

Special Distribution

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

TRADE IN COUNTERFEIT GOODS: COMPILATION OF
WRITTEN SUBMISSIONS AND ORAL STATEMENTS

Prepared by the Secretariat

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Introduction

1. At its meeting of 29 February-3 March 1988, the Negotiating Group requested the secretariat to draw up for the agenda item, trade in counterfeit goods, a compilation of written submissions and oral statements, along the lines of that earlier prepared for the Group in document MTN.GNG/NG11/W/12/Rev.1 (MTN.GNG/NG11/6, paragraph 37). This note attempts to respond to this request. It is prepared on the same basis as the compilation in document MTN.GNG/NG11/W/12/Rev.1.

2. This note reflects the written submissions and oral statements specifically made under the agenda item, trade in counterfeit goods, as well as those points made in relation to the enforcement of intellectual property rights that their proponents have said address the question of trade in counterfeit goods. It should be noted that the definition of counterfeit goods for the purposes of the work of the Group has not been determined. Some participants consider that it should cover goods which infringe intellectual property rights broadly; some others put the emphasis on trade in goods infringing trademark rights (the traditional focus of discussion in this area) or on such goods plus goods infringing certain other specified rights, such as copyright or those stemming from geographical indications.

3. The compilation is divided into two main sections. The first describes the issues or problems in relation to trade in counterfeit goods that have been raised, and the points made on their trade effects and on relevant GATT provisions. The second section describes the suggestions that have been made for a multilateral framework aimed at dealing with these problems and the discussion in this regard.

I. ISSUES

4. Two main issues have been raised in connection with trade in counterfeit goods: the adequacy of the procedures and remedies available to repress trade in counterfeit goods and the risk that measures and procedures for this purpose could themselves become barriers to legitimate trade.

- (a) Inadequacies in the procedures and remedies against trade in counterfeit goods

Issues

5. A central issue raised is the adequacy of the possibilities available to intellectual property right owners to obtain effective action at the border against the importation, exportation and/or transit of counterfeit goods, notably through the intervention of the customs authorities. The view has been expressed that in many countries border enforcement measures are deficient or difficult for intellectual property owners to avail themselves of. It has also been suggested that trade problems are arising from inadequate procedures and remedies against the internal production and sale of counterfeit goods. Existing international conventions did not ensure that member States of those conventions would provide for and apply adequate means of repressing trade in counterfeit goods, both at the border and internally. Inadequate action in GATT and in other multilateral fora had allowed trade distortions to increase in intensity, despite a number of improvements at the national level. Emphasis has also been put on the conclusion of the GATT Group of Experts on Trade in Counterfeit Goods that the present international law contains important principles for guiding action against trade in counterfeit goods (L/5878, paragraph 16) and support has been expressed for the views contained in paragraph 15 of that document on this

matter.

6. The specific inadequacies in national laws and procedures that have been mentioned are as follows:
- procedural or administrative problems impeding easy access to courts or administrative authorities;
 - slowness of procedures;
 - absence of provision for preliminary relief, including for provisional seizure;
 - arbitrary or discriminatory procedures;
 - lack of procedures to facilitate obtaining evidence to build a case ("discovery" procedures);
 - absence or inadequacy of dissuasive criminal sanctions;
 - inadequate civil remedies, such as damages;
 - failure of public authorities to take action in the face of large-scale, blatant infringement activity;
 - excessive cost of legal actions, especially for small and medium-sized enterprises;
 - additional delays and costs in obtaining effective action in countries where both local and federal bodies have jurisdiction.

7. Some participants have recalled that in the earlier GATT work on trade in counterfeit goods it had been understood that, if it were decided that joint action should be taken on trade in counterfeit goods in the GATT framework, consideration would need to be given to counterfeiting affecting not only trademarks but also other forms of intellectual property rights (L/5878, paragraphs 10, 27 and 35). In some presentations, problems with the adequacy of procedures and remedies have been mentioned as arising in connection with intellectual property rights generally, while in other presentations they have been related to specific intellectual property rights. In this connection mention has been made of goods illicitly bearing trademarks; the piracy of books, sound and video recordings and of computer software; difficulties in enforcing appellations of origin and geographical indications even when nominally protected under national law; and the misappropriation of industrial designs. Some participants have emphasized the increased ease of copying, and consequent increased problems of infringement, resulting from new technologies of reproduction, especially in the copyright area. Some participants have expressed the view that the mere occurrence of counterfeiting should not in itself be regarded as establishing that procedures and remedies were inadequate; it had to be recognized that, however effective were national procedures, it would never be possible to eliminate counterfeiting, just as other illegal activities continued despite all enforcement efforts.

