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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 29 FEBRUARY - 3 MARCH 1988

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

Note by the Secretariat

1. The Negotiating Group adopted the agenda as set out in GATT/AIR/2546.

Trade-Related Aspects of Intellectual Property Rights

2. The Group had before it five new documents: a suggestion by the Nordic countries for achieving the negotiating objective (MTN.GNG/NG11/W/22); a revision of the compilation of written submissions and oral statements, prepared by the secretariat (MTN.GNG/NG11/W/12/Rev.1); a note by the secretariat on provisions on enforcement in international agreements on intellectual property rights (MTN.GNG/NG11/W/18); notes by the UNESCO and WIPO Secretariats on provisions of existing international conventions providing protection for intellectual property (MTN.GNG/NG11/W/19 and 21); and a note by the secretariat on activities in other international organisations of possible interest in relation to matters raised in the Group (MTN.GNG/NG11/W/20).

3. The representative of Norway introduced document MTN.GNG/NG11/W/22 containing suggestions by the Nordic countries on a number of broad elements to be addressed in the Group's subsequent negotiating process. He said that the paper was intended as a contribution to the establishment of a non-exhaustive framework for future substantive discussions.

4. The Nordic paper was widely welcomed by participants as a positive contribution. It was suggested that the structure of the paper and method of work suggested might be helpful in organising the further work of the Group. The view was also expressed that the structure might have followed more closely the Group's Negotiating Objective. Some participants welcomed in particular the openness of the paper to different possibilities for negotiation, although some members sought further clarification on certain aspects. The representative of Norway said that the paper reflected the fact that the Nordic countries were at different degrees of maturity in their thinking on different aspects; it was only by substantive discussion in the Group that they and other participants would be able to become more specific.

5. Many participants expressed their agreement with the point of departure in the Nordic paper - the analysis of the trade problems related to the protection of intellectual property rights. It was suggested that this matter should be explored in greater detail by the Group, with a view to clarifying the link between international trade and the treatment of the seven specific elements in the paper. The representative of Norway recalled that the views of the Nordic delegations on trade problems encountered in connection with intellectual property rights had been set out in document MTN.GNG/NG11/W/7/Add.1.

6. Support was widely expressed for the Nordic proposal that attention be given to the incorporation of a number of basic GATT principles into the work of the Group, such as non-discrimination, national treatment, transparency and dispute settlement. It was also suggested that there was need for further study of such

principles, in particular the national treatment principle because of its key importance as a yardstick for international obligations in the intellectual property area and because of the differences between the concept as employed in the General Agreement and in intellectual property conventions. The point was made that if the commitments to be negotiated were limited to a clarification and elaboration of GATT provisions, it would not be necessary to lay down again principles and procedures that were already provided for in the General Agreement. It was suggested that a further GATT principle should be explored, the multilaterization of bilateral or plurilateral concessions and the conditions required to ensure this. While agreeing that the outcome of the negotiations should not be prejudged, a participant considered that the Group should already be attempting to construct both the content and form of commitments to be entered into.

7. Some participants agreed with the Nordic suggestion that the Group should address a broad coverage of rights. Some participants felt that the issue in relation to "coverage" was that of determining what were the trade-related aspects of intellectual property rights; the Group's Negotiating Objective did not envisage any constraint as to the types of intellectual property rights that those aspects might relate to. A more pertinent working hypothesis might be that of a broad coverage of trade effects. It was also suggested that, while at this stage the Group should not exclude from its consideration relevant matters related to any intellectual property right, the Group should reserve the possibility of defining exceptions in due course if necessary.

8. In regard to elements II and IV of the Nordic paper, some participants said that in general terms they could go along with the suggestions on standards or norms on the understanding that the purpose was to establish a reference point or basis for the Group's work on the trade-related aspects, not that the Group should proceed to negotiate new or improved norms for the protection of intellectual property, for example through the multilaterization of certain national practices. They sought clarification of Nordic thinking on these matters, for example what would be the purpose of the suggested examination of general national practices in relation to existing levels of protection in international standards/norms. Another participant believed that, in developing an agreed set of norms as a basis for commitments, not only norms in international conventions but also those that were common practice in many nations should be examined. In regard to element III on enforcement, the importance of avoiding discrimination and barriers to legitimate trade was stressed. In this regard, the point was made that it would be necessary to determine what was legitimate trade and what was not in terms of intellectual property rights; a too narrow definition of what was legitimate could lead to unwarranted barriers to international trade. Some participants considered that element III of the Nordic paper tended to treat together matters concerning both the first and second paragraphs of the Group's Negotiating Objective and urged that separate treatment be maintained. Concern was also expressed that it tended to go beyond the trade-related aspects to the treatment of intellectual property rights as such. The representative of Norway said that element IV of the Nordic paper, which concerned new GATT commitments pertaining to intellectual property rights, should be seen as the envisaged GATT consequence of elements II and III concerning basic standards/norms and enforcement mechanisms of relevance to TRIPS. The paper was designed to cover all three paragraphs of the Negotiating Objective.

