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

WORK UNDERTAKEN IN GATT CONCERNING TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS, INCLUDING TRADE IN COUNTERFEIT GOODS

Note by the Secretariat

1. This note has been prepared in response to the decisions of the Negotiating Group at its meeting of 25 March 1987 that the secretariat prepare brief factual notes on past work in GATT on trade-related aspects of intellectual property rights and on trade in counterfeit goods (MTN.GNG/NG11/1, paragraphs 13 and 16). The note deals in its first section with the past work specifically addressed to the general issue of trade in counterfeit goods, providing information to complement the Report of the Group of Experts on Trade in Counterfeit Goods, which is a document before the Group (L/5878). In its second section, the note describes consideration given to a number of other matters relating to intellectual property rights. The note does not attempt to deal with the provisions of the General Agreement relating to the work of the Group, which are the subject of another secretariat background note that the Group has agreed should be prepared.

2. The information in this note is organized as follows:

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Section I: Work on Trade in Counterfeit Goods

3. This matter was first raised in the GATT framework in July 1978, in the Tokyo Round Sub-Group

"Customs Matters". The United States proposed, with the general support of a number of other delegations, the negotiation of international rules on the prevention of commercial counterfeiting (MTN/NTM/45). At the Sub-Group's meeting in September 1978, the United States indicated its intention to hold bilateral and plurilateral consultations with interested delegations, under the procedures adopted by the Sub-Group for consultations aimed at finding solutions to specific customs problems, with a view to strengthening the rules and procedures to prevent counterfeiting in international trade (MTN/NTM/W/187). Several delegates welcomed the proposal, while others reserved their position pending the outcome of the consultations (MTN/NTM/53).

4. In December 1978, the United States circulated a proposal for an agreement on commercial counterfeiting (MTN/NTM/W/204). In March 1979, a revised proposed "Agreement on the Sanctions to be Imposed upon the Importation of Counterfeit Merchandise" was circulated by the United States (MTN/NTM/W/225). These proposed agreements were not the subject of a multilateral examination in the Sub-Group and no agreement was reached. A text on trade in counterfeit goods was therefore not listed in the Procès-Verbal embodying the results of the Tokyo Round which was opened for signature following the 11-12 April 1979 meeting of the Tokyo Round Trade Negotiations Committee (BISD, 26S/189). At that meeting, the European Communities and the United States indicated their interest in pursuing the work on this subject with a view to the inclusion of an agreement in the final results of the Tokyo Round (MTN/P/5).

5. In the period until the action of the CONTRACTING PARTIES on the final results of the Tokyo Round in November 1979, further work on the text of a possible agreement took place informally among interested delegations. In July 1979, a revised text was circulated at the request of the United States and the European Communities (L/4817). A further revision was circulated informally in October 1979. However, agreement on a text for incorporation in the final results of the Tokyo Round was not reached.

6. Although discussions on a possible GATT agreement continued informally among interested delegations, the matter was not further pursued in any formal GATT body until it was raised in the context of the preparatory work for the 1982 Ministerial meeting of CONTRACTING PARTIES. Some delegations argued that the Ministers should, if not approve an agreement on trade in counterfeit goods, decide that such agreement should be negotiated. Some other delegations doubted the appropriateness of this matter being considered by the Ministers. In February 1982, the United States circulated a document containing its justification for the inclusion of this matter on the Ministerial agenda (PREP.COM/W/2).
Document PREP.COM/W/28 of August 1982 contained a copy of an exchange of notes between the Permanent Representative of Trinidad and Tobago, in his
then capacity as Chairman of the Group of 77 in Geneva, and the Director General of the World Intellectual Property Organization concerning the competence of WIPO in regard to counterfeit goods. In October 1982, following discussions with the European Communities, Japan and Canada, the United States requested the circulation of a revised draft of a possible "Agreement on Measures to Discourage the Importation of Counterfeit Goods" (L/5382). This is the most recent draft of such an agreement that has been circulated as a GATT document.

7. The Ministerial Declaration of GATT CONTRACTING PARTIES of 29 November 1982 (BISD, 29S/9) contained the following decision on trade in counterfeit goods:

> "The CONTRACTING PARTIES instruct the Council to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting and, if such joint action is found to be appropriate, the modalities for such action, having full regard to the competence of other international organizations. For the purposes of such examination, the CONTRACTING PARTIES request the Director-General to hold consultations with the Director General of WIPO in order to clarify the legal and institutional aspects involved."