8. Three specific difficulties in connection with border control measures have been mentioned:
- (i) The difficulty of controlling at the border international trade in goods which, although not bearing unauthorized trademarks, are presented in such a way as to deceive or cause confusion about their source, for example through imitating the packaging or copying the user's manual of another manufacturer.
 - (ii) Trade in goods where there is unauthorized use made of intellectual property but where the individual goods crossing borders may not necessarily infringe intellectual property rights, or at least not in a blatant and readily controllable way. One example given is the separate

exportation of look-alike goods not bearing infringing trademarks and of the corresponding trademark labels, and their subsequent combination in the country of destination. Another situation referred to is the manufacture of unfinished products in such a way as to avoid infringing a patent on the finished product, and subsequent exportation of the goods to a country where the patent is not held for assembly into the complete product.

- (iii) In regard to products that involve the infringement of a process patent in their manufacture, problems of securing action against such infringement, which are already considerable when the manufacture takes place locally, are particularly difficult when the goods are produced in a foreign country.

Trade effects

9. Reference has been made to the general recognition in the Group of Experts on Trade in Counterfeit Goods that there was a growing problem of trade in counterfeit goods (L/5878, paragraph 12). Some participants have suggested that insufficiency of border control measures and of international disciplines is a major reason for this.

10. Participants have said that inadequate procedures and remedies in other countries against counterfeit goods have adversely affected trade, principally by preventing, or making difficult, effective action by producers of genuine goods against:

- (i) imports of counterfeits of their products from other countries into third markets;
- (ii) the production and export of counterfeits of their products to their home market;
- (iii) the production and export of counterfeits of their products to third markets; and
- (iv) the production and domestic sale of counterfeits of their products in potential or actual export markets.

The resulting losses stem partly from the direct displacement of the genuine good by the counterfeit copy and partly from the effect of the existence of poor quality counterfeited copies on the reputation of the producer of the genuine product. Reference has also been made to the legal, detection and other costs of genuine producers engaged in actions against trade in counterfeit goods as well as costs stemming from difficulties over warranty and other claims made on them in connection with counterfeit goods.

11. The point has been made that international disciplines regarding border procedures and remedies against imports of counterfeit goods would not be sufficient to deal with problems (ii) and (iii) above, and would need to be supplemented by disciplines concerning the export of counterfeit goods. However, border measures cannot deal with problem (iv). The view has also been expressed that there are important constraints, in terms of resources, feasibility and the need to avoid procedures that would hinder legitimate trade, on the extent to which border control measures can prevent trade in counterfeit goods. The most effective action to prevent trade distortions and impediments arising in this connection was at the point of production of counterfeit goods.

12. It has also been said that the losses resulting from trade in counterfeit goods can reduce incentives for the invention or creation of new products, or for the introduction of such new products into international trade, with consequent negative effects on the volume and variety of international trade. Other effects of trade in counterfeit goods mentioned include adverse consequences for royalty receipts and for foreign investment by producers of genuine goods, for the transfer of technology, and for the protection of health and safety.

13. In more general terms, the point has been made that trade in counterfeit goods represents unfair competition to producers of genuine products and that a properly functioning trading system requires that such

unfair competition be efficiently repressed. Both for this reason and to safeguard against their deception, consumers should be able to rely, in their purchasing decisions concerning internationally traded goods, on clear and accurate information regarding the source of those goods.

Relevance of GATT provisions

14. The point has been made that GATT recognizes the legitimacy of measures to repress trade in counterfeit goods and includes in Article XX(d) a provision authorizing, subject to certain conditions, measures that would otherwise be inconsistent with the General Agreement to be taken for this purpose. It has also been said that trade in counterfeit goods undermines the achievement of GATT's objectives and can reduce the value of tariff concessions negotiated in GATT. However, it has been noted that, apart from Article IX:6 as it applies to certain geographical indications, no GATT provision specifically puts obligations on contracting parties to provide adequate procedures and measures against trade in counterfeit goods.

15. Some participants have emphasized the importance of Article IX:6 of the General Agreement in putting enforcement obligations on contracting parties regarding the prevention of the use of trade names in such a 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 another contracting party as are protected by its legislation. It has been said that, under this provision, a contracting party to which a request has been made for such action should, by means of rules, including coercive implementation, ensure that adequate protection is given. It has been suggested that, if differences of interpretation regarding Article IX:6 were to become evident from the work of the Group or from activities elsewhere in the GATT, it would be necessary for the Group to clarify this provision.

(b) Barriers to legitimate trade

Issues

16. A general issue that has been raised is the danger that unilateral national measures, or bilaterally agreed measures, to deal with problems felt to exist in connection with trade in counterfeit goods could lead to restrictions on, or other distortions to, legitimate trade and thus have the effect of discriminating in favour of domestic production and possibly between supplying countries. The question was not whether governments would take action to deal with problems associated with trade in counterfeit goods but rather how this would be done. In this regard, it has been recalled that the Group has the objective of ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.