9. In relation to elements V-VII of the Nordic paper (dispute settlement, technical assistance, relationship between GATT commitments and work on intellectual property rights elsewhere), some participants saw these as matters whose treatment would essentially depend on the outcome of consideration on the previous elements. Some others put emphasis on the desirability of parallel consideration of them. In regard to dispute settlement, some participants were not clear as to how GATT-type dispute settlement procedures could apply to intellectual property disputes that were essentially between private parties; they were concerned about any implication that governments could become internationally responsible for the behaviour of private persons within their jurisdiction. In response, the representative of Norway said that the intention was that international dispute settlement procedures would only relate to the commitments entered into by governments. It would be necessary to know what these commitments were likely to be before the specific arrangements on dispute settlement could be worked out. In regard to element VI of the Nordic paper, he agreed with a suggestion that this be referred to as "technical co-operation" rather than "technical assistance". While some participants expressed agreement with the formulation in element VII on the relationship between GATT commitments and work on intellectual property rights elsewhere, some felt that it did not go far enough in dealing with the questions of ensuring that work in the Group was without prejudice to complementary initiatives in WIPO and elsewhere and that duplication was avoided. Emphasis was also put on the important rôle that WIPO could play in the implementation of the results of the Group's negotiations. The Representative of Norway agreed with the suggestion that it would be necessary to consider not only the relationship with WIPO but also, where relevant, with certain other international organizations.

10. The representative of the United States informed the Group of the results of a study by the United States International Trade Commission on Foreign Protection of Intellectual Property Rights and the Effect on

United States Industry and Trade.[1] Respondents to a questionnaire sent to 736 United States firms, including the largest 500 firms, had estimated their aggregate worldwide losses in 1986 as a result of inadequate foreign protection of their intellectual property at $23.8 billion, of which their lost exports from United States were estimated at $6.2 billion. If the losses indicated by respondents were extrapolated to all United States industry at the same rate of loss per unit of sales, a total loss figure of $102 billion would be arrived at; if the extrapolation was at half the rate of loss, the total would be $61 billion; and if it were at one quarter, $43 billion. Eighty-five per cent of the respondents had indicated that their losses were increasing. He would welcome comments from other participants on the study and hoped that they would also produce similar studies.

11. A number of questions were asked about the methodology used in the study, including what was the point of reference for assessing the adequacy or inadequacy of the protection of intellectual property rights and how the estimates of losses were compiled. In response, the representative of the United States said that the estimated loss of $23.8 billion was an aggregate of the estimated losses for their companies provided by United States firms responding to the questionnaire. The information was provided under oath and cross-checked by the staff of the ITC. Detailed information on the methodology employed, including the questionnaire and practices considered to represent inadequate protection of intellectual property, was contained in the study.

12. Some participants were of the view that the Group had not sufficiently explored what were the trade-related aspects of intellectual property rights. There was need for greater clarity about the alleged trade effects of the matters raised in the Group, in particular the distortions and impediments to international trade that they were considered to be causing. The view was expressed that the fact that there may be some adverse trade effects should not be considered in itself as sufficient ground for the Group to take action; it should also be demonstrated that the problem was one that fell within the objectives specified in paragraph one of the Group's Negotiating Objective, that the matter was mainly trade-related and

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[1]Copies of this study (in English only) are available in the secretariat (tel: 30.50.01) for consultation by interested delegations.

not one in which other policy considerations predominated, and that the requirements of the third paragraph of the Negotiating Objective were respected. Another participant recalled that her delegation had put forward a methodology for identifying trade-related aspects that the Group should deal with.

