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TRADE IN COUNTERFEIT GOODS

Preliminary Background Note by the Secretariat

1. At their thirty-eighth Session, the CONTRACTING PARTIES, meeting at ministerial level, took the following decision (BISD, 29S/19):

"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."

2. At the Council's meeting of 7 February 1984, the Chairman of the Council noted that the Director-General had reported on his consultations with the Director General of WIPO (C/W/418 and C/M/168 and 170). He said that the next step would be for 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". He further said that, following informal consultations, the secretariat was in the process of 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; and that the GATT secretariat would remain in contact with interested delegations and secretariats as work proceeded on the paper (C/M/174, page 7).

3. At their fortieth session, the CONTRACTING PARTIES decided "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".

4. This paper is the "secretariat documentation" referred to. Its purpose is to provide background information on a number of questions which appear relevant to the decisions that the Council is called upon to take. In the preparation of this paper, the secretariat has drawn extensively not

only on national submissions¹ but also on information presently available in the secretariats of WIPO, UNESCO and the Customs Cooperation Council. The secretariat has been in contact with interested delegations and secretariats of these organizations as work proceeded on the paper.

5. The contents of the paper are as follows:

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¹To date written information for the paper has been received from the following delegations: Australia, Canada, European Communities, Japan, Switzerland and United States. The secretariat has also drawn on earlier communications from the delegations of South Africa and Spain and on information given orally by the Swedish delegation. The paper takes into consideration comments on a draft of the paper made available to interested delegations in June 1984 and further information presented by a number of delegations both in the course of informal consultations and directly to the secretariat. The paper is now being issued in preliminary form. Contracting parties interested in making further comments on it have been invited by GATT/AIR/2091 to send them to the secretariat.

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SUMMARY

6. An attempt has been made below to summarize the main points contained in the paper. Inevitably, the summary cannot provide all the information presented in the paper. Readers interested in fuller information should refer to the relevant parts of the body of the paper; these have been cross-referenced in the summary.

I. What is meant by trade in counterfeit goods? What is the nature of the problem to be addressed?

7. This Section first examines what is meant by trade in counterfeit goods (paragraphs 17-23). It indicates that there appears to be a broadly-shared view among delegations supplying information that the problem of trade in counterfeit goods to be examined in GATT in terms of the Ministerial Decision should relate to trade in goods bearing unauthorised representations of trademarks. Some delegations believe that trade in goods infringing other forms of intellectual property should also be examined, perhaps at a later stage. Some points about the practicality of dealing with trade in such goods have been made. In the light of this situation, this paper focusses on counterfeiting involved in the unauthorised use of trademarks but also provides background information on some other forms of intellectual property violation to the extent that information has been made available.

8. As to the nature of the problem to be addressed in GATT, two aspects have been identified by delegations (paragraphs 24-28). The first is what should be done to discourage international trade in counterfeit goods. In this regard those delegations proposing action in the GATT framework have indicated that their aim is not that GATT should take action on substantive intellectual property law (i.e. to what extent and under what conditions should intellectual property rights be created and protected); rather they suggest that, for the purposes of action in the GATT, national law on these matters would be taken as given. However, they are suggesting that GATT should address the problem of how to ensure the effective enforcement of such law against imported goods. In this regard some delegations have indicated that they are not convinced that an approach directed specifically against internationally traded counterfeit goods, and setting aside domestically produced counterfeit goods, is appropriate. The second aspect of the problem of trade in counterfeit goods that it has been proposed should be addressed in GATT is how to ensure that action against such goods is not misused so as to give rise to obstacles to legitimate trade.

II. What is the size and significance of trade in counterfeit goods?

9. After referring to the inevitable limitations of the information available about the size of trade in counterfeit goods, the paper notes that the information that has been supplied (which is summarized in Annex I of the paper) would suggest that the trade runs into some billions of dollars per annum, is growing and is becoming increasingly diversified in terms of its product composition (paragraphs 29-30). As to the significance of trade in counterfeit goods the paper notes that virtually all countries provide protection to trademarks and that trade in counterfeit goods could be said to undermine the attainment of the objectives that countries seek to pursue thereby. Nevertheless, it is

clear that trade in counterfeit goods is presently viewed as more of a problem by some governments than by others. The paper also describes the specific concerns expressed by some contracting parties about the adverse effects of counterfeit goods on consumers, producers and employment in their countries (paragraphs 31-39).

