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

MEETING OF NEGOTIATING GROUP OF 16-19 MAY 1988

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

Note by the Secretariat

1. The Negotiating Group adopted the agenda set out in GATT/AIR/2586. It also decided to have a discussion on the basis of the document prepared, on the invitation of the Group, by the International Bureau of the World Intellectual Property Organization on the Existence, Scope and Form of Generally Internationally Accepted and Applied Standards/Norms for the Protection of Intellectual Property (MTN.GNG/NG11/W/24). The Group took this up as its first item, followed by trade in counterfeit goods, trade-related aspects of intellectual property rights, consideration of the relationship between the negotiations in this area and initiatives in other fora, and other business including arrangements for the next meeting of the Group.

Document MTN.GNG/NG11/W/24 prepared by the International Bureau of WIPO

2. Document MTN.GNG/NG11/W/24 prepared by the International Bureau of WIPO was taken up as a basis for item C of the agenda, consideration of the relationship between the negotiations in this area and initiatives in other fora. Relevant elements of the document were also referred to in items A and B of the agenda, trade-related aspects of intellectual property rights and trade in counterfeit goods.

3. Participants expressed appreciation for the high quality and helpful nature of the document prepared by the International Bureau of WIPO, particularly as relatively little time had been available for such a task. The document was found to be systematic and well presented. They looked forward to receiving the remaining portions of the document at an early date. The point was made that the material presented would form an important point of reference for the discussions of the Group as well as a basis for defining at the appropriate time the co-operation between GATT and WIPO in the field of the trade-related aspects of intellectual property rights. It was agreed that the Chairman should convey to the Director General of WIPO the thanks and appreciation of the Negotiating Group.

4. Some participants said that, given the size and importance of the document and the time that they had had to study it, their comments were preliminary in nature and that they would wish to revert to it in due course.

5. One set of reactions was that the document demonstrated both the strengths and weaknesses of the present international law on intellectual property. In this view, there were, in a number of important areas, a lack of adequate or appropriate binding norms in the existing international conventions for the protection of intellectual property and these gaps were the cause of considerable trade

problems that would need to be tackled by the Group. The model legislations prepared by WIPO could not be regarded as filling these gaps since they did not lay down binding obligations. Ways of filling some of these gaps were being considered in WIPO's work on the harmonization of certain intellectual property law, but this was faced with the opposition of some countries to the conclusion of binding obligations on substantive intellectual property law matters. It was also not clear when such efforts would come to fruition. However, these and other WIPO activities should be fully taken into account in the work of the Group. In the view of these participants, the decision at Punta del Este required the Group to seek to fill in those gaps in the international system for protection of intellectual property that were giving rise to trade distortions or impediments. They did not see any incompatibility between this and their continued support for the activities of WIPO.

6. Some other participants emphasised that the WIPO document demonstrated the broad coverage and the effectiveness of WIPO activities. If there were lacunae in the field of intellectual property, they did not arise from shortcomings in the international conventions so much as from problems in the application and enforcement of existing international norms in national legislation. For example, not all countries were members of the main international conventions. While there were important variations in national legislation, it was not possible to discern a pattern that would enable countries to be divided into two groups according to the levels of protection accorded to intellectual property. Virtually all the matters that had been raised in the Negotiating Group were already under consideration in the context of current WIPO activities, such as the work on the treaties for the harmonization of patent and trademark law, the conference on the revision of the Paris Convention, the work on a possible treaty on integrated circuits and the work on measures against counterfeiting and piracy. This demonstrated that WIPO recognised the need for constant adaptation of international law in this area in line with changing circumstances. If countries felt that their commercial interests were not adequately protected by the present international system for the protection of intellectual property, they should seek solutions in the appropriate fora, notably WIPO; the present work programme of that organization gave them ample opportunity to do so. These participants reaffirmed their view that the Negotiating Objective of the Group did not mandate it to negotiate on norms for the protection of intellectual property and considered that the document had clearly demonstrated that these were matters that fell within the competence of WIPO rather than GATT, being legal questions related to the property rights of persons rather than trade matters related to the goods of countries.

7. Some participants considered that, for a complete picture of the situation regarding international standards for the protection of intellectual property, the historical evolution of that protection had to be taken into account, indicating how governments had considered that the public interest called for differing levels of protection at different stages of development. It was said that some of the present industrialized countries had employed some of the practices they complained about at earlier stages of their development.