17. Some participants have expressed concern that customs procedures against counterfeit goods might be misused so as to discriminate against imported goods. It has been suggested that customs enforcement actions which result in treatment of imported goods less favourable than that accorded to domestically produced goods could act as an impediment to legitimate trade. This could happen, for example, if customs seizures could be effected under administrative authority whereas domestic seizures required a court order, or if only domestic interests could request customs intervention. Given the scale of the problem of trade in infringing goods, new or strengthened customs procedures were likely to proliferate. There was thus urgent need for multilateral disciplines to forestall the possibility of their constituting impediments to legitimate trade. The representative of the Customs Cooperation Council has informed the Group that one of the main objectives of the model legislation drawn up in the CCC to give customs powers to implement trademark and copyright legislation was to ensure that customs action did not constitute an obstacle to legitimate trade and that this was reflected in the scope and method of customs intervention envisaged in the model legislation (MTN.GNG/NG11/W/5/Add.5).

18. Some participants have referred to other remedies, procedures and tribunals which are directed specifically at the importation of goods, including those suspected of being counterfeit, and which are separate and different from the those applicable to the domestic production or sale of similar goods. It has been said that,

where the procedures applicable against suspect imported goods are more onerous from the point of view of compliance and put respondents in a less favourable position than under the domestic procedures, discrimination against imported goods may ensue. Attention has also been drawn to the limitation to domestic industries of access to such special procedures and remedies. However, it has been said that the removal of this limitation would not resolve the main problems experienced with these procedures and remedies, and might even exacerbate them.

19. A number of features of such special procedures and remedies directed at imported goods that may put respondents in a less favourable position than under domestic law have been listed:

- limited periods allowed for investigation and for replies, which can lead to the possible prohibition of imports before the status of similar domestic goods has been litigated before the domestic courts;
- absence of remedies for damage caused by erroneous measures taken against non-infringing goods;
- continuation of the investigation under the border control procedure even when the patent upon which the complaint is based is subject to a re-examination procedure before the patent office or a trial for invalidation before the domestic courts;
- failure to lift exclusion orders prohibiting importation for a substantial period of time after the violation has ceased to exist;
- non-admissibility of counter-claims by the respondent against the complainant's infringements of the respondent's patents or of other forms of defence available to domestic respondents;
- application of exclusion orders resulting from an action to importations from persons other than the respondent in the action in question;
- the possibility of imported goods being challenged under legal or administrative procedures applying only to imports and, simultaneously or subsequently, in domestic courts, thus putting them in a position of double jeopardy. The cost and difficulty of defending the validity of imported goods may thus be greater than those in relation to similar domestic goods.

Trade effects

20. In regard to the application of differential procedures and remedies to imported goods, the basic concern expressed is that such procedures might constitute an impediment to legitimate trade or a means of discrimination between trading partners. A specific point that has been made is that the differential treatment of imported goods that puts respondents at a relative disadvantage can provide domestic industry with a lever to extract unbalanced settlements or agreements from foreign firms, for example for the licensing of intellectual property rights. More generally it is suggested that such systems are inherently disadvantageous to foreign suppliers.

Relevance of GATT provisions

21. Reference has been made in particular to GATT Articles III and XX(d). Some participants have said that GATT Article XX(d) specifies clear guidelines as to the limits of national action to protect national markets against imports of counterfeit goods. The view has been expressed that certain existing national laws and procedures are inconsistent with GATT provisions, notably Articles III and XX. It has been suggested that, if it were to emerge from the discussions in the Group and from other GATT activities related to this issue that this view was not shared by other contracting parties, the Group would need to consider interpreting the provisions of Article XX(d). It has been said that measures to enforce intellectual property law vis-à-vis the importation of

counterfeit goods are taken in a legal and procedural context different from that of pure border measures. Such procedures and measures are more akin to certain domestic procedures and measures, from which they differ largely because of discriminatory aspects against foreign products. In regard to concerns about discrimination between trading partners, reference has also been made to Articles I and XIII of the General Agreement. It has also been suggested that GATT Article X as it concerns the publication of trade regulations is relevant to the issue of the transparency of border enforcement mechanisms.

II. SUGGESTIONS

22. Five specific suggestions are on the table:

- The 1982 draft agreement to discourage the importation of counterfeit goods (MTN.GNG/NG11/W/9). Many participants have expressed the view that account should be taken of this text in the work of the Group.
- The suggestion by Brazil that countries not yet signatories sign the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, which is administered by WIPO (MTN.GNG/NG11/W/11).
- Three papers, by the United States (MTN.GNG/NG11/W/14), the EEC (MTN.GNG/NG11/W/16) and Japan (MTN.GNG/NG11/W/17), in which suggestions for action on trade in counterfeit goods are contained in an overall approach to the trade-related aspects of intellectual property rights.

The main features of these suggestions are presented in synoptic form in the table that follows.

23. It has been suggested that various other documents should be taken into account in the work on trade in counterfeit goods. These include the report of the Group of Experts on Trade in Counterfeit Goods (L/5878) which is specifically mentioned in the Negotiating Plan; the documents of the WIPO Group of Experts on Measures against Counterfeiting and Piracy (MTN.GNG/NG11/W/5 and Addenda 3-4); and the draft Model for National Legislation to Give Customs Powers to Implement Trademark and Copyright Legislation prepared by the Customs Cooperation Council (MTN.GNG/NG11/W/5/Add.5).