13. On the question of the enforcement of intellectual property rights, the view was expressed that the basic problem that the Group should address was that, on the one hand, the existing international obligations in this regard did not go far in ensuring that effective means of enforcement of intellectual property rights were provided for in national legislation; reference was made in this connection to the description of the enforcement provisions of existing international treaties in document MTN.GNG/NG11/W/18. On the other hand, many countries, faced with the spread of counterfeiting and piracy, were taking unilateral measures to strengthen enforcement within their countries, with the risk that this could give rise to barriers to legitimate trade. There was thus need for multilateral action that would provide for a balance between ensuring effective enforcement and safeguarding against barriers to legitimate trade and a corresponding balance between the rights of the owners of intellectual property rights and the rights of traders. This should not be limited to counterfeit goods but should apply to all types of intellectual property rights.

14. Another view was that questions of the inadequacy of enforcement procedures were only relevant to the second item of the Group's agenda, trade in counterfeit goods, which corresponded to the second paragraph of the Negotiating Objective. Under the first agenda item, attention should be focused on ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade and on reducing distortions and impediments to international trade; this corresponded to the purpose of the existing GATT provisions which the Group had been asked to clarify and should determine the scope of any new rules and disciplines that the Group might find it appropriate to elaborate.

15. It was suggested that, in the enforcement field, harmonization of national practices would not be possible. National practices varied greatly according to different legal traditions and constitutional requirements and according to the differing resources, priorities, and experience if law enforcement bodies etc. In this view, what was required was a set of guidelines and principles which, while sufficiently precise to ensure effective

enforcement and to safeguard against barriers to legitimate trade, would be sufficiently flexible to accommodate these differing national situations. The representative of the European Communities said that this approach had been adopted in the Community suggestion (MTN.GNG/NG11/W/16). Some participants expressed concerns about the burdens that international obligations might put on them as countries and on their enforcement authorities in particular. In response, it was suggested that one way of augmenting resources would be to make action by enforcement authorities on behalf of owners of intellectual property rights at least partially self-financing, for example customs might impose a fee on title holders requesting customs intervention.

16. A participant referred to the mechanisms provided in his country for border intervention against goods suspected of infringing trademark rights or copyright. In the case of trademarks, in order to initiate the action the title holder was required to notify customs that he suspected infringing goods might be imported and to pay a fee designed to cover the costs of the customs authorities; customs would then detain for a limited period any such goods detected and would inform the party which had notified the customs; it was then up to that party to instigate court proceedings during a specified period to substantiate his claim. In his view, this was a balanced procedure, which protected the rights of both sides, provided for a court procedure that ensured justice, and put the onus where it belonged, on the party claiming rights and seeking to protect those rights. The representative of the European Communities said that the Community regulation on trade in counterfeit goods, which had been circulated to participants for their information (MTN.GNG/NG11/W/3), provided for broadly similar procedures.

17. Some participants said that, to ensure effective action against the trade distortive and impeding effects of the violation of intellectual property rights, international commitments on enforcement both at the border and internally would be necessary. Some participants were of the view that the type of mechanism that would be appropriate, including whether a special border procedure would be appropriate, would depend on the type of intellectual property right in question. One reason given for this was that the ease or difficulty of determining infringement varied according to the type of right and differing procedures were therefore required; for example, determination of trademark infringement was generally less complicated than determination of patent infringement. A participant, however, was doubtful that such variations in the ease or difficulty in determining infringement warranted different procedures. Another participant said that there was not always a rigid distinction to be made between border and internal enforcement mechanisms. Customs could act at the border to execute decisions made by internal enforcement mechanisms; for example, in his country customs could be asked to execute provisional court orders.

18. A number of participants addressed the question of how to ensure that measures and procedures to enforce intellectual property right did not give rise to barriers to legitimate trade. Some participants emphasised in this connection the non-discrimination and national treatment principles of the GATT. It was suggested that one effective way of ensuring respect of these principles would be for the same procedures to be applied to imported goods as to domestically-produced ones. A participant, however, was of the view that differences in procedures and remedies could work to the advantage of the imported goods; insistence on identical procedures might prove counterproductive. It was said that, if different procedures were used in relation to imported goods, specific safeguards against their constituting barriers to legitimate trade would be necessary. Such procedures should provide not less favourable treatment of imported goods, in accordance with the national treatment provision of the General Agreement. Due process of law should be assured, for example adequate notice to concerned parties of enforcement proceedings, sufficient opportunities for explanation and defense, impartial decision-making bodies whether administrative or judicial, impartial bodies for appeal and review, and reasoned decisions. Reference was made to the suggestion of Japan on this point (MTN.GNG/NG11/W/17, page 4). Some participants, although they had no problem with these specific requirements, had reservations about employing the concept of "due process" in the work of the Group, since it was not a recognized concept in GATT or other international law and could have a range of implications beyond those mentioned. The point was also raised as to which national treatment concept should be applicable, that in GATT concerning the treatment of imported and domestically-produced goods or that in intellectual property conventions concerning the treatment of nationals and foreign nationals.