8. In response to a question on WIPO's work on the trade-related aspects of intellectual property rights, the representative of WIPO said that WIPO did not disregard such questions. Work on combating counterfeiting and piracy, which had been underway for some years in WIPO, had been initiated because of concerns about important trade problems in this connection. Other WIPO activities aimed at ensuring effective enforcement also showed a concern about commercial aspects. On the other hand, it was not, at least for the moment, in WIPO's area of competence and traditional expertise to undertake detailed economic studies on trade matters; any such suggestion would have to be discussed by the WIPO Governing Bodies in determining WIPO's work programme. The representative of WIPO also emphasised the importance attached in WIPO to the harmonization of intellectual property laws; projects in this regard were underway in the fields of patents, trademarks and copyright. In these activities, there were of course differences of view on some points, such as in the work on the harmonization of patent laws; such differences were matters for negotiation and it would be inappropriate to prejudge the outcome on any point at this stage. Another priority in WIPO's work was technical co-operation to which considerable resources were devoted in a long-term effort that was gradually yielding benefits to the international community at large. In response to a question on whether there were any areas where improvements were needed in the international protection of intellectual property, he said that WIPO was engaged in intensive activity on norm setting. This reflected a recognition that nothing was ever perfect and that there was need for a constant process of development and adaptation of norms in response to technological change and to changing national and international perceptions. In response to a question on dispute settlement in WIPO, he said that, as far as he was aware, no case had been brought so far before the International Court of Justice under the dispute settlement provisions of WIPO treaties.

9. The largest part of the discussion centred around Part I of the document prepared by International Bureau of WIPO, which dealt with patents. In regard to the subject matter to which patents should apply (Part I, Section (1)) some participants said that the Paris Convention left member States free to exclude any subject matter from patentability. This meant that companies could be faced with export markets for the products that they had invented being filled by unauthorised copies. The WIPO Model Law provided for a somewhat higher standard, but still enabled exclusions
by decree and was in any event not binding. One of those participants suggested that international obligations should provide for a broad coverage of rights with exceptions as narrowly drafted as possible so as to encourage innovation in all areas of inventive activity, including pharmaceutical and chemical products. In response, it was said that Annex II
of the WIPO document demonstrated that virtually all countries, including the more advanced countries, excluded a variety of different types of subject matter from patent protection and that no clear pattern among countries regarding these practices was discernible. The matter was highly complex and there was a variety of reasons why exclusions were sometimes found necessary. Efforts towards the harmonization of practices in this area were underway in WIPO in the context of the patent law harmonization treaty, in a way which recognized the differing economic structures and stages of development of countries by providing a somewhat longer period for developing countries than for developed countries to accomplish the envisaged harmonization. In regard to Annex II, it was suggested that a distinction be drawn between those classes of subject matter excluded from patent protection for which other forms of intellectual property protection were available and those which were not otherwise protected.

10. In regard to the scope of the right conferred by patents (Part II, Section (4)), it was said that the Paris Convention was largely silent as far as minimum standards were concerned. The only standard in this regard, that concerning the importation of products produced by a process patented in the importing country, was under discussion in the revision conference on the Paris Convention, but on the basis of a proposal that it be deleted. A participant believed that patents should confer the right to exclude others from the manufacture, use, sale or importation of a patented product and, in the case of a process patent, from the use, sale or importation of a product directly produced by that process.

11. In regard to the duration of patent rights (Part I, Section (5)), it was said that the Paris Convention provided for no minimum term. An inadequate term had significant adverse trade effects, for example because it discouraged the creation of new projects in all countries and thus the creation of new trading opportunities. The WIPO Model Law provided for fifteen years from filing as a minimum term, but created uncertainty for the patentee as to whether his patent term would be extended to twenty years; in any event it was not binding. The draft patent law harmonization treaty provided for what, in the view of one participant, was a proper term of patent protection, namely twenty years from filing, and his country had indicated its willingness to amend its legislation to comply with such a term. Such a term was not excessive to provide the necessary incentives to innovation and might be too short where regulatory requirements delayed commercialization of the product. The proposed provision had not been discussed so far, but it was to be feared that the opposition expressed to the inclusion of binding commitments on substantive law would manifest itself on this matter. Another participant recalled that his delegation had suggested that a minimum term for patents should be fifteen years and that there should also be a requirement that the expiration of patents was not unduly delayed from filing data. Another view was that the information presented in the WIPO document did not indicate any particular problem with respect to the term of patents nor any clear pattern among countries regarding practices in this area. In any event, the matter was under detailed discussion in the work in WIPO on the patent law harmonization treaty, which was the appropriate context in which to pursue efforts towards harmonization in this area. It was not clear in which was this matter was trade-related: a shorter duration might limit private gains but in what way did it constitute a restraint on legitimate trade? It was also asked whether the suggestions for a longer duration of patents was consonant with the increasing rate of change in technology, with consequent shorter and shorter products life cycles. The point was also made that the recovery of an investment depended not only on the duration of patents right but also on a number of other factors, for example whether there was price control.