III. Existing international law dealing with trade in counterfeit goods

10. The paper describes the relevant provisions of the Paris Convention for the Protection of Industrial Property, which is administered by WIPO and has 96 member States (paragraphs 41-48). Article 9 of this Convention invites, but does not oblige, member States to take special action against imports of goods unlawfully bearing a trademark or a trade name, by seizing such goods on importation, or, if national legislation does not provide for this, by prohibiting their importation or by seizing them inside the country (paragraphs 43 and 44). Article 10ter requires that the remedies and sanctions provided in national law against importation of goods unlawfully bearing a trademark or a trade name be effective (paragraphs 47 and 48). This Section and Annex II of the paper also outline other pertinent provisions of the Paris Convention, as well as the provisions of a number of other international agreements where these provisions are relevant to action against trade in goods infringing other forms of intellectual property rights. In regard to the application and use of existing international rules and procedures (paragraphs 52-55), some delegations consider that the present international law does not guarantee effective repression of trade in counterfeit goods because: (i) the remedies, sanctions and disposal of counterfeit goods are not specified but left to national legislation; (ii) not all countries are members of the Paris Convention; and (iii) national legislation is not always fully consistent with the Convention and such legislation is not always effectively enforced. Some other delegations believe that the Paris Convention already contains all the basic rules necessary to deal with the problem of counterfeiting both from the trade and the production angles.

IV. GATT provisions bearing on trade in counterfeit goods

11. The main GATT provision is Article XX(d). This enables contracting parties to take measures otherwise inconsistent with the General Agreement to secure compliance with laws and regulations relating to the protection of patents, trademarks and copyrights and to the prevention of deceptive practices subject to the following conditions: (i) the laws or regulations in question 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 disguised restriction on international trade or a means of arbitrary or unjustified discrimination between countries where the same conditions apply (paragraphs 58-59).

V. What are the types of measures and procedures embodied in national legislation aimed at dealing with trade in counterfeit goods?

12. The paper notes that two broad categories of countries can be distinguished in this respect: (i) those countries where the only remedies and procedures available against imports of counterfeit goods are those

which are also available in respect of domestically produced and sold counterfeit goods; and (ii) those countries where, in addition, special remedies and procedures are available against imports of counterfeit goods (paragraphs 73-78). This latter group of countries can in turn be divided into two categories: (i) those where customs has power under certain conditions to detain suspect goods for a limited period so as to give the trademark owner an opportunity to initiate an ordinary court action to have the seizure confirmed and to seek other relief; and (ii) those where customs also has the authority under certain conditions to determine infringement and decide on the disposal of the goods, subject to appeal to a judicial body by the affected parties (paragraph 77). This Section and Annex IV of the paper also give background information relevant to consideration of the feasibility of dealing with goods suspected of being counterfeit while they are still under customs control without detaining them for an undue period. Among the issues discussed in this connection are the ease or difficulty of establishing whether a legal right to protection of the trademark or other intellectual property in question exists and whether an infringement has taken place. The paper notes the rôle of the registration procedure for trademarks in clarifying legal rights and simplifying litigation in this area (paragraph 72). It also notes the generally greater complexity of infringement determinations where similar rather than identical trademarks or goods are involved (paragraph 71).

13. In regard to the adequacy of existing national measures and procedures in discouraging trade in counterfeit goods (paragraphs 85-86), some countries have indicated that they believe their own legislation to be adequate. However, others have indicated that they are taking steps to reinforce their national legislation in this area. Some delegations also believe that the existing measures and procedures available in some of their trading partners are not always adequate. In this regard, they have referred to the limited number of countries in which customs has the power to intervene, the narrowness of the powers of customs in some of these countries, the difficulties with and the slowness of court injunction procedures, the lack of effective deterrent sanctions and provisions preventing counterfeit goods from re-entering commercial channels in many countries, and the low priority sometimes given to action to repress counterfeiting by judicial and administrative authorities.

VI. Is there need for provisions and procedures directed specifically towards dealing with counterfeit goods which are imported as opposed to goods which are produced or sold in the country? What special provisions and procedures might be involved?

14. The arguments made in favour of special provisions and procedures are based on the greater jurisdictional and practical difficulties with enforcing ordinary relief measures against foreign compared to domestic parties (paragraph 87). The arguments against special provisions and procedures are essentially based on the view that there is a risk that they are more susceptible to be misused so as to impede or harass legitimate trade, and that the principle of national treatment should therefore be applied (paragraph 88). The types of special provisions and procedures that are envisaged by some delegations are referred to in paragraphs 90-92.