19. A number of other suggestions for safeguards to ensure that enforcement procedures and remedies did not become barriers to legitimate trade were discussed. Mention was made of: definition of the types of intellectual property rights and violations of those rights covered by specific enforcement measures; definition of the conditions of intervention of courts and the customs; definition of the persons able to instigate action; quite short time-limits for the validity of provisional or conservatory measures; and provision for deposit of security by the complaining party and liability to pay damages. A requirement to pay a fee to customs to cover their costs of surveillance and intervention would discourage frivolous requests. Multilateral dispute settlement mechanisms would also be relevant as a means of ensuring that the required safeguards were duly incorporated into and applied under national law.

20. Some participants emphasized that the enforcement of the private rights of intellectual property title owners should remain the responsibility of national authorities and be conducted through procedures under their national law. Concern was expressed about the extent to which the existence in a country of violations of intellectual property rights could expose such a country to multilateral dispute settlement proceedings. It was suggested that there was a need for a clear distinction between the issue of, enforcement, that is to say the means available under national law by which private right owners can prevent, or obtain redress in the event of, violation of their rights, and the issue of international dispute settlement, which concerned the settlement of disputes between States about alleged breaches of the international treaty obligations of States.

21. Some participants referred to the inter-relationship between the issue of enforcement and that of norms. If there were to be GATT commitments on enforcement, it would be necessary to specify what was to be enforced. In one view this needed to be examined at least simultaneously, if not in advance, of consideration of enforcement. In another view, the two matters
should be examined in parallel. A further view was that it was possible to examine the question of enforcement on the basis of the norms provided for in national legislation, without prejudice to the Group's consideration of norms themselves.

22. Referring to documents MTN.GNG/NG11/W/19 and 21, some participants said that efforts in the Group to deal with trade problems arising in the area of norms should build on the long history of work in this area in other organizations, in particular WIPO. While international standards or norms for the protection of intellectual property rights existed in some areas, they were absent or limited in other areas. For example, it was said that, whereas the Berne Convention for the Protection of Literary and Artistic Works contained rather precise norms, those in the Paris Convention for the Protection of Industrial Property were less complete. The existing international rules did not appear sufficient to forestall the trade problems that were arising from the inadequate provision of basic intellectual property rights in many countries. There was need for further study of the provisions of existing international conventions as they related to trade problems arising, of their implementation in member countries and of the reasons why some countries had not acceded to them. Some participants wished to have further information on existing international law and on how the norms provided therein compared to norms in national legislation and the issues and suggestions put forward in the Group; for example, was the level of protection accorded under international norms based on a concept of "sufficient profit" and, if so, how was this assessed? A number of questions were put to the representative of the World Intellectual Property Organization. Suggestions were also made about papers that the WIPO Secretariat might be invited to prepare in this connection (see paragraph 39 below for the decision of the Group).

23. Reference was made to the ideas contained in the annexes to the United States and Japanese suggestions (MTN.GNG/NG11/W/14 and 17) as a way of approaching problems connected with norms in the Group. It was also suggested that there was a range of other possible approaches to this matter, one of which had been put forward by Switzerland (MTN.GNG/NG11/W/15), and that a key consideration was broad adherence to and implementation of what was agreed. Some participants reaffirmed their view that norm setting was not provided for in the Negotiating Objective of the Group. While they could accept the need for greater understanding of the existing national and international situation regarding norms as a basis for the work of the Group on trade-related aspects of intellectual property rights, this should not be understood to indicate acceptance of norm setting as a function of the Group. Norm setting was the responsibility of other international organizations and needed to take into account many complex considerations and objectives additional to those related to international trade. It was also suggested that it would not be appropriate to make GATT dispute settlement procedures applicable to existing international norms; this would introduce an unwarranted element of imbalance into GATT rights and obligations.

24. In regard to the use of intellectual property rights, some participants said that the Group might examine further the question of the extent to which intellectual property rights should give private right holders the possibility to divide and segregate markets. Whereas abusive uses of intellectual property rights were the subject of domestic competition laws, there were not similar controls at the international level. They asked other participants to indicate whether these were points that they would wish to pursue in the Group.

