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

MEETING OF NEGOTIATING GROUP OF 12-14 SEPTEMBER 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/2649.

2. The representative of WIPO informed the Group that the International Bureau of WIPO had prepared a revision of the documents that it had produced, on the invitation of the Group, on the Existence, Scope and Form of Generally Internationally Accepted and Applied Standards/Norms for the Protection of Intellectual Property and which had been circulated as document MTN.GNG/NG11/W/24 and Addenda 1 and 2 to that document. The revised document, MTN.GNG/NG11/W/24/Rev.1, constituted a fusion of the three earlier documents. It also incorporated a number of corrections and reflected a number of new developments, with a view to describing the situation as of 1 September 1988. The opportunity had also been taken to ensure that the English, French and Spanish versions of the document were properly aligned with each other.

Trade-Related Aspects of Intellectual Property Rights

3. The representative of Switzerland recalled the proposal contained in document MTN.GNG/NG11/W/25 that his delegation had presented at the Group's previous meeting and provided additional information on the functioning, content and nature of the indicative lists suggested in that proposal. In regard to the functions of the indicative lists, he said that concretisation through indicative lists of the basic obligation to avoid trade distortions caused by excessive, insufficient, or lack of, protection of intellectual property rights was not essential; but indicative lists were desirable in order to provide guidance for international negotiations on intellectual property rights in GATT or outside GATT, for the formulation of national legislation, and foremost, for dispute settlement within GATT. They would thus provide greater predictability. Indicative lists would relate to trade distortions caused both by substantive and procedural deficiencies. However, the lists need not address the problem of discrimination; the principles of MFN and national treatment were sufficiently precise and operational, and the criteria set forth in Article XX(d) of the GATT provided sufficient guidance for exceptions. On the content of the indicative lists, he said that indicative lists would

describe trade-distorting situations which should be avoided. Unlike positive standards, they would not prescribe what should be achieved. He submitted that such negative lists could be drawn up and agreed upon more easily than positive standards for the following reasons. First, they provided a broad spectrum of possibilities for describing situations which should be avoided, ranging from what in fact were negative formulations of rules to mere factual descriptions of effects which should be avoided. Secondly, given the considerable differences between legal systems, it was less difficult to agree on effects to be avoided than on positive rules. This was particularly true with regard to procedural standards which had to fit different legal systems. Thirdly, the concept of indicative lists was entirely pragmatic. The different situations listed need not

be brought within a systematic framework. Unlike broad standards, indicative lists could address particular situations of interest to particular parties more easily. Lastly, situations could be described which could hardly be contained in legal standards as such.

4. The representative of Switzerland gave illustrative examples of possible entries in the indicative lists. He emphasised that they were submitted without prejudice to the negotiating position of his delegation and that they were subject to negotiation. In relation to patents, the examples given were:the exclusion from patent protection of any inventions which are new, are susceptible of industrial application and involve an inventive step; (ii) excessive levels of administrative fees imposed to obtain and to maintain patent protection which are out of proportion and beyond of what is required to recover administrative costs; (iii) duration of patent protection of less than 20 years from the filing of the application; and (iv) loss of goodwill and sales of a product under patent protection due to sales of a non-protected, similar or like product. In relation to trademarks, the examples were: (i) exclusion of particular and selected products from trademark registration and protection; and (ii) exclusion of indefinite renewability of protection granted. On procedures and judicial protection, he cited the following examples: (i) absence or insufficient availability of preliminary or final injunctions having the effect that intellectual property rights cannot be effectively protected during proceedings, and the commercial interest is lost for exclusive use even if the existence of the right is affirmed in due course; and (ii) the absence of procedures permitting the holder of the IPR to take appropriate measures against infringing goods before they are released by customs authorities.

5. The representative of Switzerland then addressed what would be the effect of the proposed indicative lists in entailing, where a listed situation was identified, a rebuttable presumption of nullification and impairment. He said that compared to legal standards adopted or incorporated in GATT, the concept of indicative lists did not entail an automatic conclusion that the violation of intellectual property right standards established a trade distortion which the party concerned was under an obligation to remove. The Swiss concept, by avoiding a direct link between violations of norms and trade distortions, reflected the fact that trade distortions were often caused by many factors which were not necessarily linked to insufficient, excessive or lack of protection of intellectual property rights. He added that one of the main reasons for proposing a system based on indicative lists was that it would avoid fundamental legal problems of interfacing standards established under GATT and those established under intellectual property right agreements. Standards established under GATT would, in accordance with Article 30 of the Vienna Convention on the Law of Treaties, replace existing intellectual property right standards in other instruments to some extent, or overlap or amend them within GATT. They would also lead to differential standards among a non-congruent membership of GATT and other agreements. The principle of avoiding trade distortions caused by excessive, insufficient or lack of protection of intellectual property rights, as well as the other principles set forth in the Swiss proposal, would not legally replace or amend any standards in intellectual property right agreements. Nor would indicative lists have these effects. The proposal allowed for a legal coexistence of the two sets of instruments; they would remain legally separated. This would not mean, however, that the principles set forth and their concretisation by indicative lists would not in practice respond to problems of insufficient or excessive standards in intellectual property right agreements. GATT and these other instruments would relate functionally. A finding in GATT that a particular situation was in fact trade distorting and a violation of the General Agreement would encourage the adaptation of international and national standards elaborated and discussed primarily within WIPO and other relevant international organisations, the more so since the possibility for the imposition of measures in the event of failure to adapt such rules would constitute a powerful incentive to such work.

6. Some participants said that they were not convinced that the elaboration of indicative lists as suggested in the Swiss proposal would necessarily render the negotiating task easier than that involved in the negotiation of norms or standards. In their view, for all practical purposes, the same issues would have to be addressed. In response, the representative of Switzerland said that the aim of his country's proposal was not to simplify what was an inherently complicated subject matter, but to generate increased flexibility in the search for possible solutions. In response to a question, he said that he did not envisage it would be possible to elaborate indicative lists dealing with all the situations that might cause trade distortions by the time that the negotiations were scheduled to be completed in 1990. This was why the Swiss proposal provided for a means by which such lists could evolve on a step-by-step basis. In response to another question, he said that, if it were found that a situation on the indicative lists existed in a country and was actually causing trade distortions - i.e. that the

presumption to this effect had not been rebutted -, this would not generate a binding obligation to bring national legislation into line with the indicative list. However, if a country did not adapt its legislation, it would have to reckon with the fact that it would expose itself to the consequences of the application of dispute settlement procedures in GATT.

