a multilateral framework in GATT was necessary to ensure a proper balance between the prevention of trade problems arising from the infringement of intellectual property rights and ensuring that measures and procedures adopted for this purpose did not become barriers to legitimate trade.

17. Some delegations considered that the treatment of trade in services in the US suggestion did not fall within the mandate of the Group, which was set up under Part I of the Ministerial Declaration dealing with trade in goods. In response, the representative of the United States said that these matters had been covered because some intellectual property rights or uses of intellectual property rights, such as licensing agreements and marks on services, could be considered as services, and the US aim was to cover the broad range of intellectual property rights in a GATT agreement. Some participants said that, despite these explanations, they remained concerned that the proposal dealt with service questions not only where intellectual property rights themselves or their use could be considered as a service affecting trade in goods but also where intellectual property rights were considered to affect trade in services. The Group had no mandate to cover fully intellectual property rights per se. In response to a question concerning the application of border enforcement measures to services in the US proposal, the representative of the United States said that the proposal provided for both border and internal enforcement mechanisms; where services did not cross borders, border measures would not be applicable.

18. In relation to the enforcement and dispute settlement parts of the United States proposal, one observation was that these provisions went beyond what was provided for in the General Agreement because they not only attempted to provide mechanisms for dealing with disputes between governments but also to lay down how disputes involving private parties should be dealt with under national law. Another observation was that the United States proposal appeared to put the emphasis in its operational parts on ensuring effective enforcement and say little about ensuring that procedures and remedies for the enforcement of intellectual property rights did not constitute obstacles to legitimate trade. This was a reversal of the treatment of these matters in the General Agreement, as had been shown by the Group's own examination of the relevant GATT provisions. The Punta Declaration also treated the two differently, since it was a specific objective of the work "to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade" while "the need to promote effective and adequate protection of intellectual property rights" was merely something to be taken into account.

19. Another series of observations on enforcement parts of the US proposal concerned the appropriateness of trade-based as opposed to internal enforcement mechanisms, either in general or for different types of intellectual property rights, and the scope of the applicability of the most-favoured nation and national treatment principles. Some participants emphasised the need for specific provisions to ensure due process and to safeguard against frivolous requests for customs intervention. In reply, the United States representative said that the fact that the most-favoured nation and national treatment principles had not been specifically mentioned, except in connection with the criteria for determination of infringement where the national treatment concept had been referred to, should not be taken to mean that the United States necessarily believed that consideration should not be given to their wider application. As regards the question of which types of enforcement procedures were most appropriate for which types of intellectual property rights, this was a matter that would need to be explored in the detailed negotiations.

20. Concerning the provision in the dispute settlement part of the US paper for retaliation to include the possibility of withdrawal of equivalent GATT concessions, some participants said that such a linkage would be unacceptable. It was also asked what would be the incentive to a country to join such an agreement if it thereby put at risk its GATT benefits in a way that would not occur if it stayed out. The suggestion was made that the

question of retaliation need further exploration, including on how would damage be determined and what would be the appropriate areas in which retaliation might be taken. In response, the representative of the United States said that the possibility of retaliation taking the form of withdrawal of GATT benefits had been included because experience of trade disputes had shown that limiting the ways of restoring the appropriate balance of concessions in cases of non-compliance made more difficult the satisfactory resolution of disputes. There was no intention in the proposed agreement to put signatories in a less favourable position than non-signatories. Only signatories would have rights to the multilateral dispute settlement procedures. In response to questions on paragraph 4 of page 6, he said that it was normal practice for parties to international agreements to consider ways of encouraging other countries to join those agreements. Other questions raised in relation to dispute settlement were the relationship between the provisions on dispute settlement in a GATT agreement and those in intellectual property conventions, and the rôle that WIPO might play.

21. In regard to the content of the annex on norms to the United States suggestion, a participant said that the question of coverage needed further exploration as also the specific details of the level of protection to be accorded. There was a need to ensure a proper balance to safeguard against both inadequate and excessive protection, both of which could be trade distorting or impeding. Another participant spoke of the need to examine further the legal form that any standards or norms in a GATT agreement should have.

22. A participant was concerned that the US suggestion implied the negotiation of a GATT code. He said that the Group's Negotiating Objective did not contain any commitment to conclude a code on the trade-related aspects of intellectual property rights and recalled the views that his delegation held about the general adverse affects of the code approach on the integrity of the GATT system. The results of the Group's work could take many other forms, for example explanatory notes to Articles IX:6 and XX(d) or the adoption of a protocol.