25. On the question of dispute settlement, some participants said that, on the basis of the information in Section II of document MTN.GNG/NG11/W/18, it appeared that the existing intellectual property conventions contained rather limited mechanisms for resolving disputes between member countries. There was need for more effective mechanisms in this regard. There was also need for a multilateral system that would place effective disciplines on the unilateral or bilateral pressures presently being exerted as a way of settling disputes between countries over intellectual property matters; any measures of retaliation should only be taken consistently with

multilateral obligations and procedures. Further thought should be given to any special features that might be required in a multilateral dispute settlement mechanisms on the trade-related aspects of intellectual property rights.

26. The representative of the World Intellectual Property Organization, responding to questions put by participants, said that the questions of enforcement and dispute settlement were clearly distinguished in the conventions administered by WIPO. Enforcement concerned the means available under national law and national tribunals for the resolution of conflicts between private persons over intellectual property rights. The dispute settlement provisions of the conventions administered by WIPO which contained provisions on this matter were not designed to deal with conflicts between private persons and private persons did not have access to them. These provisions concerned disputes between member States over the interpretation or application of the convention in question. If the dispute settlement provisions in the Berne and Paris Conventions were not more far-reaching, it was because the member States at the time of the introduction of these provisions had not judged it desirable to make them so. In regard to enforcement, the conventions administered by WIPO contained the provisions referred to in document MTN.GNG/NG11/W/18. In addition, problems in this area, especially in the light of the spread of counterfeiting and piracy, had been the object in WIPO of studies, symposia, fora and meetings of committees of experts for several years. The WIPO Committee of Experts on Measures Against Counterfeiting and Piracy would hold its next meeting on 25-28 April 1988, to study the relevant provisions of the conventions administered by WIPO, chiefly the Paris Convention, the Berne Convention and the conventions on neighbouring rights, and to study model provisions for national legislations to combat counterfeiting and piracy.

27. Continuing, the representative of WIPO said that the establishment of international norms for the protection of intellectual property was a fundamental task of WIPO. The extent to which it had been possible to draw up norms of a binding character had depended on the willingness of member States to accept such obligations. This had varied. For example, the Berne Convention was rather complete in this respect whereas the Paris Convention was less far-reaching. There were also norms of a non-binding nature that had been studied and drawn up by WIPO. For example, model laws for legislation on various types of intellectual property rights had been published. Although designed principally to be of assistance to developing countries, they were a source of inspiration for all countries when re-examining their national legislation. They could be regarded as constituting reference norms. The extensive current WIPO activities in the field of norms were summarized in document MTN.GNG/NG11/W/20, for example the work on a treaty for the harmonization of patent law, and the work due to begin shortly on a treaty on trademark law and on model provisions for copyright legislation. Responding to a question as to whether there was anything precluding WIPO from taking up matters referred to in paragraph 36 and the ensuing paragraphs of document MTN.GNG/NG11/W/12/Rev.1, he said that most of the matters dealt with in paragraph 36 were already the subject of WIPO activities - for example the work in the patent law harmonization exercise on exclusions of subject matter from patentability and on the duration of patent rights, the consideration of compulsory licensing of patented inventions in the work on the revision of the Paris Convention, and the series of WIPO treaties aimed at alleviating procedural and financial burdens through centralized procedures. In the subsequent paragraphs of the document there were certain questions not inscribed in the present WIPO work programme. There was nothing to preclude these matters being dealt with in WIPO if the Governing Body of the relevant convention so agreed. The WIPO work programme was established for two-year periods by the WIPO Governing Bodies; the present programme was for 1988-1989.

Trade in counterfeit goods

28. In introducing this item, the Chairman recalled that among the basic documents before the Group were the Report of the Group of Experts on Trade in Counterfeit Goods (L/5878), the 1982 draft Agreement to Discourage the Importation of Counterfeit Goods (MTN.GNG/NG11/W/9), and the Brazilian suggestion concerning the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (MTN.GNG/NG11/W/11). Reference had also been made to the work of the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy, copies of whose documents had been made available to the Group (MTN:GNG/NG11/W/5 and Addenda 3-4), and to the draft Model for National Legislation to Give the Customs Powers to Implement Trademark and Copyright Legislation prepared by the Customs Cooperation Council (MTN.GNG/NG11/W/5/Add.5). He suggested that, in order to have a more structured and systematic discussion, participants might focus on three basic issues: what should be the scope of a multilateral framework on trade in counterfeit goods; what should be the mechanisms and remedies provided
in such a framework to ensure effective action against trade in counterfeit goods; and what safeguards should be built in to ensure that procedures and remedies for this purpose do not themselves become barriers to legitimate trade. He further suggested that, in their statements, participants might also wish to refer to the somewhat more detailed checklist of questions in the sub-headings to paragraphs 26-34 of the Report of the Group of Experts on

Trade in Counterfeit Goods (L/5878).