24. Differing views have been expressed on whether trade in counterfeit goods should be dealt with separately or as part of a general approach to the trade-related aspects of intellectual property rights. One view is that trade in counterfeit goods is an enforcement issue and best treated in the light of a general approach to the trade-related aspects of intellectual property rights. Another view is that separate treatment of trade in counterfeit goods is called for by the Group's Negotiating Objective, since it treats the issues separately and the commitment on trade in counterfeit goods is qualitatively different from that in the first paragraph on trade-related aspects of intellectual property rights. In this respect a participant has suggested that the Group should first determine how and in what measure GATT could contribute to the control of counterfeit goods by improving the application of existing international and national instruments and ensuring that measures against counterfeit goods do not become a barrier to legitimate trade; after establishing such parameters, the Group might be in a position to proceed to draw up a multilateral framework of principles, rules and disciplines.

25. The paragraphs that follow the synoptic table list the main issues raised in the discussion of trade in counterfeit goods and the points made in that discussion. They should be read in conjunction with the synoptic table.

MAIN FEATURES OF SUGGESTIONS ON TRADE IN COUNTERFEIT GOODS

(1) Objectives (MTN.GNG/NG11/W/14)

USA

EEC - Effective protection of

(2) Types of IPR infringement covered
(3) Persons with right to instigate proceedings

(MTN.GNG/NG11/W/16)
- Effective economic deterrent to international trade in goods and services infringing IPRs through implementation of border measures.
- Effective means of preventing and deterring infringement including both trade-based remedies and remedies under intellectual property laws.
- Ensure measures to enforce IPRs do not create barriers to legitimate trade.
- IPRs generally
- Owners of IPRs.

all IPRs, in particular by action against trade in and production of goods violating IPRs.- Avoid creating barriers to trade and eliminate existing barriers.- Protection against misuse of rights.- All IPRs - Natural and legal persons able to take action should be defined.- Participants should be free to decide on whether to provide for automatic ex officio action.- Appropriate proceedings should be opened upon complaint by the IPR holder.

Draft counterfeit Japan
(MTN.GNG/NG11/W/17)
- Effective and adequate enforcement to enable swift action against infringement and relief to IPR owners.
- Assurance that measures taken do not become barriers to any legitimate trade.
- IPRs generally

Brazil
(MTN.GNG/NG11/W/11)
- Repression of false or deceptive indications of source on goods.
- False or deceptive indications of source on goods, or in connection with the sale, display or offering for sale of goods.
- Exclusion of appellations found by national courts to be of generic character, except for regional appellations concerning the source of products of the vine.
- Seizure at instance of customs authority as a conservatory measure so that interested party, whether an individual person or a legal entity, may take appropriate steps.
- Public prosecutor or any other competent authority may demand seizure either at the request of the injured party or ex officio.

agreement of 1982
(MTN.GNG/NG11/W/9)- Discourage international trade in counterfeit goods by co-operation among parties to the agreement and by strengthening measures to combat such trade without inhibiting the free flow of legitimate trade.- Deprive parties to the importation of counterfeit goods of the economic benefits of such transactions.- Imported goods bearing an unauthorized representation that is identical or substantially identical to a trademark legally registered in respect of such goods in the country of importation.- Exclusion of imported goods which have been produced or marketed under a protected trademark right by the owner of the trademark right or with his consent, and of goods bearing an authorized trademark which are imported in contravention of a commercial arrangement.- Discussions and negotiations to be pursued, bilaterally or in appropriate international fora, on other IPRs such as appellations of origin and indications of source, certifications works, copyrights, models and designs.- Owners of trademark rights or their representatives.- Where the competent authorities have the necessary powers and procedures, they may initiate the procedures on their own authority.

USA (MTN.GNG/NG11/W/14)
(4) Type of procedure/ laws that should be available
(5) Competent body/ bodies to receive complaints, determine infringement and enforce any remedy
(6) Main requirements to be met to ensure adequacy of procedures

EEC
(MTN.GNG/NG11/W/16)
- Procedures and remedies under both trade-based and intellectual-property laws.
- Criminal procedures and remedies should be available in appropriate cases.
- Which types of enforcement procedures were most appropriate for which types of IPR should be explored in the detailed negotiations.
- Administrative and judicial enforcement procedures should be available.
- Such procedures should include provisions enabling IPR owners to petition the government to prevent importation of