12. On the question of the cost of procedures for obtaining and maintaining patent rights (Part I, Sections (3) and (6)), a participant said that there were great difficulties with the proposal under consideration in the framework of the conference on the revision of the Paris Convention for granting applicants from developing countries a 50 per cent reduction in fees, resulting from the fact that many countries had entered into most-

favoured-nation treaties that would oblige them to extend such a reduction to applicants from virtually all countries. In response, it was said that the GATT Enabling Clause provided a legal basis for special and differential treatment in favour of developing countries.

13. In regard to compulsory licensing (Part I, Section (7)), a participant said that the Paris Convention provided for a low level of protection for the patentee. Pages 10-11 of the WIPO document listed a large number of practices for the application of such licences that were permitted under this Convention without limitations, for example compulsory licences for this interdependence of patents irrespective of the value of the second patent, compulsory licenses in the public interest and compulsory licences in the interest of public health, which penalized in particular pharmaceutical inventions. The WIPO Model Law contained a reference to exclusive compulsory licences, which would deprive the patentee from exploiting his own invention, including through exportation; this, combined with the requirement on the compulsory licensee to produce locally and possibly a certain quantity for export, had clear trade effects. Although the prohibition of the use of compulsory licences would be the most trade promoting solution, there were many safeguards to limit the possible abuse of compuslory licensing that could be considered, for example the requirement that such licences be non-exclusive; that they be granted only to meet the needs of the local market by local production, without the right of importation; that provision be made for judicial review; that compulsory licences on grounds of non-working should only be granted where the working was economically feasible in that country; and that patents should not be revoked for non-working. In response, it was said that non-voluntary licences were provided for by virtually all countries as indicated on page 10 of the WIPO document. Such provisions were necessary to discourage the abusive use of patent rights. In practice compulsory licences were very rarely, if ever, accorded; the significance of the issue should be kept in perspective. It was under detailed discussion in the context of the conference on the revision of the Paris Convention, which was the appropriate framework for this matter.

14. In regard to procedures and remedies for the enforcement of patent rights (Part I, Section (8)), a participant said that the Paris Convention did not lay down any minimum standard; the only requirement was national treatment. A member country was left free to provide effective procedures and remedies or note. The work of the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy had underlined the absence of specific existing international obligations. Another view was that national treatment was the appropriate standard for international commitments in the area of enforcement. Attempts to establish minimum international standards for the administration of justice at an arbitrarily high level would not be acceptable or workable. It was also suggested that infringement would only be effectively discouraged, and efforts to do this made publicly acceptable, if domestic companies had fair access to foreign technology. Moreover, it should be borne in mind that excessive enforcement could lead to barriers to legitimate trade.

15. In regard to international dispute settlement mechanisms, (Part I, Section (9)), a participant said that the WIPO document showed that the Paris Convention did not have an effective dispute settlement mechanism, which was a fundamental weakness in the international system for the protection of industrial property. The Convention provided for recourse to the International Court of Justice, which was in any event a weak and limited way of settling disputes, but allowed countries to exclude themselves from this possibility. Another participant agreed that recourse to the International Court of Justice generally did not constitute a practical way of dealing with disputes between countries regarding international obligations on intellectual property matters. His delegation had, therefore, proposed the establishment of a dispute settlement mechanism following GATT practice. In response, it was said that provisions on dispute settlement in the Paris Conventions reflected the fact that disputes over intellectual property rights were typically private conflicts over private rights; it would be inappropriate to attempt to regulate such disputes among States. States should not be made internationally responsible for the behaviour of private persons in their jurisdiction or for the activities of their law enforcement authorities. A participant noted that dispute settlement was under consideration in the context of the work in WIPO on a draft treaty on the lay-out design of integrated circuits; it would be possible for WIPO to discuss this issue more widely, perhaps in its work on treaties for the harmonization of intellectual property law. It was suggested that WIPO might be asked to provide some further information on its approach to dispute settlement.

16. Some participants said that those participants which maintained that the Negotiating Group should deal with standards for the protection of intellectual property had not adequately demonstrated what were the trade related aspects and why they were not dealt with adequately in WIPO. It would be necessary to examine in turn what trade barriers were arising from practices regarding exclusions from patentability, duration of patents, non-voluntary licences, dispute settlement etc. It had to be taken into account that patents and other forms of

intellectual property protection were not accorded for trade reasons but for a range of national, social, developmental and cultural reasons, but that intellectual property protection involved not only the grant of private rights by society but also reciprocal obligations by right holders to society.