7. The representative of the European Communities provided further responses to questions raised at the Group's previous meeting on what he described as the systemic issues arising out of the Community's proposal relating to substantive standards tabled at that meeting (MTN.GNG/NG11/W/26). In regard to comments made about the appropriateness or need for a commitment to accede to and implement the Paris and Berne Conventions in their latest revisions, he said that the Community considered such obligations desirable not only in order to obtain a more universal application of the substantive provisions of these two key conventions, but also in order to promote a closer symbiosis and cooperation between the the GATT and other relevant organisations in this area. It would promote the participation of a wider circle of countries in the important future work of these organisations which during the years ahead would have on the table issues pertaining to the up-dating of these conventions. He also referred to provisions concerning interlocking membership and commitments between the IMF, World Bank, and the GATT, which he considered it desirable to widen to include the two main conventions on intellectual property matters. Article XV of the General Agreement contained some interesting ideas in this regard. The Community proposals on these matters would contribute to achieving the objective defined in Punta del Este of ensuring that the Group's negotiations and their results would be without prejudice to other complementary initiatives in WIPO and elsewhere. Turning to comments made on the Community's proposal regarding a transition period (Section III.C, fifth indent), he said that the crucial questions in this connection were not only the eventual length and modalities of a possible transition period but also the question of which benefits otherwise agreed upon and exchanged between signatories could be withheld if the transition period were invoked. Referring to the complexity of the issues involved and the preliminary nature of Community thinking, he said that if it proved necessary, for reasons pertaining to GATT obligations or to other international obligations, such as those in the national treatment provisions of the Paris and Berne Conventions, or for purely practical reasons, to extend the benefits relating to the substantive standards of a GATT agreement to all signatories irrespective of whether they had invoked a transition period, what would then in practice remain would be those procedural aspects particular to a GATT agreement, including notably its consultation and dispute settlement provisions. Thus, a major consequence of a signatory not having implemented all of its obligations in a given area because it had had recourse to the transition clause, for example in the area of patents, would be that that signatory could not have recourse to the dispute settlement procedures against another signatory's national actions in the field of patents. This would, of course, be without prejudice to the rights of signatories under the General Agreement as it stands and under other international conventions. Similar consequences could be envisaged in respect of aspects of a GATT agreement concerning implementation of rules and enforcement. He stressed the importance of the consultation and dispute settlement provisions of a GATT agreement for all, including in particular for those who wished to protect themselves against national action that could impede legitimate trade; he drew attention in this regard to the Community's proposals in the second indent of Section III.C of document NG11/W/26.

8. Referring to points made at the Group's previous meeting about potential conflict between GATT obligations and obligations arising under other conventions such as Paris and Berne, the representative of the European Communities said that the Community approach to substantive standards was based first on the notion of implementing and incorporating in the GATT certain trade-related principles of substantive standards of existing conventions and, secondly, on the notion of adopting further principles to cover what were perceived as trade-related lacunae in these conventions. Thus, where a number of substantive standards not explicitly foreseen in those conventions was proposed, there could be no conflict since no provision existed elsewhere. He also drew attention to the provisions of the Community proposal aimed at ensuring that the national treatment principle enshrined in the Paris and Berne conventions was not undermined (Section III.D.6). He stressed the importance attached by the Community to avoiding any conflict between GATT and other obligations, and hoped that any participant perceiving conflicts would bring them to the attention of the Group. Responding to questions regarding the rôle that the proposed committee might have in consultation and dispute settlement, the representative of the European Communities first said that the Community strongly desired that the results of the negotiations be incorporated in the General Agreement. The proposed committee should be understood as a committee established by the CONTRACTING PARTIES according to the normal procedures.

In his view, the committee should have a rôle to play in the consultation and dispute settlement process, possibly assisted by an expert group or groups. This would seem necessary and useful for the same reasons as under the Agreement on Technical Barriers to Trade, namely because of occasional technical complexity and close relationship to activities in other organisations. He believed that the establishment and development of an institutional infrastructure in this way would also allow for a more meaningful and operationally effective relationship to be established and maintained with WIPO. Turning to the question about the extent to which the Community's proposals provided for maximum as well as minimum standards, he said that there were essentially three categories of principles proposed. First, those where the minimum and maximum protection was provided for simultaneously; an example was that on the duration of the patent term. A second category consisted of principles where the minimum and maximum standards was provided for explicitly in the text; an example was that at point (ii) in the trademarks section. The third category consisted of principles where only a minimum standard was stated, for example that on the term of design protection. The reason why maximum standards or other conditions relating to protection had been left open in some cases was that the Community had not encountered trade problems relating to a tendency to apply excessive levels of protection in these areas. The Community did not exclude this possibility, and if other countries had experienced problems the Community would be keenly interested in their ideas on these matters.

9. Commenting on the further elaborations provided by the European Communities, some participants welcomed and supported the Community statement regarding the incorporation of the results in the General Agreement. Some of these recalled their view that experience with the code approach in the results of the Tokyo Round had not been positive. A participant felt that there was a certain inconsistency between the approach underlying the part of the Community proposal concerning principles relating to substantive standards and the approach underlying the other parts. The former seemed to imply a code approach whereas the other parts fell more readily within the spirit of the General Agreement. On the question of obligations to accede to the Paris and Berne Conventions in their latest revisions, a participant considered that other possibilities should be explored to accommodate the situation of countries which had or were willing to accept all the trade-related aspects of these Conventions but had difficulties with acceding to their latest Acts. Another participant said that certain countries would have difficulties in entering into a commitment to accede to other conventions since this was a matter that only their national parliaments could decide upon. In response, it was said that any difficulties in this regard should be solvable through the common international practice of the executive signing an international agreement subject to ratification by the legislature. A participant welcomed the proposed obligation to adhere to the Paris and Berne Conventions and the invitation to adhere to other intellectual property conventions even if the provisions on these matters were not couched in the terms that he would prefer. In regard to the question of maximum standards, a participant said that he was not fully convinced by the Community's explanation, for example the proposed principle on the duration of the patent term of "generally 20 years" did not in his view seem to clarify the matter greatly. He also said that the Community proposal on appellations of origin seemed to be suggesting adoption in GATT of the commitments contained in the Madrid and Lisbon Agreements which had been shown to have limited appeal. The proposal also failed to distinguish adequately appellations that had become generic. His delegation supported in principle the protection of certain geographical indications including appellations of origin, but considered that the Community proposal seemed to be aimed at the protection of certain European appellations even though they had now become generic in other parts of the world. In his view, these proposals, if adopted, would themselves risk generating barriers to trade.

10. A participant was concerned about the implications of the suggestion in the Community proposal on national treatment which would involve extending the GATT concept from products to persons and thus change fundamentally this basic GATT principle, especially if extended also to services. Another participant said that the Group would have to reconcile the concept of national treatment of products, as contained in the General Agreement, and that of the national treatment of persons owners of intellectual property, as in the Paris and Berne Conventions.

11. The representative of the United States made available to the members of the Group an informal document presenting, in synoptic form, the main features of United States thinking on new rules and disciplines that should be negotiated on enforcement and substantive standards. The paper reflected the United States' submissions and the views expressed by the United States at recent meetings of the Group, and elaborated

further on some points. In response to a question from a participant about whether trade secrets could properly be considered part of intellectual property since they were usually resorted to by inventors in situations where they considered protection of intellectual property was lacking, the representative of the United States said that the essential fact was that trade secrets were designed to protect a form of intellectual endeavour, that either was not eligible for protection under one of the normal forms of protection of intellectual property or would lose its value through the public disclosure required to receive such protection. Most countries had ways by which business confidential information of this sort could be protected.