29. The representatives of the United States, European Community and Japan said that the specific suggestions that they had tabled (MTN.GNG/NG11/W/14, 16, 17) contained their ideas for action on trade in counterfeit goods. In their view and in the view of some other participants, this was an enforcement issue and best treated in the light of a general approach to the trade-related aspects of intellectual property rights. Some other participants reaffirmed the importance that they attached to a separate treatment of the issue of trade in counterfeit goods; it was treated separately in the Group's Negotiating Objective, in which the commitment on this matter was qualitatively different from that in the first paragraph on the issue of the trade-related aspects of intellectual property rights. One of these participants said that, while he was in broad agreement with an approach aimed at reinforcing obligations and co-operation among governments on trade in counterfeit goods, he was opposed to a code approach to this matter. Another participant said that the Group should first determine how and in what measure GATT could contribute to the control of counterfeit goods by improving the application of existing international and national instruments and ensuring that measures against counterfeit goods do not become a barrier to legitimate trade. After establishing such parameters, the Group might be in a position to proceed to draw up a multilateral framework of principles, rules and disciplines.

30. As regards the types of intellectual property right infringement that should be dealt with in a multilateral framework on trade in counterfeit goods, some participants supported work on goods involving the infringement not only of trademarks but also of copyrights. Some considered that, although account should be taken of the different problems associated with the enforcement of different intellectual property rights, the scope of the work should not be limited in this regard. Several delegations said that parallel imports were not counterfeit goods and should not fall in the scope of multilateral disciplines aimed at discouraging trade in counterfeit goods. In response to a question concerning the possibilities for customs interventions against illicit traffic in intellectual property that took a less tangible form than trademarks, for example trade secret, the view was expressed that action by the customs could only be triggered by evidence of infringement of an intellectual property right with respect to goods crossing a frontier.

31. On the points of intervention against counterfeit goods in respect of which a multilateral framework should establish rules, some participants suggested that attention be given not only to action at the border against the importation of counterfeit goods, but also to action against the export and transit of such goods. A number of questions were raised in regard to these suggestions: what would be the applicable intellectual property law and tribunals; would it be those of the country of exportation/transit or those of the country of destination; what would happen if the goods could be deemed counterfeit in the country of exportation/transit but not in the country of destination? In regard to transit, questions were raised about compatibility with transit treaties entered into by countries with their neighbours. In response, it was said that the suggestion was not to change the present situation under which transit trade was subject to fewer controls than imported goods, but merely to look at the possibilities for intervention on application by right holders if sufficient evidence of trade in counterfeit goods were available. It was also suggested that action against the internal production and sale of counterfeit goods should be covered, since such action was essential if trade in counterfeit goods was to be effectively repressed and in any event the distinction between border and internal enforcement was not always a clear one. Attention was drawn in this regard to the points recorded in paragraph 28 of MTN.GNG/NG11/W/12/Rev.1.

32. As regards the objectives of work on trade in counterfeit goods, reference was made to the objectives set out in paragraph 26 of the Report of the Group of Experts on Trade in Counterfeit Goods (L/5878) which listed three objectives: to place obligations on governments to provide trademark owners with effective means to enforce their trademark rights while suspect imported goods were still under the control of customs; to remove effectively the economic incentive for trade in counterfeit goods; and to ensure that action taken for these purposes did not give rise to problems for trade in genuine goods. A participant said that, assuming obligations related to registered trademarks only, and subject to the requirement that action against the importation of goods could only be taken on the basis of a prior court order, he could support the formulation of rules of general application with these objectives. Another participant said that in formulating a multilateral framework, account should be taken not only of the rôle of intellectual property rights in protecting the rights of the owners of rights, but also of the protection of the public interest, notably the protection of consumers.