17. As regards copyright (Part II of the WIPO document), speakers noted that the Berne Convention represented a high degree of international consensus on the appropriate form and level of protection. Some speakers said that this, together with the intensive and comprehensive WIPO activities in this area, should be a cause of satisfaction on the part of the international community. It was suggested that priority should be attached to encouraging more countries to accept the obligations of the Berne Convention and to problems of enforcement. Some speakers also said that the provisions of the Berne Convention should be a basis for GATT commitments in the area of copyright. One participant was of the view that there was need for a clear obligation to apply the provisions of the Berne Convention to computer programmes and sound recordings; the economic rights provided for under the Berne Convention should be a minimum applying to all categories of new works and to new uses of all works. Some other speakers said that computer programmes could be protected under other forms of intellectual property law and that there was as yet no international consensus on the appropriate form of protection; this and other issues regarding coverage, for example those resulting from new technologies, were already under comprehensive discussion in WIPO. In regard to the duration of copyright, it was noted that the standards of the Berne Convention were widely applied. On compulsory licensing, it was said that the WIPO document demonstrated that a wide range of countries employed such practices for a variety of reasons. A participant believed that non-voluntary licences should not be imposed where local needs could be met by the voluntary action of copyright owners; when this was not the case, compulsory licences should be limited to those permitted under the 1971 Act of the Berne Convention. In regard to enforcement and dispute settlement, some speakers said that most countries already had strict laws, that intensive work was underway in WIPO on problems of counterfeiting and piracy, and that the Berne Convention provided for disputes among member States to be resolved by negotiation or recourse to the International Court of Justice.

18. On trademarks (Part III of the WIPO document), a participant said that the Paris Convention did not contain minimum standards on the definition of trademarks, on the criteria under national law for obtaining trademark protection and on the scope of trademark rights. He believed that the Group should accept a broad definition of a trademark as any sign, word, design, letter, numeral, colours, shape of goods or their packing or combination of these that were capable of distinguishing the goods or services of one business from those of another; that the term trademarks should include service marks; and that the owner of a trademark should have the right to exclude others from using the same mark for the same goods, and to prevent others using, in a manner that was likely to cause confusion, a similar mark for the same or similar goods or the same mark for similar goods. In his view, there were a number of other aspects which were not adequately addressed by the Paris Convention and which needed to be addressed in order to reduce trade-distorting practices: there should be a reasonable opportunity to oppose or challenge a registration; the initial term of protection should be in the order of seven to ten years and the mark should be renewable for similar periods of time; the minimum period of non-use of a mark before it can be cancelled should be specified, for example three to five years, as should be the type of non-use which could lead to cancellation (non-use caused by import prohibitions or other governmental laws or requirements should be specifically excluded); licensed use by a third party should be considered as use by the trademark owner for the purpose of satisfying use requirements; States should not impose requirements on the owners of marks that prevented the recognition of the mark or that would inhibit the mark from serving to distinguish a good or service (for example unreasonable size limitations on the display of the mark or unreasonable requirements to include other indicia on the label of a product); compulsory licenses should not be imposed; trademarks should be assignable or licensable without any tied obligations unrelated to the use of a trademark, for example for the transfer of technology; and there should be an effective international dispute settlement mechanism. In the view of this participant, the adequate and effective protection of trademarks was a necessary condition for a satisfactorily functioning international trading system, as the term itself suggested.

19. Some participants said that there already existed a large degree of international consensus on the protection of trademarks and many countries had stringent enforcement mechanisms. The WIPO document indicated that all the matters referred to were already under consideration in that forum and this work should be allowed to run its course before contemplating activities elsewhere.

20. A participant said that stronger international obligations were required in regard to well-known trademarks. Such marks should be protected if they were so widely known among consumers that their use by non-holders for goods was liable to cause confusion about the origin of those goods, even if those goods were dissimilar in nature from the original goods.

21. In regard to layout designs of integrated circuits (Part IV of the WIPO document), a participant emphasized the importance his country attached to the conclusion in WIPO of a treaty on the matter and was of the view that the time was ripe for convening a diplomatic conference for this purpose.

22. Some participants informed the Group of recent changes in their national legislation or on legislative proposals under consideration on certain matters covered by the WIPO document.

23. Responding to questions, the representative of WIPO said that in many countries the treatment of "contributory infringement" (Part I, Section (4) (iii) of the WIPO document) was a matter of jurisprudence. The matter would be discussed shortly in the WIPO Committee of Experts on the Harmonization of Certain Provisions in Laws for the Protection of Inventions, on the basis of draft provisions proposed by the WIPO Secretariat. On the question of the definition of counterfeiting and piracy in the draft model legislation under discussion in the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy, he said that the draft text put forward by the International Bureau covered not only trademarks but also industrial designs, the appearance of packaging of a product even when not protected as trademark, inventions, literary and artistic works, fixation of protected performances, and protected phonograms and broadcasts. In the discussion in the Committee, it had been suggested that appellations of origin and indications of source should be added and a range of other views had been expressed about the appropriate range of rights to be covered. The draft model provisions also contained a detailed definition of the acts in regard to the rights covered that were to be considered as acts of counterfeiting or of piracy. The rights themselves were listed but not defined; their definition was left to national legislation.