12. Introducing document MTN.GNG/NG11/W/17/Add.1, the representative of Japan said that it revised and elaborated on his country's earlier proposal on certain points, taking into account the subsequent work of the Group including the contributions of several delegations and the information provided by WIPO. The revised proposals were subject to further modification by his authorities. Describing the main changes, he said that neighbouring rights had been added to the list of intellectual property rights to be protected; participants would be required to accede to the Stockholm Act of the Paris Convention and the Paris Act of the Berne Convention; the norms proposed on patents, trademarks and industrial designs had been elaborated; and the proposal on patent term had been changed. Commenting on the revised text, the representative of Japan said that, in paragraph (2) under patents, the term "processes" referred to both processes and processes for the manufacture of products and that, in paragraph (3) under trademarks, "well-known" marks need not necessarily be registered. In regard to the proposed norms on copyright, the representative of Japan said that the basic principles of the Berne Convention had been explicitly stated even though accession to that Convention was required in the earlier part of the proposal, since they were viewed as fundamental by his delegation and hence should not be modified at the time of a country's accession. Although computer data bases and computer programs were not specifically mentioned in the Berne Convention, they would be protected adequately and appropriately under that Convention. Most computer data bases would be eligible for protection under the Berne Convention as collections or compilations of works, but where they constituted intellectual creations in their own right they should be protected as independent works.

13. Comments were made and questions put on the new paper from Japan. In regard to the coverage of intellectual property rights to be protected, a participant regretted the non-inclusion of trade secrets and some other participants regretted the absence of geographical indications, including appellations of origin. Questions were also raised as to why plant protection and general biotechnology issues had not been included. In relation to rights conferred by a patent, clarification was sought on the non-inclusion of the right to prevent sale, and whether the term "display" could include advertising. With respect to patentable subject matter, it was asked whether it was intended that plants or other living matter would be covered by the provisions and how in practice were exceptions to patentable subject matter applied in Japan. A participant welcomed what he considered to be an indication of willingness on the part of Japan to move towards an international consensus on the term of patents. With respect to non-voluntary licensing, it was asked whether it was intended that there should be any restrictions on the circumstances in which such licenses might be granted and how the provisions relating to non-voluntary licensing would be applied in practice in order to prevent interference with fair and open trade. In relation to copyright and neighbouring rights, it was asked if the proposal reflected an acceptance of full copyright protection for computer programs and whether the neighbouring rights provisions went beyond the requirements of the Rome Convention and, if so, why. A participant believed that sound recordings should be protected under copyright, rendering unnecessary neighbouring rights protection. This participant indicated that his delegation would give a list of detailed questions to the Japanese delegation; he took it that the responses would be shared with members of the Group.

14. Providing preliminary responses to some questions, the representative of Japan said, in regard to patentable subject matter, that any invention other than exceptions specifically mentioned was patentable under Japanese law provided the requirements for patentability were met. On non-voluntary licensing, he said that, as Japan was a member of the Stockholm Act of the Paris Convention, all the conditions under Article 5A of that Convention were applicable; the proposals aimed at highlighting the elements of judicial review and need for adequate compensation, which he believed were important to secure the interests of rights holders but were missing in the Paris Convention. On computer programs, he indicated that these were accorded, under Japanese copyright law, as high a level of protection as in some other countries; the proposals were based on the premise that protection was to be given to the expression of ideas and not to ideas themselves, and that a sort of "fair

use" should be admitted internationally. As for sound recordings, protection under neighbouring rights was more appropriate, as the rights were generally considered to be those of disseminators rather than creators of works. Sound recordings were not mentioned in the Berne Convention, but were covered by the Rome Convention, together with broadcasting organisations and performers.

15. Some participants expressed concern that countries were continuing to submit and discuss substantive proposals in the Group before the Group had established a common approach to its work even though a statement had been made on behalf of developing countries expressing their concern in this respect at the July 1988 meeting of the Group of Negotiations on Goods. They reiterated their view that many aspects of the proposals that had been tabled, especially where they addressed the question of substantive standards for the protection of intellectual property rights, dealt with matters which did not fall within the scope of the Group's Negotiating Objective and thus created considerable difficulties for the full participation of their delegations in the work of the Group. Concern was also expressed about the coverage of services questions in some of the proposals, which in the view of some participants clearly fell outside the subject matter that the Group was authorised to deal with. Furthermore, the proposals being tabled seem to address exclusively the interests of those countries which were net exporters of technology and did not take adequate account of the need to facilitate the transfer of technology. Some of these participants said that if their concerns continued not to be given due regard, they would have recourse to other mechanisms to bring attention to this matter at the appropriate level. A participant said that her delegation would stand by the Negotiating Objective adopted by Ministers and would reiterate it in Montreal.

16. These participants considered that the proponents of dealing with substantive standards had not demonstrated how they could be regarded as trade-related aspects that should be dealt with by the Group. In their view, there was need to make a clear distinction between the protection of intellectual property rights per se, which fell within the domain of intellectual property law, and the trade-related aspects that created distortions and impediments to international trade. In determining the proper level of protection to be given to intellectual property, each country had to decide on how to achieve a balance between the interests of holders of intellectual property rights and the need to promote creation and innovation on the one hand and the protection of the public interest on the other. The text of the Group's Negotiating Objective reflected the fact that at Punta del Este it had not been possible to reach agreement on the inclusion of substantive standards within the negotiations. The Ministerial Declaration also reflected, in both this and other areas, concern not to attempt to make the Uruguay Round a forum for resolving problems that had their source outside the trade field. If the substantive aspects of protection of intellectual property rights could be regarded as trade-related, it was asked whether the substantive aspects of any economic activity could also be regarded as trade-related, including for example money and finance. However, no action was being taken in the Uruguay Round on the substantive aspects of these matters, nor was action being taken on matters that clearly fell within the scope of the General Agreement such as the stabilisation of markets for primary products. Furthermore, while the standards for the protection of intellectual property rights being proposed in the Group impinged on issues relating to the transfer of technology and the activities of transnational corporations, multilateral efforts elsewhere to reduce trade barriers arising in these fields and to facilitate the transfer of technology, such as through the Code of Conduct on the Transfer of Technology and the Code of Conduct on Transnational Corporations, were being blocked by the same countries that were seeking mandatory standards in the Group.

17. The view was expressed that it was not possible to see how the proposals that had been tabled could be without prejudice to the work of other international organisations, since they dealt with matters that were the proper concern of those organisations; they therefore were not consistent with the third paragraph of the Group's Negotiating Objective. Some participants noted the points that had been made concerning the Vienna Convention on the Law of Treaties and suggested that this was an area that the Group might need to study further.