VII. Why do some governments consider present possibilities for action inadequate and feel the need for additional multilateral action in this area?

15. This Section examines why some governments consider that multilateral rather than purely national action to deal with the problem of trade in counterfeit goods is desirable. The reasons advanced by these governments are: the desire to be sure of effective action in third countries against counterfeit goods that constitute unfair competition to their exports and infringe trademarks owned by their nationals; the need for coordinated international action to repress effectively international trade in counterfeit goods; and the need for international disciplines to safeguard against possible misuse of measures against trade in counterfeit goods as non-tariff barriers (paragraph 94).

VIII. What other considerations relevant to this matter, e.g. the need to ensure that new obstacles to legitimate trade or scope for unjustified discrimination are not created, would need to be taken into account in any action undertaken in the GATT framework?

16. This Section discussed a number of considerations that would need to be taken into account in formulating safeguards to forestall any possibility that measures against trade in counterfeit goods might be misused as non-tariff barriers to legitimate trade. It is noted that safeguards can exist at two levels. First, the obligations that should be required to be built into national law at each stage of action against suspected counterfeit goods. These might relate to such matters as the determination that a valid legal right to protection of the intellectual property in question exists, the conditions under which suspect goods can be detained (evidence requirements, provision of financial security by the trademark owner, time-limits), the determination of infringement, and requirements regarding information to affected parties and possibilities for appeal by them (paragraph 98). The second type of safeguard (paragraph 99) would be provisions aimed at ensuring the effective international enforcement of the disciplines in this area and providing effective redress to any country believing that its legitimate trade is being impeded by measures employed in another country against trade in counterfeit goods (notification and surveillance, and consultation and dispute settlement).

I. WHAT IS MEANT BY TRADE IN COUNTERFEIT GOODS? WHAT IS THE NATURE OF THE PROBLEM TO BE ADDRESSED?

17. There is no internationally accepted definition of the term "counterfeit goods". The word "counterfeit" is used in some intellectual property laws in some countries, but with varying meanings.¹ In common parlance, the term is taken to refer to goods which have been in some way copied without authority and where this copying has been done with a view to deceive or defraud by passing the copy as original or genuine. The essential feature of counterfeiting, as it has been described by several delegations, is the attempt to pass goods as having been produced by a person other than the actual producer.

18. Most attention has been focussed on the counterfeiting of trademarks, partly it would seem because of the relatively large amount of trade considered to be involved, partly because this is perhaps the most flagrant form of counterfeiting, and partly because it is an area that is considered more amenable to action at the border to discourage imports. However, other practices considered to constitute counterfeiting by some delegations have also been mentioned. One area relates to the unauthorized copying of industrial designs, which it is claimed has become increasingly common in recent years. This concerns not only the copying of industrial designs protected under special laws relating to industrial designs or under copyright law; but also the servile imitation of the particular appearance of a product where that appearance serves to identify and characterize that product or the enterprise from which it originates, and which as such can often benefit from protection under unfair competition law. Also indicated as being a widespread problem is the abusive use of indications of source. Other practices mentioned in certain of the information submitted to the secretariat as being widespread include passing off, and patent and copyright infringements. A further point is that a counterfeit good may infringe several forms of intellectual property at the same time. For example, a counterfeit watch may involve the copying of the trademark and trade name of the producer of the genuine good, the design of the genuine good, the indication of origin on the genuine good, the packaging, labels, instructions, etc. of the genuine good (which may infringe copyrights or be illegal under unfair competition law) and any precious metal hallmarks on the genuine good.

19. Counterfeiting involves the infringement of certain intellectual property rights. The views presented to the secretariat on the types of such infringement that should be examined in the context of the present work in GATT are of three main types:

¹In national intellectual property laws, the French term "contrefaçon" is used more commonly in French-speaking countries than the English term "counterfeit" in English-speaking countries. The usage of the word in national laws varies in regard to the types of intellectual property involved. It also varies in regard to the type of intellectual property offence indicated; in some countries the term is employed to refer to offences involving exact, or almost exact, copying (i.e. approximating to the concept of forgery) while in others it has a wider meaning, referring to infringement more generally. Moreover, in some legal systems the term is used to denote criminal, but not civil, law offences.