24. A participant said that no reason had been given for why the alleged gaps existing in the protection of intellectual property could not be filled in the WIPO itself. Participants should ask themselves the question as to whether it was the intention of Ministers in adopting the Group's Negotiating Objective at Punta del Este to create an alternative forum for negotiations on these issues.

Trade in Counterfeit Goods

25. The Negotiating Group has before it a secretariat compilation (MTN.GNG/NG11/W/23) of written submissions and oral statements made by participants on trade in counterfeit goods.

26. Some participants reaffirmed their determination to work together constructively to negotiate a multilateral framework on trade in counterfeit goods. It was suggested that the Group's records and the compilation should specifically confirm this and that no delegation condoned trade in counterfeit goods.

27. Some participants believed that the views reflected in paragraphs 5 to 7 of the compilation did not give adequate recognition to the effectiveness and binding nature of the provisions of existing international instruments in dealing with counterfeiting and piracy. A participant said that the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods had proved an effective instrument in controlling counterfeit goods and noted that some important countries were not yet signatories to the Agreement; those countries should adhere to the Agreement. He suggested that WIPO might consider the extension of the Madrid Agreement to cover trademarks and copyrights.

28. Some delegations said that their own national legislation was effective in tackling counterfeiting and already provided for the remedies under discussion in the WIPO work on counterfeiting; not all legislations suffered from the difficulties listed in paragraph 6 of the compilation. Another participant indicated that in some cases governments wishing to improve their national procedures had not been able to do so for lack of external assistance.

29. In connection with the relevance of GATT provisions to ensuring adequate procedures and remedies against trade in counterfeit goods, a participant believed that the views reflected in paragraph 15 of the compilation overstated the significance of Article IX:6.

30. The representative of Switzerland drew attention to the views submitted by his delegation in paragraph 2.5 of document MTN.GNG/NG11/W/7/Add.2 that the problem of counterfeiting was in large part a symptom of shortcomings in the national protection of intellectual property; remedying these shortcomings would constitute effective action against counterfeiting. He requested that these views be reflected in the compilation.

31. Some delegations reaffirmed their view that the issue of trade in counterfeit goods should be considered as part of a comprehensive approach to the trade-related aspects of intellectual property rights. The issue could not be separated from other enforcement questions and the norms that enforcement obligations would serve to apply. Some other delegations reaffirmed their view that the issue of trade in counterfeit goods should be dealt with separately, since it was treated separately by the Negotiating Objective and it was only in this area that there was a commitment to seek to negotiate a multilateral framework.

32. Some participants stressed the need for the work in GATT on international trade in counterfeit goods to take fully into account work in other organizations on counterfeiting, notably in the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy and in the Customs Co-operation Council. Duplication should be avoided and the work in the various organizations should be complementary. Some delegations reaffirmed their support for the work in those organizations. It was also said that the care should be taken to ensure consistency with relevant existing international obligations, such as those in the Paris Convention.

33. There was an extensive exchange of views on what should be the scope of a multilateral framework on trade in counterfeit goods. Some participants emphasized that the work of the Group under this item was not concerned with the infringement of intellectual property rights as such but infringements which constituted trade in counterfeit goods. In this discussion, participants addressed the following main questions: what intellectual property rights should be covered; what acts of infringement of those rights generated counterfeit goods; what should be the substantive intellectual property law by reference to which counterfeit goods should be defined; and at what points of intervention and against what acts involving those counterfeit goods should states be obliged to provide procedures and remedies in order to combat international trade in counterfeit goods. It was suggested that, in answering these questions, the Group should take into account definitions established in national legislation, those under preparation in the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy and the existing obligations of relevance in intellectual property conventions. In response to questions, the representative of WIPO said that the treaties administered by WIPO did not contain a definition of acts of counterfeiting and piracy. They contained, however, some provisions of relevance and in this regard he drew attention to a document prepared by the International Bureau of WIPO on the provisions in the Paris, Berne and neighbouring rights conventions of relevance to the work of the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy (document C&P/CE/3). The model provisions for national laws proposed by the International Bureau in that Committee put forward a definition of acts constituting counterfeiting and of acts constituting piracy, which had given rise to considerable discussion at the last meeting of the Committee of Experts. These proposed a broad coverage of intellectual property rights (see paragraph 23 above). As regards the acts of infringement that would constitute acts of counterfeiting or piracy, the proposal was that not all infringement be equated to counterfeiting or piracy. The basic criterion proposed was that of the manufacture of goods, or in the case of copyright and neighbouring rights of copies, on a commercial scale without the authorization of the owner of the intellectual property right in question. In response to a request, he offered to make available to the Group the documents of the Committee of Experts.