23. In regard to the Brazilian suggestion in MTN.GNG/NG11/W/11, some participants said that they viewed this as a useful input into the debate, but could not agree that it be treated as a precondition of that debate. Some supported wider membership of the Madrid Agreement on the Repression of False or Deceptive Indications of Source on Goods.

24. In regard to the Swiss paper (MTN.GNG/NG11/W/15), some participants thought it a positive and well-balanced suggestion for how the Group might proceed with its work and indicated their willingness to work along these lines. Some other participants, however, doubted the consistency with the Group's mandate of envisaging work on norms or standards for the protection of intellectual property, as suggested in the second indent. Some participants also expressed opposition to the establishment of a GATT body, as suggested in that indent. On the other hand, some participants were concerned that leaving the norms for the protection of intellectual property rights to be considered in this body until after the negotiations could, in effect, lead to a shelving of work on this matter. In response to questions the Swiss representative said that he had an open mind on the form that the suggested body might take: it could be an existing GATT body, a new one or a joint GATT/WIPO body. In regard to the first indent, a participant said that one of the important issues that would need to be explored would be how to deal with the fact that some participants were not members of one or more of the intellectual property conventions, notably in securing a proper balance of advantage among participants in any GATT agreement. In regard to the third indent, some participants said that some of the points made in regard to the United States suggestion on dispute settlement were also applicable. In response to a question on the relation of the fifth indent to the other indents, the representative of Switzerland said that the nature of the cooperation with WIPO was an element of the whole; the contribution that WIPO could make should be considered at each step and in relation to each element.

25. In regard to the suggestions on technical assistance in the United States and Swiss suggestions, it was said that any agreement should provide for clear obligations and organized multilateral assistance in this area. The representative of Switzerland said that, under his delegation's suggestion, it would be for the Group to define collectively the nature of technical assistance, on the basis of indications of requirements from those countries interested in receiving such assistance. A participant also suggested that attention be paid to the general principle of special and differential treatment for developing countries.

26. In commenting on how the Group should pursue its work, some participants said that in their view it was too early for the Group to consider possible agreements. There was need to concentrate first on further identifying and clarifying issues and examining the operation of relevant GATT provisions. A participant said that he understood the first paragraph of the Group's mandate to provide for a clarification of relevant GATT provisions, such as Articles XX(d) and IX:6, and the negotiation of new rules and disciplines to the extent that these were necessary to deal with problems arising from the operation of existing GATT provisions. This

matter was quite distinct from the specific question of trade in counterfeit goods, dealt with in the second paragraph of the mandate. This distinction had not been maintained in the secretariat note on the Group's last meeting (MTN.GNG/NG11/3), and it was a matter for concern that the United States suggestion was to amalgamate the two. This participant, supported by some others, said that this distinction should be respected in the work of the Group.

27. A participant said that the Group should examine whether the application of the relevant GATT provisions would be sufficient to deal with possible trade problems arising from the operation of intellectual property rules, regulations and procedures. In order to identify any such trade problems, she suggested a methodology. First, it was necessary to define where a law, regulation or requirement might be held to affect "trade" in terms of the General Agreement. For this purpose, Article III of the General Agreement offered a good standard; according to this Article, laws, regulations and requirements only came within the scope of GATT to the extent that they affected a specific trading operation concerning goods. If it was suggested that any intellectual property law, regulation or requirement meeting this condition was trade distorting or impeding, it should then be examined to see if it was consistent with an international treaty on intellectual property. If this were the case, consideration should be discontinued unless it could be demonstrated that the practice was being intentionally employed in a direct fashion to distort or unduly restrict international trade. As a final step, the overall balance of the legitimate interests covered by the practice in question should be assessed by examining whether the trade distorting or impeding effects outweighed the eventual benefits to the community employing the practice.