- (i) the problem concerns goods bearing an unauthorized representation of a trademark that is legally registered in respect of such goods in the country of importation;
- (ii) while certain other types of intellectual property rights may also be affected by commercial counterfeiting, the examination in GATT should focus at this stage on goods bearing unauthorized trademarks;
- (iii) the examination in GATT should cover not only trademarks, but other forms of intellectual property, such as copyrights, industrial designs, patents, and, in the view of some of these delegations, indications of origin.

20. Those countries that believe that work should focus, at least at this stage, on goods bearing unauthorized trademarks have put forward a number of arguments for this position:

- comprehensive legislation governing the definition of trademarks, their registration and protection exists in most countries;
- alleged infringements of trademark rights are easier to check in practice than infringements of other intellectual property rights;
- trademark counterfeiting is a problem which relates to the whole range of economic activity, and affects the interests of employers, workers, traders and consumers alike in both developed and developing countries;
- the problem of trade in goods bearing counterfeit trademarks demands urgent international action.

¹This is the definition used in Article 1.2.1 of the proposed Agreement on Measures to Discourage the Importation of Counterfeit Goods (L/5382), which also provides in its Article 9.5.2 for the exploration of the possibilities of expanding the coverage of the Agreement to include trade in counterfeit goods involving certain other intellectual property rights (appellations of origin and indications of source, certification marks, copyrights and industrial designs).

It might also be noted that the definition in the proposed agreement:

- covers only imported goods with trademarks that are identical or substantially identical to the legally protected mark (note to Article 1);
- includes any certification and collective mark registered in the country of importation and entitled to protection as a trademark;
- excludes imported goods which have been produced or marketed under a protected trademark by the owner of the trademark right, or with his consent, and goods bearing an authorized trademark which are imported in contravention with a commercial agreement.

21. Some other arguments advanced relate to the practicality of dealing with other types of intellectual property:

- determination of patent infringement is particularly complex;
- national legislation concerning appellations of origin, country of origin marks, certification marks, and industrial designs varies significantly from country to country in the degree and kind of protection granted;
- while the treatment of copyright is similar to that of trademarks in many national laws with respect to what can be protected and what constitutes infringement, identifying what articles are eligible for copyright protection and in which countries is difficult because of the variance in national requirements for obtaining copyright protection and in international requirements for recognition of copyright among countries.

22. In regard to copyright and patents, the point has also been made that what is essentially involved is the inventive or creative content of goods rather than their external appearance or marking. In cases of infringement, while there has been an element of copying, the element of deceptively or fraudulently passing the goods as something which they are not really may or may not be present; if it is present, it may be because trademarks, trade dress, etc. have also been copied.

23. In the light of the range of views outlined above, the present paper focusses on issues related to trademark infringement. However, the paper also includes, particularly in Annexes II and IV, available information on other forms of intellectual property violation considered by some delegations to be relevant to work on trade in counterfeit goods.

24. As to the nature of the problem, counterfeit goods can be:

- (a) produced and marketed on the domestic market; or
- (b) produced and exported for sale in other countries.

Both types of counterfeit activity can have trade effects (the domestic production and sale of counterfeit products can adversely affect imports). Most delegations that have raised the question of trade in counterfeit goods in the GATT believe that, while effective action requires concerted measures against both types of counterfeit activity, the problem to be addressed in GATT concerns essentially counterfeit goods that cross frontiers, i.e. the second type of counterfeit activity mentioned above.

¹Sometimes a distinction is made between the broad term "piracy", meaning the unauthorized use of a protected intellectual property right, and "counterfeiting", used in the narrower sense of the copying of trademarks, packaging, distinctive designs, etc. so as to pass the goods as those of another producer. Thus, a pirated audio-cassette might or might not also be counterfeit depending on whether the trademark, cassette holder, artwork, label, etc. of the legitimate producer, as well as the sound recording in question, have been copied.

While there appears to be a general view that GATT's concern is with the trade aspects, some delegations believe that there is need for further examination of whether the basic problem that needs to be treated lies at the point of production, before considering the need for any multilateral action specifically directed against internationally traded counterfeit goods.

25. When it comes to considering possible action against trade in counterfeit goods, a distinction can be made between two issues:

- (a) the type and extent of protection given under national law to trademarks (and possibly certain other forms of intellectual property) - what is termed substantive intellectual property law; and
- (b) the enforcement of those intellectual property rights, as defined by national law, against internationally traded goods that infringe those rights.