34. In regard to the issue of which intellectual property rights should be covered, one view was that similar trade problems were arising from trade in goods infringing trademarks and trade in goods infringing other intellectual property rights. Particular mention was made of problems in this regard arising in connection with industrial designs, copyright, indications of source and patents. Moreover, measures to deal with these various problems should be based on similar principles. Accordingly, a multilateral framework should cover all intellectual property rights. This approach was seen as consistent with that of the GATT Group of Experts on Trade in Counterfeit Goods which had agreed that if joint action were to be taken in the GATT framework consideration would also be given to counterfeiting affecting not only trademarks but also that affecting other forms of intellectual property rights. The broad approach taken to the intellectual property rights covered in the work of the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy was also noted. One participant said that the Group should not a priori exclude any intellectual property rights at this stage from its work on counterfeit goods and that the criteria for selecting the intellectual property rights to be dealt with

should be that of trade effects. Some other participants considered that it would be wise for the Group to focus on a more limited
range of rights, and consider possible extension to other rights subsequently. It was noted that this was the approach taken in the draft agreement of 1982, which had focused initially on registered trademarks. It was also said that in certain national legislations the term counterfeiting only referred to certain violations of registered trademarks. Some participants suggested that the work should deal with appellations of origin and indications of source, in addition to trademarks. Another participant said that his delegation would consider extension of the coverage to copyrights.

35. In relation to the acts of infringement that generated counterfeit goods, some participants said that not all infringements of intellectual property rights amounted to counterfeiting whereas all counterfeiting implied an infringement of intellectual property rights. It was therefore necessary to consider which acts of infringement could be identified as counterfeiting. Some participants said that the concepts of manufacture without authorization and commercial scale in the draft WIPO model legislation could prove useful in narrowing down the acts of infringement to be termed as counterfeiting. Some other participants believed that the Group's work should cover infringement of intellectual property rights broadly. One of these participants said that infringements of all goods, services and works protected by intellectual property rights should be covered. Another participant said that services were not covered by the Group's Negotiating Objective.

36. In regard to the substantive intellectual property norms by reference to which counterfeit goods should be defined, some participants said that a multilateral framework would necessarily have to deal with this matter. One view was that the intellectual property rights, infringements of which might be considered counterfeiting, should be those laid down by national law. Another view was that the establishment of norms and of means for their enforcement were issues that could not be separated from each other. Obligations on enforcement matters would only be meaningful if what was to be enforced was also defined.

37. On the question of parallel imports, some participants said that they should be excluded from the definition of counterfeit goods for the purposes of a multilateral framework. It was noted that this approach had been taken in the 1982 draft agreement. One participant said that simply excluding parallel imports from the definition of counterfeit goods was not enough; there was need for safeguards to ensure that trade in such products was not impeded. The question was also raised as to whether genuine goods sold inconsistently with contracts for the licensing of intellectual property rights should be considered as counterfeit. It was noted that such goods had been excluded from the l982 draft agreement.

38. As regards the points of intervention at which states should be obliged to provide procedures and remedies, some participants believed that effective action against international trade in counterfeit goods required procedures both at the border against the importation and exportation of counterfeit goods and internally against their production and sale. Some suggested that primary emphasis should be given to providing internal measures since the most effective action against counterfeit goods was at the point of production, i.e. source of the goods. Effective internal measures would reduce the need for border measures which were not only less likely to be effective but also ran the risk of disrupting legitimate trade. One participant suggested a hierarchy of responsibilities for providing measures: the country in which a counterfeit good was produced followed by the country in which such a good was imported and sold, with the country across which such a good was in transit having the lowest level of obligation in this regard. Some participants urged the need for very careful consideration with respect to action against goods in transit. It was suggested that it would be unreasonable for a country to take action against such goods unless they infringed the law of that country. Moreover, requirements to take action against transit trade could have the possibility of creating a barrier to legitimate trade; for example, it should be possible to ship goods in bond from one part of a country in which they were legitimate to another part of the same country, even though they may infringe rights in the country of transit. A participant said that it should be remembered that the Group was concerned with international trade in counterfeit goods, not with trade within borders.

39. A participant asked whether the scope of a multilateral framework should be the infringement of intellectual property rights embodied in internationally traded goods. Another participant said that he saw the Group as dealing, not with the infringement of intellectual property rights as such, but with international trade in goods infringing intellectual property rights.

40. With regard to the basic objectives of a multilateral framework on trade in counterfeit goods, some participants said that such a framework
should provide for effective action against counterfeiting while at the same time ensuring that such action did not create barriers to legitimate trade. Some participants also expressed support for the objectives identified in the GATT Group of Experts (L/5878, paragraph 26). A participant shared the concerns reflected in paragraph 16 of the compilation (MTN.GNG/NG11/W/23).
He also believed that a multilateral framework should take into account not only the protection of the interests of owners of intellectual property rights but also the public interest and the protection of consumers. Another participant said that a multilateral framework should not only lay down procedures but also rules and disciplines.