-Different mechanisms and procedures according to point of intervention.- Both border and internal enforcement mechanisms.- Judicial or administrative border enforcement mechanisms.- As regards internal procedures, contracting parties should remain free to decide on the type - civil, criminal or administrative.- Border enforcement: - usually intervention by the customs authorities as agent for the enforcement of decisions delivered by other appropriate bodies;- respective rôles of the courts, customs and/or other duly empowered authorities

infringing products.
 - Procedures should be timely, providing for timely relief.
 - Parties pursuing judicial or administrative enforcement of IPRs should have prompt, fair, reasonable, and effective means to compel the discovery of facts

should be carefully defined and could depend on the nature of the right in question and on the infringement;- with respect to action by the customs authorities, account should be taken of the practical possibilities of effective interventions, which vary according to the type of IPR concerned and to the type of customs procedure (imports, exports, etc.); - furthermore, customs or other duly empowered authorities should have the right to prevent imports (and exports) of counterfeit (or pirated) goods, subject to review or appeal to an appropriate judicial authority;- the infringements in relation to which customs could intervene should be defined.- Internal procedures should provide for reasonable possibilities of referral to judicial authorities in order to enforce an IPR. - Border enforcement procedures should enable IPR holders to secure enforcement of their rights in an effective and rapid manner, before products have left the control of customs authorities

USA (MTN.GNG/NG11/W/14)
 (6) (cont'd)
Draft counterfeit Japan
 (MTN.GNG/NG11/W/17)
 - Procedures at the domestic and border levels according to type of IPR.
 - Judicial and/or administrative procedures.
 - Adequate and effective procedures, providing for swift action.

EEC
 (MTN.GNG/NG11/W/16)
 relating to enforcement of their rights.
Brazil
 (MTN.GNG/NG11/W/11)
 - See (3) above
 - See (3) above
 - See (9) below.

-Internal mechanisms should also provide for reasonably simple and rapid procedures for determining the infringement of an IPR and enforcement of IPRs attached to a product.
agreement of 1982
 (MTN.GNG/NG11/W/9)- Judicial or administrative procedures or a combination of the two.- To be designated by parties to the agreement. It is envisaged that parties will provide for administrative or judicial procedures or a combination of the two. Some may enable their customs services to act, either directly or on the basis of a decision of an administrative authority designated for this purpose, or detain or seize counterfeit goods, while others may provide the owner of the trademark right the opportunity to seek a court order preventing the importer from disposing of such goods for a limited period to enable the owner of the trademark to pursue his remedies through a substantive court action.- Enable owners of trademark rights covered by the agreement to initiate procedures to protect their rights against imported counterfeit goods before they are released from the jurisdiction of the customs authorities.

USA(MTN.GNG/NG11/W/14)
 (7) Requirements for equitable procedures/ safeguards against obstacles to legitimate trade
 (8) Interim relief

EEC
 (MTN.GNG/NG11/W/16)
 - Determinations relating to the infringement of IPRs must be reasoned and made in a fair and open manner which minimises interference with legitimate trade.
 - The same criteria for determining whether

- Border enforcement procedures should provide for:- the generally accepted principles of due process;- the criteria and procedures used with respect to imported products to determine infringements (in particular, to avoid discrimination against imported

an enforceable IPR exists and whether it has been infringed should be employed for all products whether imported or locally-produced.

- Trade-based remedies should include appropriate, timely action to prevent the sale or other disposition of allegedly infringing goods pending a final determination of infringement.- Remedies under intellectual property laws should include preliminary injunctions.

products and ensure that such criteria and procedures are no less favourable than those used with respect to national products);- quite short time-limits for the adoption and maintenance of interim protective measures;- deterring the misuse of complaints by deposit of security, awarding of costs, obligation to compensate the dependant for any unwarranted prejudice to his interests, and possibility of appeal.- Internal procedures should also be balanced, particularly in regard to respecting the rights of the defence.- As a general principle, the negotiations should provide for measures against misuse of rights, for example:- damages in the event of misuse of a procedure;- deposit of security when bringing a complaint.- Application of general principles of non-discrimination, national treatment and transparency.

Draft counterfeitJapan(MTN.GNG/NG11/W/17)

- The principle of due process of law must be ensured. Those subject to the enforcement procedure must be given prior notification concerning the procedures and ample opportunities for explanation and defence.
- Innocent persons suffering damage as a result of preliminary injunction or temporary orders wrongly based on the assumption that they were infringing IPRs shall be compensated by the petitioner.
- Dispositions by the administrative authorities shall be reviewed judicially.
- Application of basic GATT principles of most-favoured-nation treatment, national treatment and assurance of transparency.

Brazil

(MTN.GNG/NG11/W/11)

- Seizure by customs authorities as a conservatory measure.

agreement of 1982

(MTN.GNG/NG11/W/9)- Person initiating the procedure shall be required to establish his right to protection in accordance with the relevant laws of the country of importation and to produce satisfactory evidence that counterfeit goods are in the process of being, or are likely to be imported.- Such person may be required to provide security by bond or deposit of money in an amount sufficient to indemnify the authorities or to hold the importer harmless from loss or damage resulting from action where goods are subsequently determined not to be counterfeit.- Persons directly affected by procedures shall be informed promptly of actions taken.- The criteria by which the authorities determine whether imported goods are counterfeit shall be no less favourable than the criteria used to determine whether domestically produced goods are counterfeit. Determination shall be reasoned and made without undue delay in a fair and open manner which avoids the creation of non-tariff barriers and minimise interference with legitimate trade.- Where the retention of jurisdiction over alleged counterfeit goods is based upon an interim order of a competent judicial or administrative authority and further proceedings for a final order are required, the importer shall have the right freely to dispose of the goods if such further proceedings are not initiated within such period as may be required.- The importer shall have a right of judicial review of any final decision taken by an administrative authority.- Detention or seizure of goods reasonably suspected of being counterfeit or the taking of other appropriate measures to retain