Most delegations that have suggested action in the GATT have limited their suggestions to the latter issue. The former issue has been specifically excluded from the proposals tabled in GATT, although it has been emphasized that care should be taken to ensure that any action on issue (b) is compatible and coordinated with the situation relating to issue (a). As mentioned in the preceding paragraph, some other delegations have referred to the need to examine questions of enforcement vis-à-vis domestically produced as well as internationally traded goods.

26. For the purposes of the present paper, a good is only regarded as counterfeit if it is illegally so. That is to say, some right against copying and passing the copy as original or genuine, legally protected in the country where the goods are being deemed counterfeit, must be being infringed. A particular good may, of course, be considered counterfeit in one country where a legally protected right is being infringed but not in another country where no such protection is given.

27. Another aspect of the nature of the problem that has been mentioned by many delegations is concern about the danger that action to combat trade in counterfeit goods could lead to the creation of new, and perhaps discriminatory, obstacles to legitimate trade. The need for effective international disciplines to safeguard against this danger has been stressed. In this connection, it has been noted that a number of countries have recently taken, or are considering, unilateral action against imports of counterfeit goods.

28. In summary, it can be said that the problems that have been raised in GATT appear essentially to be:

- (a) what should be done to discourage international trade in counterfeit goods by ensuring that the protection accorded under national law to trademarks (and maybe certain other forms of intellectual property) is effectively enforced vis-à-vis imports of goods infringing those intellectual property rights;
- (b) how can any possibility that such action might give rise to obstacles to legitimate trade be safeguarded against?

As mentioned above, some delegations are not convinced that an approach to the first of these questions directed specifically against internationally traded counterfeit goods is appropriate.

II. WHAT IS THE SIZE AND SIGNIFICANCE OF TRADE IN COUNTERFEIT GOODS?

29. It is evident that no reliable figures can exist on the size of trade in counterfeit goods. Being an illegal activity, imports of counterfeit goods are not reported as such to customs. Just as in the case of smuggling, the amount detected can provide no real guide to the total trade. Moreover, most of the figures available are based on estimates by the companies or industries affected.

30. The information made available to the secretariat¹, which deals primarily with trade in goods bearing unauthorized trademarks but also deals to some extent with trade involving certain other forms of intellectual property violation, would suggest that:

- (i) The amount of trade in counterfeit goods may run into some billions of dollars per annum.
- (ii) Trade in counterfeit goods has shown a tendency to increase. There is, of course, nothing new about the production of counterfeit goods; but whereas they were once mainly destined for local consumption and still are in some countries, it appears that over the last decade their marketing and distribution has become more internationalized.
- (iii) A number of consumer items continue to be particularly susceptible to counterfeiting - watches, perfumes, cosmetics, fashion garments, luggage, pens, sporting equipment, audio and audio-visual recordings, etc.
- (iv) In recent years counterfeiting has spread to an increasing range of goods, including intermediate products and capital goods as well as final consumer goods. Among these products figure automobile and aircraft parts, chemicals, drugs and pharmaceuticals and electronic equipment.
- (v) The range of countries in which internationally traded counterfeit goods are produced and/or marketed is wide, encompassing both developed and developing countries.

31. Turning to the significance of trade in counterfeit goods, it has been pointed out that virtually all countries provide protection to trademarks, subject to certain safeguards to prevent such protection being used against the public interest - though the nature and coverage of protection varies between countries. Seen from the point of view of the public, rather than the private, interests involved, trademarks are given protection (i) to safeguard their rôle in carrying information about the source and likely quality of goods and thus protect the consumer against deception, (ii) to facilitate competition in terms of quality among producers and (iii) to ensure fair and predictable conditions of competition between producers. Imports of counterfeit goods serve to undermine the objectives that governments seek to pursue in providing protection for trademarks.

¹This information is summarized in Annex I of this paper.

Trademarks may also have a rôle in facilitating the international division of labour by helping disassociate the consumer's perception of the quality of a good from its geographical origin. Some delegations have also reported the views expressed by their industries to the effect that their willingness to transfer technology is inhibited by the potential threat of counterfeiting. Similar points have been made in regard to the other forms of intellectual property that some governments have referred to in the context of the present exercise in GATT.