8. The report of the Director-General on his consultations with the Director General of WIPO, held in accordance with the decision of Ministers, was submitted to the Council in May 1983 in document C/W/418. This document also contained an annex recording information provided by the Director General of WIPO on the specific provisions relating to counterfeit goods in the Paris Convention, the experience and practice in regard to the implementation of these provisions, other WIPO instruments of possible relevance, and the situation regarding any possible further developments in the framework of WIPO.

9. This report and the futher action to be taken in the GATT were discussed by the Council at its meetings of 26 May (C/M/168, pages 14-16) and 12 July 1983 (C/M/170, pages 4-6). Before the latter meeting, the European Communities circulated an information note on the problem of trade in counterfeit goods (L/5512). At that meeting, the Council agreed that informal consultations should be pursued. At its meeting of 1-2 November 1983, the Council was told that these informal consultations were being held with a view to establishing the points that needed to be examined and on which information needed to be collected, in order to assist the Council in determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting. The consultations were also addressing the way in which such an examination might be undertaken (C/M/173, page 3). At its meeting of 24 February 1984, the Council was informed that, following informal consultations, the secretariat was putting together a background paper designed to facilitate
the further work, which would be based on information supplied by interested delegations and on information presently available in the secretariats of relevant organizations, including WIPO (C/M/174, page 7).
At its meeting of 11 July 1984, the Council was informed that a draft of the paper had been made available to interested delegations to give them an opportunity to comment and provide additional information (C/M/180, page 7). The subsequent informal consultations focussed on the points dealt with in the secretariat paper and on the question of procedure for the further examination of the matter in GATT. The Chairman of the Council reported in detail on these consultations to the November 1984 meeting of the Council (C/M/183, page 29).

10. At their Fortieth Session in November 1984, the CONTRACTING PARTIES took the following action (L/5758 or BISD, 31S/14):

"While supporting work in other fora, and in pursuance of the 1982 Ministerial Decision on Trade in Counterfeit Goods and taking into account the work already done, the CONTRACTING PARTIES:

(a) decide that the secretariat documentation consolidating available background information and other relevant documents submitted by interested contracting parties be examined by a group of trade policy experts and other experts, including those specializing in intellectual property rights, with a view to facilitating the decisions which the Council is called upon to take, including a further clarifying of the legal and institutional aspects involved. The Expert Group would be open to all contracting parties;

(b) agree to invite the Director General of WIPO to nominate an expert to participate in the discussions; and

(c) agree that the Expert Group mentioned in (a) would report to the Council as soon as feasible but not later than the next regular Session of the CONTRACTING PARTIES on the results achieved. The Council will consider the matter, having regard to the 1982 Ministerial Decision."

11. The Group of Experts on Trade in Counterfeit Goods held six meetings in 1985 and submitted its report to the Council as document L/5878 in October of that year. Secretariat notes on the individual meetings were issued as documents MDF/8, 9, 11, 14, 19 and 22. In addition to the secretariat documentation consolidating available background information which was issued as MDF/W/19, the Group of Experts had before it communications from the delegation of India (MDF/W/25) and from the delegation of the United States (MDF/W/30).

12. The Expert Group's report was discussed at the Council meeting of 5-6 November 1985, which took note of it and the statements made. The Council agreed to report to the CONTRACTING PARTIES that, as instructed, it had examined the question of counterfeit goods without, however, being able to make the determination called for in the Ministerial Decision of 1982 (C/M/194, pages 9-12). The CONTRACTING PARTIES, at their Session in November 1985, instructed the Council to review the matter, at an appropriate time, in pursuance of the Ministerial Decision on Trade in Counterfeit Goods (SR.41/2, pages 9-12 and SR.41/3, page 11).

13. The question of trade in counterfeit goods was also discussed during this period in the Senior Officials' Group, set up by a decision of 2 October 1985 of a Special Session of the CONTRACTING PARTIES to examine the subject matter and modalities of the proposed round of multilateral trade negotiations. The record of this discussion is in SR.SOG/6, pages 11-17.

14. In 1986, the question was discussed in the Preparatory Committee set up to prepare for the multilateral trade negotiations. The records of these discussions are in PREP.COM(86)SR/3, pages 9-14; PREP.COM(86)SR/6, pages 28-30; and PREP.COM(86)SR/9, pages 7-9. Working papers were submitted by the secretariat (PREP.COM(86)W/20) and by the United States (PREP.COM(86)W/46).