18. Some participants said that the Group still needed to establish a common definition of what were the trade-related aspects of intellectual property rights that should be addressed. A participant recalled that her delegation had proposed to the Group in October 1987 a procedure for determining what were the restrictions on trade that had been adopted for the protection of intellectual property rights and which the Group should deal with. It was suggested that, in examining this matter, the fact that a practice might have some trade effects should not in

itself be regarded as sufficient grounds for considering it as a proper subject matter for negotiations in the Group. Account had also to be taken of the essential national purposes underlying the practice in question, the effects on other areas of economic and social activity, the competence of other international organisations and the scope of GATT provisions. A participant believed that it was appropriate to deal with substantive matters relating to geographical indications and appellations of origin in the Group, since it was a matter on which the GATT had competence under Article IX - although her delegation had difficulties with the contents of the proposals that had been tabled by the European Communities on these matters - but could not accept that other intellectual property rights be dealt with per se. Another participant doubted that Article IX:6 could be regarded as a basis for GATT action on the protection of geographical indications since in his view its function was to facilitate the identification of goods which came from countries eligible to benefit from GATT concessions, not to provide a basis for cooperation in GATT to protect intellectual property rights. Some participants considered that the basic purpose of the General Agreement as a whole and of its provisions regarding the protection of intellectual property rights was to facilitate open and unrestricted trade. The protection of intellectual property rights ran inherently counter to this basic objective. This was why the main provision concerning intellectual property rights was an "exceptions" provision. The approach that should be adopted to the issues that the Group should deal with should be in accordance with this basic thrust of the General Agreement.

19. A number of suggestions were made on how the Group might set about identifying trade-related aspects. It was suggested that it would be useful to examine further document NG11/W/8 which reproduced notifications figuring in the inventory of non-tariff measures that related to intellectual property rights. It was also suggested that the Group might be able to make useful progress by discussing further the suggestion of the Nordic countries in document NG11/W/22. Some participants suggested that the Group should look further at trade distortions or impediments arising in connection with the use of intellectual property rights, in particular their licensing. Reference was made to a Recommendation adopted by the Council of the OECD in 1974 on this matter in the field of patents. This recognised that it was desirable to scrutinise and remedy the harmful effects of practices relating to the use of patents and licences since economic development was dependent on the dissemination of scientific and technological innovation through patents and that by granting licences subject to unjustifiable restrictions the rights attached to patents could be used to exercise excessive economic power. The Recommendation urged OECD member countries to be particularly alert to harmful effects on national and international trade which might result from abusive practices in this field. These included the unjustifiable imposition of territorial restrictions in patent licences which affected international trade by unjustifiably prohibiting exports of patented products or unjustifiably restricting trade in or exports of the patented products to specified areas; the unjustifiable imposition of territorial, quantity or price restrictions or attempt to dominate an industry market or new industrial process, when negotiating or operating patent pools or cross-licensing agreements; the use of clauses concerning tied sales that obliged the licensee to obtain goods from the licensor or his designated source, when the tied sales were not justified, for instance, by technical reasons concerning the quality of the goods manufactured under the licence; and the use of clauses that unjustifiably limited competition by preventing one or more parties to the patent licensing contract from competing with other parties to the contract, or with third persons, in other industrial fields not covered by the licensed patent.

20. A participant suggested that one way of analysing the trade-related aspects of intellectual property rights would be to study the experience of the European Economic Community in this regard in the implementation of the Treaty of Rome, in particular its provisions relating to the free movement of goods. This might also suggest a way of realising the underlying complementarity between WIPO and GATT, in which GATT might deal with practical trade difficulties arising from the implementation of substantive standards established by WIPO. The examination of the approach taken by the European Court of Justice to resolving conflicts between national intellectual property laws and the free movement of goods rule of the Treaty of Rome might prove particularly helpful. This approach had left to national authorities the right to legislate on intellectual property matters but practical problems resulting from the implementation of such laws had been resolved by the Court on the basis of the free movement of goods. He made reference to several decisions of the European Court of Justice concerning parallel imports of goods incorporating protected trademarks or inventions, monopolies in production and distribution arising from patent licensing, and compulsory licensing as applied to sound recordings. He asked if it was possible to establish within GATT a similar mechanism enabling trade problems arising from the implementation of intellectual property legislation to be resolved without changing the substantive standards in national laws but on the basis of existing international conventions on intellectual

property. Moreover, if there were trade-related deficiencies in these conventions, he wondered whether the Group could call upon the competent international organisations to remedy them. He also suggested that the Group might consider certain decisions of the United States Supreme Court relating to compulsory licenses, and relevant provisions of the Havana Charter.

21. Some participants expressed their concern about threats to impose unilaterally import restrictions on the goods of trading partners with a view to compelling those partner countries to modifying their intellectual property legislation and also to coerce changes in their position in the present negotiations. Reference was made to a particular case which had been brought to the attention of the TNC at its July 1988 meeting. It was said that such actions would not only be inconsistent with the General Agreement but also infringe Section C.(iii) of the Punta del Este Declaration which states in connection with Standstill that "each participant agrees ... not to take any measures in such a manner as to improve its negotiating positions". It was said that these practices were detrimental to the spirit of cooperation that would facilitate progress in this Group and in the Uruguay Round as a whole. It was suggested that these practices were clearly a trade-related aspect of intellectual property rights that should be examined by the Group in accordance with its Negotiating Objective.

22. Responding to points made on the proper scope of the Group's work, it was said that analysis of the text of the Negotiating Objective would yield little in determining the appropriateness of dealing with substantive standards, since this issue was neither explicitly included nor explicitly excluded. Rather the question was whether inadequate or excessive substantive standards gave rise to impediments or distortions to international trade. In connection with the view that had been expressed that the Group had not paid sufficient attention to the identification of the trade-related aspects of intellectual property rights, some participants said that in 1987 the Group had invited written and oral submissions on trade problems experienced in connection with intellectual property rights. These submissions had been extensively discussed, as had been the question of how existing GATT provisions related to these problems. The conclusion that they had drawn from this work was that the existing GATT provisions were inadequate to deal with trade distortions arising out of insufficient or excessive protection of intellectual property and that new rules and disciplines needed to be negotiated. They were ready to continue discussion of these matters and of the documents that had been produced. They invited countries which felt that further work was required to give their reactions to the various points recorded on this matter in the secretariat compilation, NG11/W/12/Rev.1. Some participants indicated their willingness to examine further information about trade difficulties arising from unjustifiable practices of economic operators in connection with the use of intellectual property rights and considered that the OECD Recommendation and the questions referred to in document NG11/W/8 could be taken into account in the further work of the Group.

23. Some participants expressed the view that it could not be maintained that all work on substantive standards was inappropriate if, as seemed to be the case, there was a large measure of consensus that rules on at least some enforcement issues should be negotiated, since it would be difficult to envisage meaningful commitments on enforcement questions without also dealing with substantive standards. Replying to the view that excessive standards could create trade obstacles, a participant considered that, logically, if this were the case, the same must apply to inadequate standards. He also could not see the logic in accepting that GATT could deal with some substantive standards in Article IX and, at the same time, claiming that other intellectual property rights could not be discussed; geographical indications were only one category among a number of types of intellectual property rights. In response to the request for the presentation of information about relevant activities of the European Court of Justice, it was said that the Community's institutional framework including that concerning disputes, as well as what the Community had achieved internally in some areas and was attempting to achieve in others in the intellectual property area in terms of harmonisation of enforcement procedures and substantive standards, went far beyond what existed or was being suggested in the GATT. Accordingly Community experience, including the decisions taken by the European Court of Justice, would be little germane to the work of the Group. However, Community experience had shown that countries at widely varying stages of development had accepted that high levels of protection of intellectual property were in their national interest, sometimes with the aid of a transition period for making the necessary changes. Another participant said that failure to provide adequate protection of intellectual property not only had a long-term harmful effect on trade by stifling innovation and investment but also had an immediate effect in eliminating or diminishing trade by discouraging inventors or authors from entering markets where their products were unprotected.