28. Some participants said that there was need to examine more closely the form that cooperation with WIPO should take and the relationship between the work of the Group and activities in that body. Many participants said that they hoped WIPO would make a major contribution to the work of the Group and stressed the importance they attached to close and effective cooperation with WIPO. WIPO had not been invited as an observer but as a contributor to the negotiations. Some participants drew a distinction between the question of what contribution WIPO might make during the negotiating process and what might be the rôle of WIPO in the implementation of the results of the Group's work. Participants which supported consideration of norms and standards for the protection of intellectual property in the Group said that this should not be taken to mean that they wished to use the GATT to supplant the WIPO as a standard setting organization in this field. In any treatment of standards, the Group should build as much as possible on work completed and ongoing in WIPO and other relevant fora. In addition to the approaches suggested by the United States and Switzerland, possibilities mentioned were that the Group might decide to refer certain issues to outside organizations, such as WIPO, or that the GATT and WIPO might attempt jointly to draw up new standards where a proven need had been identified. It was also important to avoid any inconsistency or prejudicial effects that obligations in a GATT agreement might have vis-à-vis obligation under international intellectual property conventions. A participant suggested that any GATT agreement should include a provision enabling future revisions of intellectual property conventions to be taken into account.

Second indent of Initial Phase: Trade in Counterfeit Goods

29. Some participants recalled their views on the importance of treating this item separately in the work of the Group and their belief that this was an area where work could proceed more rapidly than under the first agenda item. They indicated their willingness to engage in a thorough examination and review of this matter on the basis of the proposed draft agreement to discourage the importation of counterfeit goods (MTN.GNG/NG11/W/9) and the report of the Group of Experts on Trade in Counterfeit Goods (L/5878). This work would be without prejudice to any further elements that may prove necessary and to activities in other fora. One of these participants suggested that the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (MTN.GNG/NG11/W/11) and the proposals under discussion in the WIPO Committee of Experts on the Protection Against Counterfeiting (MTN.GNG/NG11/W/5 and Addenda 3-4) should also be addressed by the Group in this work.

30. Another of these participants recalled that at each of the Group's meetings he had encouraged the Group to examine the Report of the GATT Group of Experts on Trade in Counterfeit Goods (L/5878), which as the Group's Negotiating Plan stated, was a basis for this part of the Group's work. He pointed, in particular, to certain observations on the proper scope of GATT's work made in that Group by the proponents at the time of joint action on trade in counterfeit goods (paragraph 21, second and fourth indents). This participant highlighted the significant evolution of his country's position on GATT action on trade in counterfeit goods and said that his authorities were prepared to consider the possibility of extending the scope of the work on trade in counterfeit goods to violations of copyright law. Another participant pointed to the discussion in the report of

the Group of Experts of the definition of counterfeit goods for the purposes of any joint action (L/5878, paragraph 27); a more precise definition of the scope of work in this area would be one of the important issues for discussion.

Third Indent of the Initial Phase: Consideration of the Relationship Between the Negotiations in this Area and Initiatives in Other Fora

31. The representative of the World Intellectual Property Organization said that the Governing Bodies of WIPO at their meetings in September 1987 had unanimously decided that WIPO should accept the invitation of the TNC to attend meetings of the Group. His delegation was at the disposition of the Group and looked forward in a positive way to future collaboration with the Group. WIPO's work programme for the coming two years, which had been fixed by the Governing bodies in September, provided that certain work directly relevant to matters raised in the Group would be continued, for example the work of the Committee of Experts on the Harmonization of Certain Provisions in Laws for the Protection of Inventions and that of the Committee of Experts on the Protection against Counterfeiting. This Committee might see its mandate enlarged to cover also protection against piracy in the copyright field, in accordance with the decisions of the Governing Bodies.

32. A participant said that work under this item should serve to help the Group identify the proper scope of its work. It should not simply take the form of an exchange of information. He understood the Swiss paper (MTN.GNG/NG11/W/15) to suggest a way of exploring the scope for dealing through the obligations under the General Agreement with the matters that the Group was concerned with. To this extent, his delegation could go along with this approach. The representative of Switzerland said that his delegation's suggestion was also relevant to this item of the agenda.

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

33. In concluding the discussion on the various agenda items, the Chairman noted that many of the comments on the suggestions had necessarily been preliminary and that some participants had indicated that they hoped to be able to present suggestions of their own at the Group's next meeting, the dates of which had been fixed by the GNG for 23-24 November. The Group would, therefore, need to continue its initial examination of the specific suggestions at that meeting, which should be regarded as a continuation of the present meeting. He envisaged having a general exchange of views on both the new and the existing suggestions at that meeting and then, if time permitted, proceeding to a more focused discussion of them. It was his view that the Group had undertaken its task under the Initial Phase of identifying relevant GATT provisions and examining their operation, but, if any participant had something further to say on this matter, there would also be an opportunity at the next meeting.