32. Nevertheless, it is clear that trade in counterfeit goods is presently viewed as more of a problem by some governments than by others. Some governments are particularly concerned about the effects on their industry and consumers. Some others, especially some developing countries, appear to see the issue as part of a larger one concerning the import into their countries of sub-standard or sub-specification goods. In still other countries, trade in counterfeit goods is not perceived as a problem for either consumers or industry that is not being generally adequately dealt with under present arrangements.

33. At the more immediate level, those concerned about trade in counterfeit goods have highlighted the adverse effects it can have in three major respects - on consumers, producers and employment.

(a) Consumers

34. Although there are cases where counterfeiting is so blatant as to be unlikely to confuse the average consumer, a major concern expressed by some governments about trademark counterfeiting, whether the counterfeit goods are imported or domestically produced, stems from a desire to protect consumers from deception. The same points can be made in regard to infringement of other distinctive signs, such as collective marks (signifying membership of an association or other legal entity), and certification marks (signifying that the goods conform to certain regulations or standards). Counterfeit imports frequently involve the illicit use of foreign marks. A WIPO study on "The Role of Industrial Property in the Protection of Consumers" (Geneva, 1983) notes that "as regards, specifically, consumer protection, one of the principal concerns raised by foreign marks, particularly in developing countries, involves [the] intangible force that foreign marks exert and the consequent effect on consumer expectations, especially as to the quality and geographical origin of goods and services sold under the foreign mark, as well as the likelihood of consumer deception if such goods and services do not meet expectations".

35. While counterfeit goods may not necessarily be of a lower quality than the genuine article, available evidence indicates that in practice they frequently are. A point emphasized by those countries advocating action on trade in counterfeit goods is the growing health and safety risks that they consider are arising from trade in counterfeit goods - linked to the product diversification of such trade to include increasingly such goods as chemicals, drugs, and automotive and aircraft parts. (The European Community included in paragraph 5 of its information paper, document L/5512, a list of such cases.) Whereas with counterfeit fashion goods the consumer is normally an individual, with counterfeit capital goods and intermediate products the purchaser is a producer; damage may then be

caused by sub-standard products to the purchaser's business and his employees as well as possibly to the final consumer of the good or service he is producing. Moreover, it is pointed out that, in the event of a counterfeit product proving defective or dangerous, the consumer would have no guarantee rights or rights of recourse against the producer of the genuine article and generally little chance of obtaining redress from the producer or distributor of the counterfeit product.

(b) Producers

36. Counterfeiting involves the illegal appropriation of an intellectual property right. The adverse effects on legitimate producers of the counterfeiting of their products have been described along the following lines:

- (i) Direct loss of sales and revenue due to substitution of purchases of the genuine good by purchases of the counterfeit version. Although it cannot be assumed that a one-for-one substitution always takes place, especially where the counterfeit is sold at a much lower price than the genuine good, sales will generally be lost by the legitimate producer of the good, and also possibly by other producers of similar goods suffering from the unfair competition. Some industry estimates for lost sales are given in Annex I. It has been suggested that unfair competition from imported counterfeit goods can badly handicap newly established industries while they are still in the "infant" stage, or discourage their establishment.
- (ii) Loss of goodwill. Poor quality counterfeits lead to a loss of the reputation of a trademark or other distinctive sign with the public, if the consumer is unaware that the product in question is not genuine. Future sales will thereby be lost. Where the consumer is aware of the existence of counterfeits, he may be hesitant to buy the product for fear of getting a counterfeit. In general terms, there will be a progressive reduction in the impact of the mark, design, model, indication of source, etc., in question.
- (iii) Costs in time and money of identifying, detecting and combating counterfeiting.
- (iv) Producers of the genuine article risk becoming involved in the expense of legal suits to defend themselves against claims for damages caused by sub-standard counterfeits of their products.

37. Counterfeiting not only adversely affects the producers of legitimate products but also their distributors, which have often considerable goodwill and investment at stake.

38. Of course the reverse side of the coin to the losses suffered by the legitimate producers and their distributors are the gains made by the counterfeiters and the distributors of counterfeit products. Profits can be high because counterfeiters can choose only the successful products to counterfeit, avoid many of the development and marketing costs as well as the payment of royalties, and sell lower quality items.