USA(MTN.GNG/NG11/W/14)
(9) Sanctions and remedies

EEC
(MTN.GNG/NG11/W/16)
- Both trade-based remedies and remedies under intellectual property laws should be provided.
- Trade based remedies should provide for goods, upon determination of infringement, to be treated in a way that deprives the party undertaking the trade in infringing goods of the economic benefits of its activity and will effectively deter further transactions in infringing goods.
- Remedies under intellectual property laws should include injunctions, as well as monetary awards adequate to compensate fully owners of IPRs.
- In appropriate cases, seizure and destruction should be available under both trade-based and IPR laws. Criminal remedies should also be available in appropriate cases.

jurisdiction over or prevent the sale or other disposition of, such goods pending final determination whether the goods are counterfeit.

- Border enforcement mechanisms should provide for:- the prevention of imports (and exports) of counterfeit (or pirated) goods;- reasonable possibilities of seizure and destruction of goods infringing IPRs.- Internal enforcement mechanisms should also provide for:- appropriate damages for parties to a dispute concerning enforcement of an IPR;- appropriate deterrent penalties (for example, large fines or prison sentences).

Draft counterfeitJapan(MTN.GNG/NG11/W/17)
- Injunction, compensation for damages etc.
- Sufficient sanctions on infringers.

Brazil
(MTN.GNG/NG11/W/11)
- Seizure (i) on importation, (ii) in the country where the false or deceptive indication of source has been applied, and (iii) into which the goods have been imported.
- If national laws do not permit seizure on importation, such seizure shall be replaced by prohibition of importation.
- If national laws permit none of the possibilities in the two previous indents, then, until such time as the laws are modified accordingly, those measures shall be replaced by actions and remedies available in such cases to nationals under the laws of such country.
- In the absence of special sanctions ensuring the repression of false or deceptive indications of source, the sanctions provided by the corresponding provisions of the laws relating to marks or trade names shall be applicable.

agreement of 1982
(MTN.GNG/NG11/W/9)- Upon determination that the goods in question are counterfeit, they shall be disposed of in such a way as to deprive the parties to the importation of the counterfeit goods of the economic benefits of the transaction and to provide an effective deterrent to further transactions involving the importation of counterfeit goods.- To the greatest extent possible, counterfeit goods shall be subject to forfeiture and shall be disposed of outside the channels of commerce in a manner that minimises harm to the owner of the trademark right in question.

(a) Definition of counterfeit goods

26. The following are the main views put forward on the types of intellectual property right infringement that should be covered by a multilateral framework:

- all, or at least a broad range, of types of infringement of intellectual property rights should be covered;
- consideration should be given to extending the work to copyright as well as trademark infringement;
- consideration should be given to the counterfeiting of the geographical origin of goods as well as to trademark counterfeiting;
- the Madrid Agreement on False or Deceptive Indications of Source on Goods should be signed; its extension to the field of registered trademarks would not be a difficult task in the context of WIPO;

- work should be confined to trademark infringement.

27. The question has been raised as to what would be the substantive intellectual property norms by reference to which counterfeit goods should be defined. In this regard the following points have been made:

- the existing framework for intellectual property protection must provide the underpinning to the definition of what is counterfeit; in this connection, reference has been made to the points in paragraph 21 of the Report of the Group of Experts (L/5878);
- the Group should consider norms for the definition of what is counterfeit at least simultaneously with work on procedures and remedies;
- procedures and remedies could be examined on the basis of the norms provided in national legislation, without prejudice to the Group's consideration of the norms themselves;
- it is necessary to determine what is legitimate trade and what is not; a too narrow definition of what is legitimate could lead to unwarranted barriers to international trade;
- parallel imports are not counterfeit goods and a multilateral framework should not oblige parties to provide means of action against such goods.

28. In response to a suggestion that a multilateral framework should cover services as well as goods infringing intellectual property rights, some participants have said that the Group's mandate covered only trade in goods.

(b) Points of intervention to be covered

29. It has been suggested that attention should be given not only to action at the border against the importation of counterfeit goods, but also to action against the export and transit of such goods. A number of questions have been raised in regard to these latter suggestions: what would be the applicable intellectual property law and tribunals; would it be those of the country of exportation/transit or those of the country of destination; what would happen if the goods could be deemed counterfeit in the country of exportation/transit but not in the country of destination? In regard to transit, questions were raised about compatibility with transit treaties entered into by countries with their neighbours. In response, it was said that the suggestion was not to change the present situation under which transit trade was subject to fewer controls than imported goods, but merely to look at the possibilities for intervention on application by right holders if sufficient evidence of trade in counterfeit goods were available. The question has also been raised of the application of a multilateral framework to other customs regimes, such as "inward processing", temporary admission and customs bonding (warehouses and free zones).