33. In regard to the procedures by which owners of intellectual property rights could seek and obtain action against trade in counterfeit goods, there was some discussion about whether measures at the border should be on the basis of a court order. Some participants favoured this on the grounds that it would help ensure transparency and avoid discrimination against imported goods. Some others felt that such a requirement might be too time-consuming and run the risk that goods would be no longer under the control of customs when the order was given

and implemented. A participant said that in his country customs could under existing provisions detain goods for one month from the date of application for such a detention in order to allow the applicant to take the proper proceedings for the defence
of his rights. However, the point was made that, at least in some legal systems, it was possible to obtain court orders of a provisional nature rapidly. It was also suggested that it could be unwise to place excessive expectations and burdens on customs authorities in regard to such matters as the determination of infringement of intellectual property rights; complications arose, for example, from often rapid changes in the ownership of trademarks and the production of or trade in genuine goods by enterprises other than the owner of the mark. The Group had to take account of the differences between countries in infrastructure, resources and other constraints. A multilateral framework should have sufficient flexibility to allow for such differences. Excessive perfectionism in the attempt to provide effective mechanisms could lead to problems for legitimate trade. It was said that technical and financial assistance to customs authorities could make an important contribution to alleviating some constraints. Some participants expressed a willingness to think in an open way about the provision of such assistance. Some participants also suggested discussion of mechanisms to be applied internally against the domestic production and sale of counterfeit goods.

34. On the question of the remedies and sanctions that should be provided against trade in counterfeit goods, it was suggested that such goods should be seized and forfeited, and disposed of outside normal commercial channels, preferably by destruction. There should also be provision for compensation for damage caused to legitimate interests, whether to those of an owner of an intellectual property right through an act of counterfeiting or to those of an importer in cases where genuine goods had been detained. In connection with the concept of compensation, various questions were asked: how would the damage suffered be calculated; would compensation in the event of an unfounded seizure go to the private party or to the country which it had suffered prejudice; would it be paid by the private party concerned or by the country where the action took place; would penalties for misuse of a procedure necessarily be equal to the compensation granted to the injured party and be used to finance it? In response, it was suggested that many of these matters could be left to be regulated by national civil law relating to compensation. It was also said that, since counterfeiting was typically an intentional and fraudulent activity, criminal sanctions should be provided for, subject to the normal tests of the criminal law.

35. In regard to safeguards against barriers to legitimate trade, one view was that the most effective safeguard would be to require action to be taken on the basis of a court order, by the same body and subject to the same procedures and the same substantive intellectual property law as that applicable to domestically produced goods. Another view was that, even if the procedures against the importation of counterfeit goods were different from those applicable to domestically produced goods, it was possible to find a reasonable balance between the interests of the parties involved that would safeguard against barriers to legitimate trade. Detention of suspect goods by the customs on the basis of an application by a right owner should
be subject to a time-limit, during which period a decision from a court or other appropriate body confirming the detention would have to be obtained if the goods were not to be released. Persons seeking the detention of goods could be required to put up appropriate security and could be made liable to pay compensation for damage to the legitimate interests of the importer in the event of the detention of goods subsequently found not to be counterfeit goods. The substantive decision on the determination of counterfeiting should be taken by a court or some other appropriate body. There should be a requirement to respect the principle of non-discrimination. The question of the proof of ownership of a mark that customs should require before agreeing to intervene should be examined. Customs might in addition impose a fee on applicants seeking customs intervention; besides helping to cover the costs incurred by the customs administration, this would tend to discourage abusive requests. It was also suggested that there would be a need for safeguards to ensure that parallel imports were not mistaken for counterfeit goods.

36. The representative of the Customs Cooperation Council introduced the Model Legislation for National Legislation to Give the Customs Powers to Implement Trademark and Copyright Legislation that had been circulated to the Group in document MTN.GNG/NG11/W/5/Add.5. The text had been finalized by the Permanent Technical Committee of the CCC in June 1988 for final approval. Some participants considered that the CCC text would be a source of inspiration for the Group's own work and should be taken into account. It contained, for example, some useful definitions that might be applicable in the work of the Group. It was also noted with satisfaction that it covered not only trademark counterfeiting but also the piracy of copyright and not only imports but also exports, thus carrying the action into the country of production of the counterfeited or pirated goods. Some participants suggested that the model legislation might be expanded to cover appellations of origin and indications of source. A participant said that he doubted that Parts I and II of the Model Legislation should be considered as alternatives as indicated in the last paragraph of its Introduction; in his view, the two Parts were complementary.