24. In response to the comments made on the need to ensure that the work of the Group was without prejudice to other complementary initiatives in WIPO and elsewhere, a participant added to the points that he had made earlier that Articles 19 and 20 respectively of the Paris and Berne Conventions explicitly allowed member countries of those Conventions to conclude agreements on subjects covered by those Conventions that provided for higher levels of protection and were not inconsistent with the provisions of the Convention in question. He added that, in considering the balance of advantage under his delegation's proposal between countries more and countries less keen to protect intellectual property rights, it should be taken into account that the former would be subject to important limitations on national action to enforce and protect intellectual property rights, that would be susceptible to GATT dispute settlement proceedings. Limitation of the coverage of intellectual property rights would entail a corresponding limitation of disciplines on national action that might give rise to obstacles to legitimate trade.

25. The representative of Thailand made a statement that has been circulated subsequently as document NG11/W/27. Her delegation was in general agreement with the views expressed by developing countries at the GNG meeting in July 1988. The motives and objectives of some contracting parties in proposing wider coverage including the establishment of international norms and standards of intellectual property protection went beyond the intent and spirit of the Ministerial Declaration at Punta del Este. As GATT dealt with the liberalisation of international trade in goods as they crossed national boundaries, the scope of negotiations should be confined to issues related to enforcement of IPRs at the border. Provisions requiring contracting parties to provide procedures enabling owners of intellectual property rights to enforce their rights by petitioning governments to prevent importation of infringing products were appealing and were found in some countries including her own. Enforcement mechanisms should incorporate three elements: they should lead to further liberalisation and not themselves become barriers to or a means of harassment of legitimate trade or lead to excessive protection that obstructed technology transfer; they should reflect the genuine intention and obligation of individual contracting parties to provide due process of law without implying that national laws be harmonised; and they should afford a maximum degree of transparency. Disputes which arose should be settled through existing and improved dispute settlement mechanisms of the GATT rather than through unilateral actions. Finally, she drew attention to the two fundamental goals pursued by governments when granting protection to intellectual property: the stimulation of intellectual creation and the legitimate protection of the public interest. The former must not put undue burden on the latter and the rôle of any government was to find a proper balance between the two.

26. Some delegations welcomed the intervention of the delegation of Thailand as a significant contribution to the work of the Group. One participant said that his delegation could support the statement. Some others found the support for negotiations on enforcement encouraging but were disappointed that the enforcement measures envisaged appeared to be restricted to those at the border.

27. A participant said that the present thinking on substantive standards of the countries on behalf of which he was speaking could be presented in the following five points. First, GATT rules and disciplines in the area of TRIPs must include a reference point to substantive standards/norms for the intellectual property rights to be covered. Secondly, in order to provide a basis for contractual obligations among governments - i.e. in this context GATT commitments - with respect to enforcements mechanisms, the reference points to substantive standards/norms required a certain level of specification to define the content of the commitments. Such specification was necessary to define commitments aimed at addressing trade problems stemming from lack of or inadequate protection, and from excessive or discriminatory protection. Thirdly, the reference points to substantive standards/norms, including, inter alia, their level of specification, the coverage of intellectual property rights to be subject to new GATT rules and disciplines, as well as possible transitional arrangements and provisions, were issues to be negotiated among all participants in the Group - with a view to ensuring that the legitimate concerns of the respective participants were appropriately taken into account. Fourthly, negotiations on such reference points to substantive standards/norms in GATT would not aim at an overall harmonisation of participating countries' intellectual property laws and legislation, although a certain converging effect would be unavoidable - and desirable. Finally, the level of specification of the reference points to substantive standards/norms in GATT should be derived from generally internationally accepted and applied standards/norms. The elaboration of these reference points in GATT would therefore not replace or

substitute activities elsewhere, but rather be supportive of efforts undertaken in WIPO and in other specialised agencies with a view to promoting the protection of intellectual property rights.

28. Some participants stressed the importance of globality in the negotiations. One said that it could not be expected that progress in the Group could be more rapid than in some other areas of central concern to GATT, such as agriculture. Another said that minimum criteria in regard to globality would be the avoidance of unwarranted cross-sectoral demands and that the work in the Group should not impede work in other Groups, for example on facilitating the transfer of technology. A further participant said that he believed that his delegation's proposal would, if accepted, facilitate the transfer of technology and would not impinge negatively on other parts of the Uruguay Round.

29. The Group discussed an informal paper, circulated by the Chairman as an annex to a letter to participants, attempting to summarise his understanding of the main points emerging from the Group's examination of the relevant GATT provisions. In response to a request for clarification on two points, the Chairman said that the term "unwarranted" employed in paragraph (iii) was designed to capture not only the notion of necessity in Article XX(d) itself but also the requirements in the chapeau to that Article that any restrictions on trade resulting from a measure should not be "disguised" restrictions and that any discrimination between countries where the same conditions prevail should not be "arbitrary or unjustifiable". He also indicated that in line two of paragraph (iv) the term "measures" was employed in the generic sense to mean governmental actions in general; it referred not only to the laws, regulations and requirements mentioned in Article III:4 but also, for example, to the types of governmental action referred to in Article I:1 and Article X of the General Agreement.

30. Some participants said that, although the Annex was not drafted necessarily in the form that they would have chosen, they could, with the aid of the additional clarifications provided by the Chairman, go along with the suggestion that it be annexed to the note on the Group's meeting as the Chairman's understanding of the main points emerging from the Group's examination of the relevant GATT provisions. In doing so, they stressed in particular the proviso that it should be understood that the text would not constitute a legal interpretation of GATT provisions, but would indicate a common perception in the Group of their significance. Its only use would be for the purposes of the Uruguay Round, in particular in relation to the requirement on the Group to examine and clarify relevant GATT provisions, and it could not be used in other contexts, for example in a Panel proceeding. One of these participants emphasised the importance attached to the principle of proportionality contained in Article XX(d), which he saw as vital to the further work of the Group. Some other participants emphasised the need for a strict construction of the conditions attached to Article XX(d). In general these participants said that the conclusion that should be drawn from the examination of the relevant GATT provisions was that existing GATT provisions were not sufficient to deal with the trade problems arising in connection with intellectual property rights; this underscored in their view the need for new rules and disciplines to be negotiated by the Group.