30. It has been suggested that action against the internal production and sale of counterfeit goods should be covered, since such action is essential if trade in counterfeit goods is to be effectively repressed and in any event the distinction between border and internal enforcement is not always a clear one. In this regard, attention was drawn to the points in paragraph 11 above.

(c) Basic objectives

31. The main features of the written suggestions in this regard are outlined at point (1) of the synoptic table. It has been suggested that there should be a balance between, on the one hand, ensuring effective procedures and remedies and, on the other, safeguarding against their possible misuse as a means of impeding or harrasing legitimate trade. Reference has been made to the objectives set out in paragraph 26 of the Report of the Group of Experts on Trade in Counterfeit Goods (L/5878) which lists three objectives: to place obligations on governments to provide trademark owners with effective means to enforce their trademark rights while suspect

imported goods are still under the control of customs; to remove effectively the economic incentive for trade in counterfeit goods; and to ensure that action taken for these purposes does not give rise to problems for trade in genuine goods. A participant has said that, assuming obligations related to registered trademarks only, and subject to the requirement that action against the importation of goods could only be taken on the basis of a prior court order, he could support the formulation of rules of general application with these objectives. It has also been said that, in formulating a multilateral framework, account should be taken not only of the rôle of intellectual property rights in protecting the rights of the owners of rights, but also of their rôle in protecting the public interest, notably the protection of consumers.

(d) Requirements for effective procedures

32. The main procedures put forward in the specific suggestions are outlined in the synoptic table, notably at points (4)-(6).

33. The view has been expressed that the Group should not seek the harmonisation of national procedures against trade in counterfeit goods. Two inter-related reasons have been given: first, that it is necessary to allow for differing national legal and administrative traditions and practices and for differing constitutional requirements; and, secondly, allowance has to be made for the differing resources, experience and other constraints facing law enforcement bodies. For example, some countries have customs services and customs techniques better adapted to meeting requirements to control the importation of counterfeit goods than others. It has been suggested that it would, nonetheless, be possible to develop a set of guidelines or principles which, while sufficiently precise to ensure effective action against trade in counterfeit goods and to safeguard against barriers to legitimate trade, would be sufficiently flexible to accommodate differing national situations. It has also been suggested that excessive perfectionism in the attempt to provide effective mechanisms could lead to problems for legitimate trade.

34. Concern has been expressed about the burdens that obligations to repress trade in counterfeit goods might put on countries. This has partly taken the form of concern about the point at which a government would become internationally responsible, for example in international dispute settlement proceedings, for failure to prevent trade in counterfeit goods, as well as domestically responsible vis-à-vis owners of intellectual property rights. In regard to the latter point, it has been suggested that judicial action would foreclose the possibility of governments becoming involved in disputes between private persons and perhaps being held liable for failure to act. It has also taken the form of concern about the burdens that might be placed on the resources of enforcement bodies, such as the customs. In this connection, it has been suggested that these burdens could be, at least to some extent, alleviated by charging intellectual property right owners a fee for customs intervention. Some participants have also indicated a willingness to consider with an open mind the provision of technical cooperation.

(e) Relationship between procedures at the border and procedures within the country

35. The view has been expressed that the degree of discretion to be given to customs authorities or whether a special border mechanism is appropriate may depend on the nature of the intellectual property right in question. The reason given is that the ease or difficulty of determining infringement varies according to the type of right; for example, determination of trademark infringement is generally less complicated than determination of patent infringement. A participant has expressed doubt that such variations warranted special procedures against imports. It has also been suggested that it would be unwise to place excessive expectations and burdens on customs authorities in regard to such matters as the determination of infringement; complications arise, for example, from often rapid changes in the ownership of trademarks and the production of or trade in genuine goods by enterprises other than that which owned the mark in question. There was need for careful examination of the respective rôle of the courts and of administrative authorities, such as the customs, in receiving applications for action and in determining the action to be taken.

36. Closely related to the question of whether special border procedures should be provided is the question of whether measures at the border should be on the basis of a court order. One view expressed is that a court order should be required, since it would help ensure transparency and avoid discrimination against imported goods. Another view is that such a requirement would be excessively time-consuming and run the risk that goods would be no longer under the control of customs when the court order was given and implemented. However, the point has been made that, at least in some legal systems, it is possible to obtain court orders of a provisional nature rapidly. Customs could act at the border to carry out decisions, such as provisional court orders, made by internal enforcement bodies.