(c) Employment

39. It is evident that legitimate producers which lose sales as a result of competition from counterfeits of their products will employ fewer persons. A United States International Trade Commission study calculates, on the basis of United States industry estimates of lost sales, that approximately 131,000 jobs may have been lost in the United States in the five industry sectors most subject to counterfeiting as a result of foreign product counterfeiting. It has of course to be stated that the impact on employment in an economy as a whole can only be assessed on the basis of a general equilibrium analysis that takes account of all the effects on the economy. No estimates are available of the number of people employed in the production of counterfeit goods for export.

III. EXISTING INTERNATIONAL LAW DEALING WITH TRADE IN COUNTERFEIT GOODS

40. A number of international agreements presently in force relate to the protection of intellectual property. Their primary purpose is to lay down the sort of protection that member States should give to the intellectual property of nationals of other member States; questions of enforcement, remedies and sanctions are for the most part left to national law. Most of these agreements have been negotiated in the framework of WIPO, although some also involve UNESCO and the ILO. The paragraphs that follow outline the main provisions of the Paris Convention. Certain other agreements of possible relevance are summarized in Annex II. A chart showing membership of the main agreements referred to is at Annex III of this paper. Certain instruments of the Customs Co-operation Council may also be of possible relevance. There is in addition a large number of regional or bilateral agreements; these are not described in this paper.

(a) Paris Convention for the Protection of Industrial Property (WIPO)

41. The principal international instrument for the protection of industrial property is the Paris Convention, which is administered by WIPO. The Convention deals with patents, utility models, industrial designs, trademarks, service marks, trade names, and indications of source or appellations of origin. It also deals with the repression of unfair competition. The main principles of the Convention are:

- (i) Assimilation (Articles 2 and 3). The advantages given by law to nationals in each member State of the Paris Union as regards the protection of industrial property must be extended to nationals of all other member States. Nationals of other member States, thus, receive the same protection of their industrial property rights as nationals of the member State in question and also the same legal remedies against any infringement of their rights, provided that they observe the conditions and formalities imposed upon nationals. Nationals of non-member States also benefit from the assimilation provision if they are domiciled or have a real and effective industrial or commercial establishment in a member State. Specifically exempted from this assimilation requirement are the laws of each of the countries of the Union relating to judicial and

administrative procedures and to jurisdiction, and to the election of domicile or the designation of an agent.¹

- (ii) Right of priority (Article 4). Applications for a patent, or for registration of a utility model, industrial design or trademark made in member States of the Union within a certain period of a first regular application in one member State (6 or 12 months depending on the subject) receive a right of priority over similar applications in other member States made during that period. Moreover, the application cannot be invalidated by any other acts accomplished during this period - e.g. publication or exploitation of the invention, putting on sale copies of the design or model, or use of the mark.
- (iii) Certain common rules (additional to the right of priority) specifying the minimum international protection to be granted to industrial property are laid down. In relation to trademarks, the Convention basically leaves the conditions for filing and registration to be determined in each country of the Union by its domestic legislation (Article 6(1)). The Convention specifies that a trademark registered in one country of the Union, must be accepted, on request, for filing and protection in other countries of the Union (Article 6quinquies A(1)), subject to certain conditions (Article 6quinquies B and C). However, an application for the registration of trademark filed by a national of a country of the Union may not be refused, nor may a registration be invalidated, on the ground that the filing, registration or renewal has not been effected in the country of origin (Article 6(2)). After its registration in a country of the Union, a trademark is independent of registration in any other country, including the country of origin; consequently, the lapse or annulment of a trademark registration in one country will not affect the validity of registration in other countries (Article 6(3)). The Convention also provides for protection of trademarks considered by the competent authority of each country of the Union to be well-known in that country, even if the mark has not been registered (Article 6bis). Other provisions relate to the assignment (transfer of ownership) of trademarks, licensing of trademark use, and abusive registration of trademarks by agents. In regard to collective marks, trade names and industrial designs, the basic rule in the Convention

¹The "assimilation" principle is also often known as the "national treatment" principle. However, in order to avoid confusion with the "national treatment" concept in the General Agreement, the term "assimilation" is used throughout this paper in regard to law relating to intellectual property. As was observed in the Annex to the Director-General's report on his consultation with the Director General of WIPO (C/W/418, Annex, paragraph 3), the national treatment principle in the Paris Convention (as in other international agreements and in national laws relating to intellectual property) differs from the one in the General Agreement, in that it relates to the treatment accorded in a country of the Paris Union to foreign nationals vis-à-vis that accorded to nationals of that country, whereas the GATT provision (Article III) relates to the treatment accorded to imported goods vis-à-vis that accorded to domestically produced goods.

is that they shall be protected in all countries of the Union (in the case of trade names, without the obligation of filing or registration) (Articles 5quinquies, 7bis and 8). Article 10bis of the Convention obliges member countries to assure effective protection against unfair competition, including in relation to "all acts of such a nature as to create confusion by any means whatever with the establishment, the goods or the industrial or commercial activities, of a competitor" and "indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of the goods". (Provisions relating to the protection of indications of origin are in Article 10 which is examined below).