37. The Group requested the secretariat to draw up for the agenda item, trade in counterfeit goods, a compilation of written submissions and oral statements, along the lines of that contained in document MTN.GNG/NG11/W/12/Rev.1.

Consideration of the Relationship between the Negotiations in this Area and Initiatives in Other Fora

38. The representative of UNCTAD informed the Negotiating Group of activities in UNCTAD relevant to matters under discussion in the Group, elaborating on the information contained in MTN.GNG/NG11/W/20. These activities of UNCTAD included work on the economic, developmental and commercial aspects of industrial property; the negotiations on an International Code of Conduct on the Transfer of Technology; and work on national legislation relating to the transfer and development of technology and on policies for the promotion of technological innovation. It had always been the approach of UNCTAD that the protection of industrial property had vital implications for trade and development. In this connection, the final Act adopted at UNCTAD VII in August 1987 recognized the inter-relationship between trade policies and other economic policies affecting growth and development and stated, in this regard, that policies in the area of technology should be compatible and consonant with the international trading system. It requested the UNCTAD Secretariat to provide technical assistance to developing countries on request in connection with the Uruguay Round so as to facilitate their effective participation. UNCTAD was also requested to render technical support that might be required during the negotiations.

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

39. On the basis of a proposal put forward by Mexico and two other participants, the Negotiating Group took the annexed Decision, inviting the Secretariat of the World Intellectual Property Organization to prepare a document for it. The Chairman said that the document would be a factual document, independent of the other documents before the Group, aimed at increasing understanding and would be without prejudice to the position of any participant in the negotiations and to the scope of the Group's Negotiating Objective. It was expected that the Chairman and the GATT secretariat would keep in contact with the Secretariat of WIPO during the preparation of the document. Other points made in the discussion on the decision were that the document would constitute background information aimed at facilitating a better understanding of the existing situation regarding the protection of intellectual property rights, especially by those participating countries which were not members of WIPO, and that the requested document was related to all three paragraphs of the Negotiating Objective. It was also agreed that the main additional points made in the informal discussions concerning the request would also be recorded. These were that it was expected that the document would be based on information already available in WIPO; and that, in response to a suggestion that an additional point dealing with discriminatory norms/standards be added to the list of aspects of norms/standards in the second paragraph of the decision, it was noted that the areas in which discrimination might arise were already covered by the nine specific aspects listed in the paragraph on which factual information was requested.

40. The representative of the World Intellectual Property Organization welcomed the decision of the Group to request a major contribution from WIPO. It would be difficult for WIPO to present all the information requested in the brief time before the next meeting of the Group. WIPO would do all it could to provide the maximum amount of information for the next meeting and would provide the rest as soon as possible thereafter.

41. The Group agreed to meet again in the weeks of 16 May and 4 July. The Chairman envisaged that a subsequent meeting should be held fairly soon after the summer break.

42. Concluding the meeting, the Chairman welcomed the greater dialogue in the Group and the widening circle of participation. He hoped that by the end of the year participants would have a good understanding of all the issues raised in the Group and at least an implicit appreciation of the likely scope for multilateral results. He intended to keep in touch with participants by letter and envisaged that, at the next meeting, a large part of the time would be devoted to informal sessions.

ANNEX

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

of 3 March 1988

The Negotiating Group invites the Secretariat of the World Intellectual Property Organization to prepare a factual document to facilitate an understanding of the existence, scope and form of generally internationally accepted and applied standards/norms for the protection of intellectual property. The document would cover (i) types of intellectual property covered by WIPO treaties and/or activities and/or referred to in the discussions of the Negotiating Group and (ii) each of the main aspects of standards/norms for their protection. On each of these it should present, wherever possible in summary and synoptic form, the following information:

(i) existing standards and norms provided in international treaties and/or in international guidelines and the extent of acceptance of such treaties;

(ii) current WIPO activities;

(iii) commonly applied national provisions and practices, including wherever possible an indication for representative samples of the distribution of use of such provisions and practices.

Information should be presented on the following aspects of standards/norms as appropriate:

- criteria for obtaining protection;
- scope of right conferred;
- subject matter to which right applies/does not apply;
- duration of right;
- duration/cost of procedures for obtaining/maintaining the right;
- compulsory licensing;
- procedures available for enforcement of rights;
- remedies/sanctions in case of infringement;
- international dispute settlement mechanisms;

It would be appreciated if the WIPO Secretariat would make available such information as it can in response to this request prior to the Group's next meeting and would provide the remaining information as soon as possible thereafter.