Section II: Other Work Undertaken on Trade-Related Aspects of Intellectual Property Rights

(i) Tokyo Round of Multilateral Trade Negotiations

15. During the Tokyo Round, a number of matters relating to intellectual property were taken up in the context of the procedures adopted initially for consultation on, and then for negotiation on, non-tariff measures not dealt with multilaterally (MTN/NTM/26 and 38). Issues raised in the initial process of information, examination and dialogue, through bilateral or plurilateral consultations, included Section 337 of the United States Trade and Tariff Act, Japanese patent and trade mark legislation (MTN/NTM/W/82/Add.2), Canadian compulsory licensing of patents and medicinal products, and Italian patent protection for foreign pharmaceuticals (MTN/NTM/W/82/Add.3). A number of matters relating to origin marking requirements were also raised. The requests made in the negotiating stage are contained in the series (MTN/NTM/R- (for example, MTN/NTM/R/4, 11, 21, 23, 26/Add.1, 27 and 28).

(ii) Inventory of Non-Tariff Measures

16. The Inventory of Non-Tariff Measures (Industrial Products), which was established by a decision of the CONTRACTING PARTIES in 1967 (BISD, 15S/69), consists of a listing of notifications by individual contracting parties of measures in other contracting parties which the former contracting parties consider to be causing problems to their international trade. In its present form, it contains a number of notifications relating to intellectual property. These concern lack of patent protection, discriminatory licensing of technology, patent and trade mark registration requirements and certain provisions of national law that may be used to enforce intellectual property rights. There are also a number of notifications relating to marks of origin. A listing of these notifications, together with references, is annexed to this note.

(iii) Preparatory Committee 1986

17. This Committee discussed not only possible action in regard to trade in counterfeit goods, but also suggestions concerning other trade-related aspects of intellectual property rights. See paragraph 14 above for references.

(iv) Section 337 of the United States Tariff Act of 1930

(a) Automative Springs Assemblies Panel

18. On 8 December 1981, the Council agreed to a Canadian request for the establishment of a Panel pursuant to Article XXIII:2 "to examine, in the light of the relevant GATT provisions, the exclusion of imports of certain automotive springs assemblies by the United States under Section 337 of the United States Tariff Act of 1930 and including the issue of the use of Section 337 by the United States in cases of alleged patent infringement ...".
The Canadian complaint followed a determination by the United States International Trade Commission (ITC) that Section 337 had been violated by the importation and sale of springs assemblies from a Canadian producer, on the grounds that they infringed a United States patent and were the product of a process which, if practised in the United States would infringe a United States patent and that the other conditions of Section 337 had been met. The ITC had determined on a general rather than specific exclusion order (i.e. an order excluding from

importation all infringing springs assemblies), on the grounds that new manufacturers would be able to begin production of the infringing items quickly.

19. The main issues before the Panel included: was the use of Section 337 in patent infringement cases consistent with Article III of the GATT; was the implementation of an exclusion order consistent with Article XI:1; and could the use of these measures be justified under the exception provision of Article XX(d)?

20. In its report (L/5333 or BISD, 30S/107) the Panel concluded that "in the specific case before it, the exclusion order ... fell within the provisions of Article XX(d) and was, therefore, consistent with the GATT." (Paragraph 61). The Panel took the view, inter alia, that, under the then existing United States law, the only way that the patent holder could enforce his right to the exclusive use of his patent against the importation of infringing products was through the exclusion order procedure. The Panel, therefore, found the exclusion order in question "necessary" in the sense of Article XX(d) (paragraph 60). Having made this finding, the Panel considered that an examination of the consistency of the exclusion order with the other GATT provisions cited was not required.

21. As regards the issue of the use of Section 337 by the United States in cases of alleged patent infringement, the Panel found that, under existing United States law, the exclusion order under Section 337 would be the only effective remedy in many cases of alleged patent infringement involving imports, but did not exclude the strong possibility that there might be cases where a procedure before a United States court might provide the patent holder with an equally satisfactory remedy and where, therefore, the use of an exclusion order under Section 337 might not be "necessary" in terms of Article XX(d) (paragraphs 64-66).

22. The Panel supplemented its findings on the issue of the general use of Section 337 in patent infringement cases by a number of remarks. These included that the Panel's finding that the specific exclusion order in question by the ITC was "necessary" within the meaning of Article XX(d) had been made on the basis of existing United States law; it carried no implication that the use of Section 337 was an entirely satisfactory means of dealing with patent infringement cases (paragraph 68). In regard to the "system of dual procedures" (i.e. under patent law and under trade law) for dealing with imports involving a patent infringer, the Panel observed that there might be merit in consideration being given to simplifying and improving the legal procedures for patent infringement cases (paragraph 73).