31. Some other participants considered that the Group had not completed the process of identification and examination of relevant GATT provisions and was not yet in a position to formulate a common appreciation in regard to them. Some of these participants believed that the text went too far in implying a link between intellectual property rights and certain GATT provisions. Some of them had doubts about the relevance to intellectual property rights of some of the GATT Articles referred to in the Chairman's informal text, while some suggested additional Articles for inclusion, namely Articles V, XI and the three Articles that make up Part IV of the General Agreement. One participant said that she could not agree to a selection of relevant GATT Articles before the Group had reached a common understanding on the scope of the negotiations compatible with its Negotiating Objective. Examination of GATT provisions should be on the basis of concrete (real or hypothetical) cases where the application of intellectual protection by a contracting party gave rise to a trade problem for another. It was suggested that the text of the relevant GATT Articles should be quoted in full, any commentary should figure in a separate section, and it should be made clear in the text that this did not constitute a legal interpretation.

32. Some participants expressed their agreement that the General Agreement does not put on governments specific obligations to enforce intellectual property rights or to accord any particular level of protection to intellectual property. In regard to Article IX:6, it was said that the purpose of this Article should not be seen as

promoting the protection of intellectual property as such but rather as facilitating the identification of goods from countries eligible to receive benefits negotiated under the GATT. In response, a participant said that Article IX:6 went further than this in that it dealt with distinctive regional or geographical names of products of the territories of contracting parties.

33. It was suggested that the General Agreement, in its Article XX(d), only recognised the right of contracting parties to enforce intellectual property rights in exceptional circumstances. The protection of intellectual property rights ran counter to the basic principle of the GATT, namely the free movement of goods in international trade, and therefore required an "exceptions" provision in order to justify it. The conditions attached to the use of Article XX(d) recognised that measures to enforce intellectual property rights could restrict trade and were aimed at preventing this. It was also suggested that the fact that Article XX(d) was an exceptions provision proved that intellectual property matters were not regulated by other GATT provisions. Attention was also drawn to the requirement in Article XX(d) that any intellectual property laws or regulations with which compliance was being secured by measures under that provision must in themselves be consistent with the General Agreement. Some participants said that Articles I, III and X of the General Agreement did not mention intellectual property rights. They concerned the treatment of goods, whereas intellectual property law concerned the treatment of natural and judicial persons. It was said that this distinction between the objects of national treatment in the GATT and in the intellectual property conventions should be made clear since it was determinant for the distinction between the subject matter of each type of international instrument. A participant said that the provisions of Article XII:3(c)(iii) and Article XVIII:10 prohibited restrictions from being applied to prevent compliance with patent, trademark and copyright procedures; another participant said that import restrictions due to balance of payments problems had no relation to intellectual property rights, which were protected in a non-discriminatory manner for national and non-nationals of member countries of the Paris Union irrespective of the external financial position of a contracting party. A further participant drew attention to Article 21 of the Havana Charter which contained language on the same questions. In relation to the language on Articles XXII, XXIII and XXV, a participant asked for illustrations of the use of these GATT procedures in relation to intellectual property matters. He also asked whether the interpretation given to Article XXV:1 could apply equally to monetary and financial matters and the restrictive business practices of transnational cooperations where joint action in these areas would facilitate the operation and further the objectives of the General Agreement. It was also said that procedural provisions related to the form in which matters might be considered, not to substantive links between intellectual property rights and the General Agreement.

34. Responding to some of these points, a participant said that there appeared to be a logical contradiction between claiming that the text on GATT Articles went too far in suggesting the relevance of GATT provisions to intellectual property matters, and at the same time denying the need for new GATT rules and disciplines. The interpretations being put forward would, if accepted, limit greatly the scope for contracting parties to have recourse to dispute settlement provisions in situations where the application of intellectual property laws was giving rise to problems for the importation of legitimate goods. In his view the Group had already devoted ample time to the examination of GATT Articles especially last year. He could not accept that the Ministerial Decision required agreement on the scope of the Negotiating Objective before agreement could be reached on the clarification of GATT Articles.

35. Another participant was concerned that the interpretation being put forward that intellectual property laws where they affected trade were not subject to Article III or other general provisions of the GATT would, if accepted, seriously undermine the GATT. It would enable contracting parties to discriminate against imported goods through intellectual property laws in a way that was otherwise forbidden and thus open up a major loophole in the legal system of the GATT. There was no basis for believing that any one class of laws that affected trade was exempt from Article III of the GATT. Furthermore, the proposed interpretation ran counter to interpretations adopted by the CONTRACTING PARTIES. A GATT Panel had found that the use of the word "affecting" in Article III:4 indicated that the provision covered "not only the laws and regulations which directly governed the conditions of sale or purchase but also any laws or regulations which might adversely modify the conditions of competition between the domestic and imported products on the internal market" (BISD, 7S/60, paragraph 12). Another Panel, concerning imports of certain automotive springs assemblies in the United States which had been found to infringe a United States patent, had found that Article III was

relevant. Furthermore, its report had been criticised in the Council by some participants, including some that now doubted the relevance of Article III to intellectual property issues, for not having paid sufficient attention to Article III. He also referred to the Panel on the manufacturing clause of United States copyright legislation, which had found the clause inconsistent with Article XI of the General Agreement.

36. The Chairman made a few remarks by way of clarification of the informal text that he had circulated. He believed that consideration might usefully be given to citing the texts of the relevant GATT provisions in full and also to incorporating into the chapeau to the text a clarification that it did not constitute a legal interpretation of the GATT provisions in question. He noted the views concerning the GATT Articles which were relevant, including the suggestion that reference might be made to Articles V, XI and those contained in Part IV. The language on Article XX(d) might be re-examined to encompass more clearly the notion that patent, trademark, copyright and other intellectual property laws with which compliance was being sought through the use of measures under that provision must be themselves consistent with the General Agreement. With regard to Articles I, III and X, he noted that the text indicated that the basic purpose of these general rules where they applied to governmental measures taken in connection with intellectual property rights was to ensure that such measures were not employed as unwarranted restrictions on trade or means of discrimination between contracting parties. Recognising the differences between the national treatment concept as contained in Article III of the GATT and the national treatment concept as contained in intellectual property conventions, he said that the text only referred to the national treatment concept as laid down in the GATT; it did not imply that the concept of national treatment as contained in intellectual property conventions was in some way also covered by the General Agreement. In relation to Article III, the text did not refer to all laws, regulations and requirements on intellectual property rights, but only in so far as they affected the internal sale, offering for sale, purchase, transportation, distribution or use of products; Articles III:1 and 4 dealt with all laws, regulations and requirements that had these effects. The references to Articles I and X of the General Agreement were similarly qualified. Examples of the use of GATT procedures to deal with matters relating to intellectual property rights could be found in document MTN.GNG/NG11/W/4. In conclusion, he said that he hoped that before the next meeting of the Group there would be time for informal consultations with interested delegations with the aid of the secretariat to see whether a revised text could be put to the Group.