(f) Safeguards to ensure that procedures and remedies do not themselves become barriers to legitimate trade

37. The ideas in the specific suggestions tabled are at point (7) of the synoptic table.

38. Three main categories of suggestions have been made:

- (i) General principles. The importance of the application of basic GATT principles such as non-discrimination, national treatment and transparency has been widely emphasised. It has been suggested that there is need for further study of whether such commitments as contained in the General Agreement are adequate for the purposes of the area of concern of the Group or whether additions or adaptations are required. This issue has been particularly raised in relation to the national treatment principle because of its key importance as a yardstick for obligations in the intellectual property area and because of the differences between the concept as employed in the General Agreement and in intellectual property conventions. In regard to non-discrimination, attention has been drawn to differences between this concept and the most-favoured-nation provision of the General Agreement. Reference has also been made to the importance of multilateral dispute settlement procedures as a last recourse in the event that a member country believes that procedures and remedies are being used abusively in another member country.
- (ii) Application of same procedures and remedies to imported and domestically produced goods. It has been suggested that the most effective safeguard against barriers to legitimate trade would be to require action at the border to be taken on the basis of a court order, issued by the same body as a result of the same procedures and the same substantive intellectual property law as those applicable to domestically produced goods. In this connection, it has been suggested that action by judicial, rather than administrative, authorities would offer greater guarantee of the rights of the defence and of the avoidance of obstacles to legitimate trade. However, the point has also been made that differences in procedures and remedies could work to the advantage of imported goods; insistence on identical treatment might prove counterproductive in some instances.
- (iii) Specific safeguards. It has been said that, if different procedures and remedies are employed against imported goods, specific safeguards against their constituting barriers to legitimate trade would be necessary. Such procedures should provide no less favourable treatment to imported goods than to domestically produced goods, in accordance with Article III of the General Agreement. The view has been expressed that it is possible to find a reasonable balance between the interests of the importer and the intellectual property right owner that safeguards against barriers to legitimate trade while ensuring effective action against counterfeit goods. In this regard, the following ideas have been discussed:
 - Due process of law should be assured, for example adequate notice to concerned parties of enforcement proceedings, sufficient opportunities for explanation and defence, impartial decision-making bodies whether administrative or judicial, impartial bodies for appeal and review, and reasoned decisions. Some participants have no problem with these specific requirements but have reservations about employing the concept of "due process of law" in

the work of the Group, on the grounds that it is not a recognised concept in GATT or other international law and could have a range of implications beyond those mentioned;

- Definition of the types of intellectual property rights and violations of those rights to be covered by specific enforcement measures;
- Requirement for complainant to provide sufficient evidence that he is the owner of the intellectual property right in question, of the validity of that right and that the goods in question are counterfeit and not, for example, parallel imports;
- Safeguards to ensure that parallel imports are not mistaken for counterfeit goods;
- Provisional or conservatory measures, such as detention of suspect goods by the customs on the basis of an application by a right owner, to be subject to a time-limit, during which period a decision from a court or other appropriate body confirming the detention would have to be obtained if the goods were not to be released.
- Provision for the substantive decision on the determination of counterfeiting to be taken by a court or some other appropriate body and subject to the substantive intellectual property law applicable to domestically produced goods;
- Persons seeking the detention of goods could be required to put up an appropriate financial security and could be made liable to pay compensation for damage to the legitimate interests of the importer in the event of the detention of goods subsequently found not to be counterfeit. In connection with compensation, various questions have been asked: how would the damage suffered be calculated; would compensation in the event of an unfounded seizure go to the importer or to the country which has suffered prejudice; would it be paid by the intellectual property right owner concerned or by the government of the country where the action took place; would penalties for misuse of a procedure necessarily be equal to the compensation granted to the injured party and be used to finance it? In response, it has been suggested that many of these matters could be left to be regulated by national civil law relating to compensation;
- Provision for right of appeal;
- Measures to dissuade frivolous requests. The imposition of a fee on applicants for customs intervention would tend to discourage such requests;
- In cases where a component part of a product is found to infringe a patent, sanctions against the product as a whole should depend on establishing that the producer of that product had reason to know that the component infringed the patent.

(g) Sanctions and remedies

39. The proposals in the specific suggestions tabled are summarised at point (9) of the synoptic table.

40. In the discussion it has been suggested that counterfeit goods should be seized and forfeited, and disposed of outside commercial channels, preferably by destruction. It has also been suggested that there should be provision for compensation for damage caused to the legitimate interests of owners of intellectual property rights. It has further been said that, since counterfeiting is typically an intentional and fraudulent activity, criminal sanctions should be provided for, subject to the normal tests of the criminal law.

(h) Legal form

41. In the discussion so far, a few points have been made about the legal form that a multilateral framework on trade in counterfeit goods might be given in the GATT legal system. Some participants have indicated their opposition to a code approach, on the grounds that this would be damaging to the integrity of the GATT system. They have said that there were other possible approaches, for example, a revision of Article IX:6 and possibly Article XX(d) and/or explanatory notes to those provisions, or the adoption of a protocol. Integrating the results into the General Agreement would mean that contracting parties generally rather than possibly only a limited number would be bound by the new disciplines and that the existing GATT mechanisms for consultation and dispute settlement would automatically apply, thus obviating any need to draw up new ones.