23. The Council considered the Panel report at its meetings of 21 July 1982 (C/M/160, pages 10-11), 1 October 1982 (C/M/161, pages 10-16),
2 November 1982 (C/M/162, pages 16-17), 26 January 1983 (C/M/165, page 16), 20 April 1983 (C/M/167, pages 13-14) and 26 May 1983 (C/M/168, pages 10-12). Canada and the United States circulated their views on the report in written form (C/W/396 and 400).

24. A number of delegations (Canada, Brazil, the European Communities, the Nordic countries, Japan and Chile) indicated that they were unhappy with certain aspects of the Panel's findings, in particular on the point of whether it was "necessary" to employ a special adjudicative process to deal with patent infringements involving imports. Following informal consultations held by the Chairman of the Council with the parties to the dispute and other interested contracting parties, the Council agreed to "take note of the statements made in the discussion on the report of the Panel (L/5333), and adopt the report on the understanding that this shall not foreclose future examination of the use of Section 337 to deal with patent infringement cases from the point of view of consistency with Articles III and XX of the General Agreement" (C/M/168).

(b) Recourse by European Communities to Article XXIII:1

25. In document L/6160 of 29 April 1987, the European Communities have informed contracting parties that they are having recourse to
Article XXIII:1 of the GATT in regard to Section 337 of the United States Tariff Act of 1930.

(v) Manufacturing Clause Panel

26. At the Council's meeting of 20 April 1983 (C/M/167, page 15), the Council agreed to establish a panel to examine a complaint of the European Communities in regard to the "Manufacturing Clause" of the United

States copyright legislation. The Manufacturing Clause prohibited, with some exceptions, the importation into or distribution in the United States of certain copyrighted works, the author of which was a United States domiciliary, unless the portions in question had been manufactured in the United States or Canada. In addition, an infringer of a copyright had a complete defence in court if he produced the infringing materials in the United States and could show that the copyright owner had imported materials in violation of the "Manufacturing Clause".

27. The Panel found that the Manufacturing Clause was inconsistent with Article XI of the General Agreement and that its extension beyond 1 July 1982 could not be justified under the Protocol of Provisional Application. The Panel's report (L/5609 or BISD, 31S/74) was adopted by the Council at its meeting of 15-16 May 1984 (C/M/178, page 6). The United States representative informed the Council at its meeting of 15 July 1986 that the Manufacturing Clause had expired as of 1 July 1986, bringing the United States into conformity with the recommendation of the Panel (C/M/201, page 14).

(vi) Arrangement Regarding International Trade in Textiles

28. The Conclusions of the Textiles Committee attached to the 1986 Protocol extending the Textiles Arrangement and forming an integral part of it (COM.TEX/49) contain the following paragraph:

> 27. "Participants noted the concern expressed by a number of participants with respect to the problem of infringement of registered trade marks and designs in trade in textiles and clothing and noted that such problems could be dealt with in accordance with the relevant national laws and regulations."

(vii) Committee on Trade in Civil Aircraft

29. At its meetings of 20 and 22 March 1984 and of 10 October 1984, the Committee on Trade in Civil Aircraft had discussions on trade in counterfeit civil aircraft parts and expressed the hope that consideration of trade in counterfeit goods, initiated in the general GATT context, would be carried forward expeditiously (AIR/M/12 and 13).

(viii) Agreement on Technical Barriers to Trade

30. One of the objectives of the Agreement on Technical Barriers to Trade is to ensure that marking requirements do not create unnecessary barriers to trade. To this end, Article 7.2 of the Agreement lays down national treatment and m.f.n. obligations in regard to access to certification marks. Certification marks are eligible to receive protection under trade mark legislation in many countries; the provisions of Article 7bis of the Paris Convention on collective marks are generally interpreted to apply also to certification marks. The most recent draft text of an agreement on trade in counterfeit goods that has been circulated as a GATT document specifically applies to "any certification mark or collective mark registered in the country of importation and entitled to protection as a trade mark" (L/5382, Article 1.2.2) and provides for consideration of possible expansion of the coverage to include other certification marks (Article 9.5.2).

31. In February 1983 the Committee on Technical Barriers to Trade adopted an Understanding in the context of India's accession to the Agreement granting India a temporary exception from the obligations of Article 7.2 (TBT/M/12, pages 1-3 and Annex). In this Understanding, the signatories also agreed that "the misuse of certification marks by foreign suppliers is a matter of common concern and that they should examine in the Committee the development of co-operation to prevent such use". The Committee agreed to include this item on the agenda of a future meeting; this aspect has not yet been further discussed in the Committee. The exception from Article 7.2 was extended three times (TBT/M/18, page 6; TBT/M/21, pages 2-3; TBT/W/99, page 4) until 1 April 1987.

