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

GATT PROVISIONS BEARING ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Note by the Secretariat

1. This note has been prepared in response to the agreement in the Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods at its meeting of 25 March 1987 that the secretariat prepare a factual note on GATT provisions on trade-related aspects of intellectual property rights (MTN.GNG/NG11/1, paragraph 13).

2. In the General Agreement, there are two types of provisions of relevance. First, there are a number of GATT provisions which, while not mentioning specifically intellectual property rights, lay down general rules or procedures capable of bearing on, amongst other matters, certain trade-related aspects of intellectual property rights. These are referred to in section I of the note. Second, there are certain GATT provisions which refer specifically to intellectual property rights, namely Articles XX(d), IX, XII:3(c)(iii) and XVIII:10. These are described in section II of this note.

3. Certain instruments negotiated under GATT auspices also contain provisions in connection with the trade-related aspects of intellectual property rights. These are summarized in Annex I.

I. General GATT provisions of relevance

4. The General Agreement contains basic rules and principles on governmental measures affecting the importation and exportation of goods as well as on certain internal governmental measures affecting trade. These rules and principles apply to all such measures irrespective of the policy area in which they are taken. They, thus, also apply to such measures when taken in connection with intellectual property rights. The following basic GATT provisions might be mentioned more particularly:

- National treatment: Article III:1 recognizes, inter alia, that "laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products ..... should not be applied to imported or domestic products so as to afford protection to domestic production". Paragraph 4 requires that

imported products "shall be accorded treatment no less favourable than that accorded to like products of national origin" in respect of all such laws, regulations and requirements. Paragraphs 1 and 2 of Article III contain similar provisions in regard to internal charges.

- General most-favoured-nation treatment: Article I:1 applies the most-favoured-nation rule to all the

matters covered by paragraphs 2 and 4 of Article III and to "all rules and formalities in connection with importation and exportation".

- General elimination of quantitative restrictions: Article XI:1 lays down the basic rule forbidding the use of import or export prohibitions or restrictions (other than duties, taxes or other charges).

- Non-discriminatory application of quantitative restrictions: Article XIII.

5. The above list is not designed to be comprehensive. Among other GATT provisions that could have a relevance in certain situations are
Article V on freedom of transit, Article VIII on fees and formalities connected with importation and exportation, and Article X on the publication and administration of trade regulations.

6. In addition to the above, there are some procedural provisions of the General Agreement that could be invoked in connection with trade-related aspects of intellectual property rights. The consultation provisions of Article XXII could be invoked to the extent that some matter related to intellectual property rights was considered to affect the operation of the General Agreement. The dispute settlement provisions of Article XXIII could be invoked to the extent that some measure or situation related to intellectual property rights, whether or not conflicting with GATT obligations, was considered to be a cause of nullification or impairment of benefits accruing directly or indirectly under the General Agreement or an impediment to the attainment of any objective of the General Agreement. Article XXV:1 would be relevant to the extent that joint action by the CONTRACTING PARTIES on a trade-related aspect of intellectual property rights was considered likely to facilitate the operation and further the objectives of the General Agreement.

II. GATT Provisions Referring Specifically to Intellectual Property Rights

(a) Article XX(d)

7. In the first section of this note, it was noted that a number of general GATT provisions, such as those on the elimination of quantitative restrictions, national treatment and most-favoured-nation treatment apply to a wide range of governmental measures, including as those measures relate to intellectual property rights. Given this fact, the drafters of the General Agreement saw fit to provide in Article XX(d) a general exception provision that would enable, subject to certain conditions, measures which would otherwise be inconsistent with the provisions of the GATT to be taken to secure compliance with laws on intellectual property rights. The provisions of Article XX(d) as they relate to intellectual property rights are as follows:

> "Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:
>
> (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to ..... the protection of patents, trade marks and copyrights, and the prevention of deceptive practices."

8. Thus, in order that measures otherwise inconsistent with the General Agreement taken to secure compliance with laws or regulations relating to the protection of patents, trademarks and copyrights and to the prevention of deceptive practices can be justified under the GATT, the following conditions have to be met:

(i) the laws or regulations relating to the protection of intellectual property rights must not in themselves be inconsistent with the General Agreement;

(ii) the measures otherwise inconsistent with the GATT taken to secure compliance with these laws or regulations must be "necessary" for this purpose; and

(iii) the measures must not be applied in a manner which would constitute:

- a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail; or
- a disguised restriction on international trade.