41. In regard to the procedures for action on trade in counterfeit goods, some participants said that the obligations on governments should be to put in place effective procedures that the rights holders themselves could instigate to protect their rights; there should not be an obligation on governments to initiate ex officio proceedings to repress counterfeiting. It was said that this was not suggested in the proposals before the Group. Support was expressed for the views reflected in paragraph 33 of the compilation that it was necessary to allow for differing national legal and administrative traditions and practices and for differing constitutional requirements and also that allowance had to be made for the differing resources, experience and other constraints facing law enforcement authorities. It was said that the suggestions put forward in the EEC proposal, as summarized at points (4)-(6) of the synoptic table in the compilation, and in the 1982 draft agreement merited close attention. The point was also made that the procedures to be drawn up would in part depend on the scope of a multilateral framework.

42. Some participants raised considerations relating to the rôle the customs authorities could be expected to play in controlling counterfeit goods at the border. Some participants said that most customs administrations did not have the expertise necessary to take action without a court order against goods suspected of infringing intellectual property rights where these infringements could not be determined from the appearance of a good, for example where a high-technology good contained an infringing component. One view was that all detention of goods by customs should be on the basis of a court order. Another view was that customs might be empowered to take temporary action, even without a court order, on the lodging of a complaint by an intellectual property right owner. The point was also made that the procedures to be applied by customs might vary with the type of intellectual property right and type of infringement, according to the complexity of determining infringement. Another issue raised was the need to take full account of the burdens that an interventionist rôle would put on customs authorities, especially given their responsibilities in other important areas. There had to be reasonable expectations about the practical possibilities for customs administrations to intercept the movement of counterfeit goods across borders, for example in developing countries with extensive borders and small populations. Some delegations said that a multilateral framework should provide for financial and technical co-operation to assist enforcement authorities in developing countries to carry out the obligations of such a framework.

43. In regard to safeguards to ensure that procedures do not themselves become barriers to legitimate trade, some participants said that the most effective safeguard would be to require all actions against counterfeit goods to be through the courts; any action at the border should be on the basis of a court order, issued as a result of the same procedures and the same intellectual property law as applied to domestically produced goods. Empowering customs authorities to determine whether traded goods were (i) counterfeit goods or (ii) legitimate goods whose importation had been authorized by the intellectual property right owner or (iii) parallel imports could lead to serious obstacles to legitimate trade in terms of higher costs, delays, etc., with special dangers for perishable goods. This would increase the cost to the importer and ultimately the price paid by the consumer and give a price advantage to domestic production. It was also said that legal or administrative systems or procedures which applied only to imports of goods protected by intellectual property but not to domestic products could act as barriers to legitimate trade, for example, if defendants could not have recourse to the same defences or counterclaims.

44. Some participants put emphasis on the importance of basic GATT principles - most-favoured nation and national treatment, transparency, dispute settlement - as safeguards to ensure that procedures were not misused as barriers to legitimate trade. It was suggested that ultimately there should be recourse to this dispute settlement provision of the General Agreement itself, irrespective of whether a multilateral framework provided

for a dispute settlement procedure of its own.

45. As regards specific safeguards, a number of participants highlighted certain ideas. These included: a requirement for the posting of security by a complainant; prior notification and ample opportunities for explanation and defence to be given to parties subject to enforcement proceedings; judicial review of administrative decisions; and compensation by the complainant to innocent persons suffering damage as a result of a complaint. A participant said that the details of the specific safeguards that should be provided for would depend in part on the procedures to ensure effective repression of trade in counterfeit goods that a multilateral framework specified.

46. On the question of the sanctions and remedies, it was said that they would depend in large part on the types of intellectual property right infringement to be covered. Allowances would have to be made for the nature of the sanctions and remedies to vary according to the seriousness and degree of intentionality of the offence. Severe remedies that might be appropriate for deliberate trademark counterfeiting would not be appropriate for innocent patent infringement. A participant referred to the importance of injunctions and compensation for damages and to the need for sufficient sanctions to be imposed on infringers. It was also said that, if the provision of a multilateral framework were to be acceptable and workable in practice, it would be necessary to ensure that it laid down procedures and remedies that would be seen to be reasonable and fair by public opinion at large in participating countries.

47. The view was expressed that it would be premature to consider in detail the legal form of a multilateral framework. Some delegations recalled their reservations about a code approach which they believed would be detrimental to the integrity of GATT and the multilateral trading system. Some participants said that they would prefer an agreement to which all contracting parties would adhere but felt that it was not possible to rule out the possibility that some contracting parties would not be prepared to participate in any final agreement. The desirability of the Group amalgamating the results of its work under the first two paragraphs should also not be ruled out.