(ix) Customs valuation

32. One of the more difficult and contentious areas of customs valuation has been how to take into account, in the value for duty, royalties and licence fees paid by the buyer for the use of trade marks, patents, copyrights and other forms of intellectual property in connection with the imported goods being valued. Under the Agreement on Implementation of Article VII of the GATT, this matter is regulated by Article 8.1(c) together with its accompanying interpretative notes. The Technical Committee on Customs Valuation, established under

the Agreement, has drawn up six texts designed to elucidate the application of these provisions (Advisory Opinions 4.1 to 4.6).

(x) Preferential arrangements

33. The question of intellectual property rights has arisen in connection with the criteria in some preferential arrangements, notably the United States GSP (L/5153/Add.4 and 7), for determining the preferential treatment to be accorded. In discussions, some delegations have expressed concern about what they consider to be criteria in these arrangements unrelated to trade in goods and involving reciprocity (L/5913, paragraph 17; L/6092, paragraphs 13-15). The provisions on intellectual property in the USA/Israel Free-Trade Area Agreement (L/5862/Add.1) have also been raised in the GATT examination of that Agreement (L/6019, question 26).

(xi) Marks of origin

34. Indications of source and, in some countries, appellations of origin are considered forms of industrial property that should receive protection. GATT work of relevance has mainly related to marks of origin. Requirements for marks of origin on goods, and provisions for ensuring their truthfulness, can be one way of combating false or deceptive indications of source on goods; moreover, origin marks are themselves a form of industrial property.

35. In regard to marks of origin, the main focus of consideration in GATT has been to ensure that requirements in this area do not give rise to unwarranted obstacles or distortions to international trade. This was the purpose of the Recommendation adopted by the CONTRACTING PARTIES in 1958 on Marks of Origin (BISD, 7S/30), following deliberation in a Working Party (BISD, 5S/103 and 7S/117). This Recommendation also includes an understanding reserving the rights of countries to take action against deceptive indications of source (BISD, 7S/33). As noted earlier (paragraphs 15 and 16), certain origin marking requirements were raised in the Tokyo Round and in the Inventory of Non-Tariff Measures. More recently, certain origin marking requirements were discussed in the GATT Council and were the subject of Article XXII consultations (C/M/183 and L/5727).

36. Questions concerning co-operation among contracting parties with a view to preventing the use of trade marks in such a manner as to misrepresent the true origin of a product, pursuant to Article IX:6 of the General Agreement, are presently under consideration in the context of an Article XXIII:2 action of the European Communities in regard to Japanese customs, duties, taxes and labelling practices on imported wines and alcoholic beverages (L/6078, C/M/206).

(xii) Restrictive business practices

37. Chapter V of the Havana Charter, which was not incorporated in the General Agreement, concerned restrictive business practices, including those stemming from the abusive use of intellectual property rights. Apart from a Working Party which met in 1959 and whose report (BISD, 9S/170) led to the adoption of Arrangements for Consultations in 1960 (BISD, 9S/28), relatively little work has been done on restrictive business practices in GATT. The consultation procedures do not appear to have been used. The general issue of restrictive business practices was raised in the Preparatory Committee in 1986 (PREP.COM(86)SR/4, pages 42-48; and PREP.COM(86)SR/6, page 46).

ANNEX

Notifications in the Inventory of Non-Tariff Measures
(Industrial Products) Relating to Intellectual Property Rights

Notifying country	Non-tariff measure	Maintaining country	Inventory numbering
Hungary	Maximum prices, lack of	EEC (Italy)	IV.H.5

United States	patent protection		
Nordic countries	Labelling requirements, Commerce (Imports) Regulations	Australia	IV.K.1
Hungary Nordic countries	Origin labelling requirements	Canada	IV.K.4
Canada	Hallmarking procedure	EEC (United Kingdom)	IV.K.5
Brazil Japan	Marks of origin	EEC (United Kingdom)	IV.K.6
Hungary	Marks of origin	Sweden	IV.K.8.1
Austria Canada EEC Hungary Japan Nordic countries	Marks of origin	United States	IV.K.9
Canada	Marking requirement	United States	IV.K.9.1
Canada EEC	Discriminatory licensing of technology	Japan	IV.L.2
Canada EEC	Patent and trade mark registration	Japan	IV.L.3
EEC	Copyright legislation, manufacturing clause	United States	IV.L.5
EEC Korea, Republic of	Section 337 of the United States Tariff Act of 1930	United States	V.F.4