9. Questions relating to the application and interpretation of this provision that have arisen in regard to intellectual property matters are referred to in document MTN.GNG/NG11/W/4, paragraphs 18-25. The provisions of Article XX(d) were also discussed, in another context, by the Panel on "Canada - Administration of the Foreign Investment Review Act" (BISD, 30S/164).

(b) Article IX

10. Article IX is entitled "Marks of Origin", although it will be noted that some of its provisions refer more generally to "marking requirements", "marking of imported products" and "trade names". Its first five paragraphs are designed to ensure that marking requirements in this connection are not used in such a way as to hamper unnecessarily international trade or discriminate between contracting parties. They read as follows

"1. Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

"2. The CONTRACTING PARTIES recognize that, in adopting and enforcing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum, due regard being had to the necessity of protecting consumers against fraudulent or misleading indications.

"3. Whenever it is administratively practicable to do so, contracting parties should permit required marks of origin to be affixed at the time of importation.

"4. The laws and regulations or contracting parties relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.

"5. As a general rule, no special duty or penalty should be imposed by any contracting party for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted."

11. Paragraph 6 of Article IX is essentially concerned with the protection of geographical indications. It reads:

"6. The CONTRACTING PARTIES shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation. Each contracting party shall accord full and sympathetic consideration to such requests or representations as may be made by any other contracting party regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other contracting party."

12. It was recorded in the drafting history of Article IX:6 (Report of the Drafting Committee of the Preparatory Committee, January-February 1947) that "the right of each country to prohibit the import, export and transit of foreign goods falsely marked as being produced in the country in question was considered to be covered primarily by the words 'deceptive practices' in Article XX(d)" (EPCT/34, page 16).

13. It was recorded in the drafting history of the provision in the Havana Charter corresponding to Article IX:6 of the General Agreement that "it was agreed that the text of paragraph 7 [6 in GATT] should not have the effect of prejudicing the present situation as regards certain distinctive names of products, provided always that the names affixed to the products cannot misrepresent their true origin. This is particularly the case when the name of the producing country is clearly indicated. It will rest with the governments concerned to proceed to a joint examination of particular cases which might arise if disputes occur as a result of the use of distinctive names of products which may have lost their original significance through constant use permitted by law in the country where they are used" (ICITO I/8, page 79).

14. The CONTRACTING PARTIES adopted in 1958 a Recommendation on Marks of Origin (BISD, 7S/30) with the objective of further reducing "the difficulties and inconveniences that marking requirements may cause to the commerce and industry of the exporting country", subject to the understanding that no country shall be obliged to alter: (a) any provision protecting the "truth" of marks, including trademarks and trade descriptions, aiming to ensure that the content of such marks is in conformity with the real situation; or (b) any provision which requires the addition of a mark of origin in cases where the imported products bear a trademark being or purporting to be a name or trademark of any manufacturer, dealer or trader of the importing country. The Recommendation establishes a consultation procedure in the event of difficulties and invites contracting parties to report, before 1 September of each year, changes in their legislation, rules and regulations concerning marks of origin. A number of contracting parties supplied information (L/478 and Addenda 1-20); since 1961 no further submissions under this procedure have been received.

(c) Articles XII:3(c)(iii) and XVIII:10

15. Articles XII and XVIII:B authorize, subject to certain conditions, contracting parties to use import restrictions to safeguard their balance of payments. Articles XII:3(c)(iii) and XVIII:10 prohibit these restrictions from being applied so as to prevent compliance with patent, trademark, copyright or similar procedures.

ANNEX

PROVISIONS CONCERNING TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS IN INSTRUMENTS NEGOTIATED UNDER GATT AUSPICES

(a) Agreement on Technical Barriers to Trade

This Agreement contains rules and procedrues aimed at ensuring that technical regulations and standards, including packaging, marking and labelling requirements, and methods for certifying conformity with technical regulations and standards do not create unnecessary obstacles to international trade.

(b) Agreement on Implementation of Article VII of the GATT

In determining the customs value of goods using the transaction value method, Article 8:1(c) requires the addition to the price actually paid or payable of royalties and licence fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the

extent that such royalties and licence fees are not included in the price actually paid or payable. The interpretative notes to this provision state that the royalties and licence fees referred to may include, among other things, payments in respect to patents, trademarks and copyrights.

(c) Arrangement Regarding International Trade in Textiles

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 trademarks 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."