48. In regard to mechanisms for the settlement of disputes among States that might be provided for in a multilateral framework, there was discussion about the kinds of cases that might be taken up. It was stated that such mechanisms should not constitute a forum for the settling among governments of disputes between private parties over private rights; private parties should not have direct access to such procedures. In response, it was said that the suggestions tabled did not propose this; multilateral dispute settlement proceedings should only be for the settlement of disputes between States concerning the respect of their respective international obligations. Owners of intellectual property rights should not be given access to GATT dispute settlement procedures.

49. It was noted that the sort of disputes that might arise between governments would depend on the nature of the international obligations that they entered into. It was said that the obligations on governments that were proposed were, first, to provide certain procedures and remedies so that the owners of intellectual property rights themselves could take action to enforce their rights. A failure to put in place in national law such procedures and remedies might give rise to dispute settlement proceedings. It was also said that, if these obligations were to be meaningful, there should also be an obligation to ensure that the competent enforcement agencies of the government were effective in applying the procedures and remedies at the request of owners of intellectual property rights and that they were not applied in a manner that could give rise to obstacles to legitimate trade. The question was raised as to what degree of effectiveness in the application of the procedures could be expected. In this regard, it was said that it would be unreasonable to expect 100 per cent effectiveness, for example that customs detain every suspect shipment at the request of a rights holder or that courts provide in every case perfect justice. The undertakings should be reasonable and the effectiveness of application of the procedures expected should take into account the means available. It was said that, in any multilateral dispute settlement procedures, a common sense assessment should be made of what could reasonably be expected of a member State according to its situation. The obligations should not be set at a level that States could not meet because of economic, social and other factors which meant that in all countries the administration of justice was never perfect. It was also suggested that, in assessing expectations regarding the administration of justice, the appropriate standard was the justice accorded to nationals. A State should not be held responsible for denial of justice to foreigners if they had been granted all the benefits the national legal system granted to nationals. Each State tolerated a certain degree of error in the administration of justice and this varied according to national, social and economic conditions.

50. The Chairman noted that the compilation, MTN.GNG/NG11/23, would be an evolutionary document and that future revisions would take into account the additional points made.

Trade-related aspects of intellectual property rights

51. A participant said that his delegation had a direct interest in ensuring that the Group's Negotiated Objective was achieved. The progress of the work of the Group would depend in great measure on a clear definition of the trade-related aspects of intellectual property rights in terms of its Negotiating Objective. A pre-requisite to this was a fuller understanding of the scope and form of existing standards for the protection of intellectual property rights in general, with a clear understanding that the mandate in that area lay elsewhere. Issues and questions relating to counterfeiting, piracy and false appellations of origin had been encountered in respect of the trade of his country, in the music industry and, for example, in relation to products such as rum and coffee.

52. A participant said that the views his delegation had expressed in the discussion on the basis of the document prepared by the International Bureau of WIPO (MTN.GNG/NG11/W/24) were relevant to this item as well as to the other items of the agenda.

53. A participant said that the issues involved in intellectual property rights were wider than simply trade issues. They did have an interface with trade but this was only one aspect. The task of the Group was to deal with the trade-related aspects in accordance with its Negotiating Objective. The Group had to clarify GATT provisions and decide whether it was appropriate to negotiate new rules and disciplines. But this stage had not been reached, since the Group was still attempting to identify what were the trade-related aspects of intellectual property rights in terms of its mandate. It had to be borne in mind that national intellectual property law was designed not only to serve private interests but also the public interest; the question of the appropriate balance that should be found between these interests was not a matter for discussion in GATT. It was also necessary to take more fully into account the principle of territoriality which underpinned intellectual property law.

54. Another participant said that the suggestions put forward did not conflict with the principle of territoriality. What had been suggested were obligations regarding the national law that should be applicable within each territory. International dispute settlement would only arise if there were an issue regarding whether national laws and their application were consistent with international obligations.

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

55. Some participants said that they saw the document prepared for the Negotiating Group by the International Bureau of WIPO, MTN.GNG/NG11/W/24, as relevant to this item of the agenda which corresponded to the third paragraph of the Group's Negotiating Objective. The document provided detailed information on initiatives in WIPO and would thus help the Group ensure that its negotiations were not prejudicial to those initiatives. One of these participants asked how the United States and those delegations which to some extent endorsed the United States approach could demonstrate that their suggestions were without prejudice to initiatives in WIPO and elsewhere on intellectual property matters.

56. A participant reaffirmed the commitment of his government to the work in other fora, including WIPO, on matters under discussion in the Group. None of the proposals his delegation had made was inconsistent with the provisions of WIPO conventions. In his view, the third paragraph of the Group's Negotiating Objective implied that work in WIPO was complementary to that in the Group.

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

57. The Group agreed that its next meeting would start on 5 July 1988 and that it would seek to hold its first meeting after the summer in the week starting 12 September 1988, probably on 13-15 September.