37. In regard to a letter of 11 August 1988 sent by the Chairman to participants, some speakers considered that Annex I to that letter on enforcement/trade in counterfeit goods/dispute settlement blurred the distinction between matters covered by paragraphs one and two of the Group's Negotiating Objective. It was also said that the way the questions were formulated reflected greater concern with intellectual property rights per se than with the negative effects on trade which could arise from the enforcement of those rights. Some participants considered that an attempt to answer the questions in that annex would prejudice their negotiating positions. One participant said that it had difficulties with going along with the procedure of letters to participants from the Chair. Her delegation would not be in a position to take a position on the scope and nature of commitments on enforcement until the Negotiating Group had reached a consensus on the scope and nature of the substance of the negotiations that it was required to undertake. It was also suggested that the letter might have made reference to the statement made by India on behalf of developing countries at the GNG meeting of July 1988 and to the issue of the globality of the negotiations. Some participants considered that the questions posed in Annex I provided elements for a constructive dialogue, and urged more countries to respond to these questions. Some of these participants, however, expressed concern that the letter did not deal with commitments on substantive standards for intellectual property rights, since in their view inadequate or excessive standards were a major cause of trade distortions and impediments. Their willingness to discuss the letter should not be construed as acceptance that the scope of the negotiations be limited to enforcement questions. Moreover, some participants said that they did not agree that the issue of enforcement could be discussed without also dealing with that of standards.

38. In regard to the basic objectives and basic principles that should underlie work on enforcement, a participant felt that a balance should be found between the needs of intellectual property right holders and the needs of legitimate traders. This would require adjusting the competing goals of, on the one hand, protecting the interests of intellectual property right holders by deterring trade in infringing goods and services through the provision of strong and quickly administered enforcement measures; and, on the other hand, protecting the interests of legitimate traders by ensuring that all enforcement measures were applied in a fair, open and non-

discriminatory manner which resulted in no interference with legitimate trade. He also believed that there was recognition in the Group that because of differences in legal systems between countries, for example between those based on common law and civil law traditions, GATT obligations on enforcement should be built around certain common but general principles that would ensure that signatories provide effective, non-discriminatory enforcement measures, while leaving the signatories some flexibility to determine how best to apply these measures.

39. A participant said that GATT work on enforcement should be aimed at codifying broadly acceptable enforcement mechanisms and that the specific requirements provided for in this regard should be based on guiding principles, including national treatment, transparency and non-discrimination. Another participant said that governments should be obliged to promote procedures and take actions which would be effective in preventing and deterring infringement of intellectual property rights and which would deprive entities trading in infringing goods and services of the economic benefits of such activity. Governments should initiate procedures ex officio where effective enforcement required such action. A further participant said that any principles, rules or disciplines agreed should not only promote effective protection of intellectual property rights but also ensure that measures for this purpose did not themselves become barriers to trade. Any GATT agreement should also not prejudice initiatives being taken by such international organisations as the WIPO, and should complement rather than conflict with existing international conventions. Preferably, the GATT should not involve itself in detailed, technical codes. Any provisions should keep in mind the need to encourage technical assistance and the transfer of technology, particularly to developing countries. Another view expressed by a participant on basic objectives was that, if the section of Annex I on this matter was understood as reflecting a preference for the establishment of enforcement procedures over the establishment of substantive standards, it provided for a positive and constructive direction for the future work of the Group. Under these objectives, it would be desirable to examine first the possibilities for improving and modifying the principles, rules and disciplines contained in existing GATT articles. A further participant said that part (i) of the question on basic objectives had no link to trade but was a matter relating to intellectual property rights per se; it would therefore be inappropriate to reply to it.

40. In regard to which intellectual property rights should be covered by GATT commitments concerning enforcement, the following views were expressed:

- All intellectual property rights should be covered, particularly patents, trademarks, copyright, industrial designs and integrated circuit designs. One of the participants making this point also referred specifically to neighbouring rights. It was said that trade distortions caused by intellectual property right infringement went beyond trademark counterfeiting, some counterfeit products involved the infringement of several intellectual property rights and recent work in WIPO had also adopted a broad approach.

- There were also grounds for the inclusion in a GATT agreement of acts of "passing off", involving the selling of merchandise or the carrying on of business under a name, mark, get-up or otherwise in such a manner as to mislead the public into believing the merchandise or business is that of another. Such acts were prohibited under Article 10bis of the Paris Convention.

- At least those forms of intellectual property that had "universal" recognition should be covered, i.e. patents, trademarks, designs, copyright and neighbouring rights.

- More rather than fewer intellectual property rights should be covered. However, for the present, in order to make progress, there might be merit in concentrating on trademarks, patents and

copyright.

- In a first stage, coverage of intellectual property rights should be limited to those for which substantive standards had already been established by existing international law, such as in the Berne and Paris Conventions. Expansion of the coverage of intellectual property rights should follow examination of the development of activities of other international organisations such as WIPO.

Some of the participants making these points emphasised that the procedures that would be appropriate would vary according to the type of intellectual property right.

41. On which types of infringement of the intellectual property rights covered might be dealt with in GATT disciplines relating to enforcement, some participants said that all types of infringement should be covered. The remedies that would be appropriate would, however, vary according to the type of infringement. One of these participants said that acts in connection with the infringement, such as sale, distribution and offering for sale, should be covered; the effective deterrence of infringing activities required that GATT obligations reached all activities by which economic benefits could be derived from the infringement of an intellectual property right. Another participant suggested that all types of infringements should be considered for prospective inclusion in a GATT agreement, but that it might be necessary at a later stage, as the result of more technical discussion, to omit some infringements for which trade policy remedies might be unavailable or unsuitable. A further participant subscribed to the third possibility referred to in Annex I of the Chairman's letter, namely that employed in the draft WIPO model legislation on measures against counterfeiting and piracy; after consensus had been reached amongst participants on this, the expansion of coverage could be discussed step-by-step.

42. In regard to the substantive intellectual property law with which GATT commitments on enforcement would be designed to secure compliance, one participant suggested that this should be national law reflecting international commitments entered into by signatories. Another view was that this was a matter that the Group should leave aside for the time being. Some other participants considered that it was not possible to deal with enforcement questions in isolation from the question of commitments on substantive standards, since the latter were the foundation for the effective enforcement of intellectual property rights.

43. In regard to the points of intervention at which the procedures and remedies provided for in GATT commitments on enforcement should apply, some participants advocated action both at the border and internally. Some of these considered that priority should be given to creating effective domestic enforcement systems that would deal with infringements at source, i.e. the point of production. The potential conflict of interest between intellectual property right owners and legitimate traders was most apparent with respect to border measures, which thus ran an inherent risk of giving rise to obstacles to legitimate trade. It was suggested that internal measures should include procedures to take action against infringement at all internal points, including production, sale, offering for sale, lease, distribution, etc. Some participants thought that special border measures, especially those involving an administrative action, should only apply in limited and clearly defined situations, so that customs intervention did not hinder trade in genuine goods. One participant said that such procedures should be limited to imported goods involving the infringement of trademarks or copyright. The inherent difficulty of identifying and determining infringement of other types of intellectual property rights made such procedures inappropriate in those cases. There were also major practical difficulties associated with increased border enforcement by customs authorities of intellectual property rights, particularly patents. Another participant said that, although stopping the production of infringing goods or enjoining the provision of services or information covered by an intellectual property right might be an effective means of enforcing a right where there were a limited number of sources of the infringing good or service, enforcement through actions against individual infringers might in some instances be too burdensome to be effective. Border enforcement could constitute in some cases the most expeditious and cost-effective means of enforcing intellectual property rights. A further participant recognised a need for border measures; work on internal measures should also be undertaken if a consensus among participants was reached after examination of this question. Another view expressed was that only commitments on border enforcement should be negotiated;

enforcement at the point of production did not require an agreement in GATT since it was already provided for in national law and there already existed international understandings on this matter. This participant also renewed his invitation to participants to share with the Group any experience they may have with the application of special enforcement procedures at the point of exportation.

44. Some participants expressed their doubts about the appropriateness of GATT commitments covering goods in transit, since they saw scope for obstacles to legitimate trade to arise from requirements to cover such goods. A participant said that an obligation of this sort would involve a significant change in procedures applicable to such goods, most of which did not presently undergo inspection, and impose a heavy burden on the administrative budgets of customs services in most countries. Another participant saw considerable practical difficulties with applying measures such as injunctions against goods in transit. A further participant said that goods in transit were treated as technically not having entered the territory.

45. In regard to procedures, one view was that they could be either judicial or administrative or both, provided they were available, effective and did not give rise to obstacles to legitimate trade. One of the participants expressing this view recognised that some parties to a GATT agreement might wish customs action at the border to be on the basis of a judicial decision. If so, such procedures should prevent goods suspected of infringing an intellectual property right from entering commercial channels until a final determination of infringement was made. Another view was that, although there was a need for both types of procedure since administrative procedures implemented by the customs enabled quick action at the border, administrative procedures should be limited to trademark and copyright infringement. Another participant expressed a strong preference for action by customs, especially involving forms of intellectual property rights other than trademarks and copyrights, being on the basis of a court order, issued as a result of the same procedures and the same intellectual property law as those applicable to domestically produced goods.

46. In regard to the initiation of procedures, one participant said that administrative customs procedures should only be instituted at the request of the intellectual property right owner. Another suggested that seizure of the goods at the border by competent authorities might be either ex officio, sua sponte or at the request of the rights holder.

47. One participant said that all procedures for the enforcement of intellectual property rights must ensure due process of law, including: the right to receive notice, prior to the commencement of proceedings, containing information sufficient to determine the basis of the dispute; use of the same substantive standards for determining whether an intellectual property right existed and whether it had been infringed with respect to all products, whether imported or locally produced; prompt, fair, reasonable and effective means to gain access to and present statements of witnesses and other evidence; and written determinations relating to infringement, made in a fair and open manner. Procedures should not impose overly burdensome requirements concerning personal appearances. Means to identify and protect confidential information should be provided. Signatories should facilitate the gathering of evidence needed for an enforcement or related action in the territory of another party. Ex parte proceedings to preserve evidence and take other actions urgently required should be made available, with the requirement that parties be provided subsequent notice of the action and the right to participate in a procedure providing due process of law. Another participant said that courts should be available to act quickly to issue temporary injunctions and pre-trial measures.

48. A participant outlined the judicial and administrative measures available in his country to protect intellectual property rights. Judicial measures, including injunctions, could be applied at the border to enforce patent, trademark, design and integrated circuit layout rights, since the national laws on those matters specified that importation without authorisation of the owner of the intellectual property right in question was an act to be prevented. In regard to administrative action, his country's customs authorities were empowered to impose, on their own initiative, injunctions at the border on goods which infringed rights in patents, trademarks, designs, copyright and neighbouring rights.

49. Some participants emphasised the need for sanctions and remedies to be sufficient to prevent and deter infringement. In regard to criminal sanctions, some participants said that there should only be a requirement to provide such sanctions in relation to wilful and commercial trademark counterfeiting and copyright

infringement. Another participant said that criminal sanctions should only apply to certain cases of deliberate infringement, e.g. counterfeiting and piracy. It was said that for other intellectual property rights, in particular patents, criminal sanctions were probably inappropriate since the existence of the intellectual property right itself was usually the essence of the question in dispute; such technical and complex questions should be dealt with only on the basis of the balance of probabilities in civil courts. The following forms of criminal sanction were referred to: fines, imprisonment, and seizure and forfeiture of infringing goods and of materials and implements used in their creation.

50. In regard to civil remedies, it was suggested that courts should be provided with a full range of such remedies. Reference was made to injunctions, damages, account of profits, seizure and forfeiture. Goods forfeited should be destroyed or otherwise removed from commercial channels. Some participants also referred to the need for interim relief to be available. A participant said that, in his country's experience, it was essential to prevent, by means of detention at the border or interim injunctions, goods that were suspected of infringing an intellectual property right from entering commercial channels until a final determination as to whether the goods were infringing was made.

51. In regard to safeguards against barriers to legitimate trade, the following points were made:

- The most effective safeguard would be to require that all enforcement action be taken on the basis of a court order, because this would guarantee the application of well-established principles of law, and equitable and transparent legal procedures.

- Safeguards were particularly important where administrative seizure by customs was employed. A participant said that they should include: informing owners of any seizure of their goods as soon as possible thereafter; requiring the person initiating administrative action to commence judicial action within a short time after seizure, failing which the goods would be released; and providing that, after the start of judicial proceedings, the court involved should be responsible for the continued holding or release of goods. Customs should be able to require security from an intellectual property right owner before administrative action was taken; this should be set at a level that deterred frivolous actions while not dissuading small companies from taking action to protect their legitimate rights. In the event that the seized goods were not found to be infringing, the owner of the goods should be entitled to reasonable compensation for any loss suffered as a result of the procedure. Another participant supported a similar provision, the application of which should also be possible where preliminary injunctions and other appropriate and prompt procedures were used to prevent the sale or other disposition of allegedly infringing goods pending a final determination of infringement. It should enable the authorities to be held harmless in the event of seizure of goods subsequently determined to be non-infringing.

- Signatories should make available remedies to provide indemnification in appropriate cases of persons wrongfully enjoined or restrained. Remedies against governments might be limited to payment of compensation to the owner of the intellectual property right.

- Some participants stressed the importance of national treatment.

It was suggested that access to courts must be on the same basis for nationals and foreigners, that procedures should be applied to right owners of other signatories in a manner that was no less favourable than that applied to nationals, and that in all situations, other than those where special border measures were employed, no distinction should be made between foreign and domestically produced goods.

- Provisions requiring due process law and transparency should be provided for.

52. A participant said that he generally agreed with the observations on dispute settlement in Annex I of the Chairman's letter. Another participant saw a need for governments to be obliged to initiate proceedings ex officio where effective enforcement required such action.

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

53. A participant suggested that WIPO be invited to the Montreal Ministerial Meeting. Another participant supported this and said that the matter would need to be looked at in a wider context. The representative of WIPO confirmed WIPO's interest in attending that meeting. A participant said that his delegation needed further time to consider the matter. The Chairman said that the Group would come back to this matter at its next meeting and recalled that any decision would need to be taken by the TNC.

Other Business, including Arrangements for the Next Meeting of the Group

54. The Chairman said that the next meeting was scheduled for the morning of 17 October, all 18 October and the morning of 21 October 1988. The Group would take up item B, Trade in Counterfeit Goods, on the morning of 18 October, irrespective of the position reached in the consideration of the first agenda item.