42. Most of the rules of the Paris Convention are concerned with what industrial property owned by foreign nationals should be eligible for protection and how in broad terms it should be protected. In general, it is left to each member State to determine the sanctions and remedies against acts of infringement. However, the Paris Convention does include specific provisions on remedies in cases where imported goods infringe certain intellectual property rights, although as will be seen below, at present these do not add greatly in practical terms to the basic "assimilation" provision referred to in paragraph 41(i) above. The relevant provisions in this connection are Articles 9, 10 and 10ter. These Articles are quoted below, followed by explanatory comments based on the WIPO Guide to the Application of the Convention.

43. Article 9 of the Paris Convention states:

"(1) All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection.

"(2) Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported.

"(3) Seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal entity, in conformity with the domestic legislation of each country.

"(4) The authorities shall not be bound to effect seizure of goods in transit.

"(5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.

¹"Guide to the Application of the Paris Convention for the Protection of Industrial Property", Professor G.H.C. Bodenhausen, Director of the United International Bureau for the Protection of Intellectual Property (BIRPI, 1968).

"(6) If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country."

44. This Article has existed without change since the 1925 Revision Conference¹ and binds all 96 States currently party to the Convention. The WIPO Guide to the Application of the Paris Convention comments that Article 9, "although in appearance very stringent in paragraphs (1), (2), (3) and (5), adds in reality little to the general rule embodied in Articles 2 and 3 of the Convention which ensures to persons entitled to the benefits of the Convention 'national treatment'² in all member States, including sanctions and remedies in the case of infringement of their industrial property rights". The Guide goes on to say that "the importance of the Article ... lies solely in the fact that it suggests a series of measures considered desirable in order to protect rights in trademarks and trade names, and that, if national legislations adopt such measures, the Article underlines their mandatory application in cases where the Convention applies". Commenting on the clause "until such time as the legislation is modified accordingly" in paragraph (6) of Article 9, the WIPO Guide says that it was expressly understood at the Revision Conference of the Hague on the Paris Convention "that these words were to be interpreted as a mere invitation to member States to adopt legislation according to the preceding paragraphs of the Article under examination, but that this invitation would not create any obligation, not even a moral one".³ The Guide also notes that "the implementation of paragraph (1) of the Article is left entirely to the national legislation and administrative or legal procedures of the country concerned".

45. Article 10 of the Paris Convention states:

"(1) The provisions of the preceding Article shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant.

"(2) Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication or source is used, shall in any case be deemed an interested party."

¹ Parts of this Article were already included in the original text of the Convention of 1883.

² "National treatment" in the sense used in the Paris Convention (i.e. "assimilation"). See footnote to paragraph 41(i).

³ As noted in the Annex to the Director-General's report on his consultations with the Director General of WIPO, there are countries which have not adopted laws to implement the provisions of Article 9(1)-(5) (C/W/418, Annex, paragraph 4).

46. Article 10 of the Paris Convention has existed in its present form since the 1958 Revision Conference (eleven member States are bound only by earlier texts of the Convention which contain a less stringent obligation). According to the WIPO Guide, the Article "now applies to all direct or indirect uses of a false indication of the source of goods, irrespective of whether such indication is the name of a specified locality or country or is joined to a trade name of a fictitious character or used with fraudulent intention. The provision also extends to any direct or indirect use of a false indication of the identity of the producer, manufacturer or merchant of goods. ... Application of the provisions of the preceding Article 9 means that also in the case of false indications of source or of the identity of the producer, etc., the domestic legislation of the country where protection is sought will apply."

47. In order to enforce the provisions outlined in Articles 9 and 10, as well as those in 10bis (on unfair competition), Article 10ter requires that:

"(1) The countries of the Union undertake to assure to nationals of the other countries of the Union appropriate legal remedies effectively to repress all the acts referred to in Articles 9, 10 and 10bis.

"(2) They undertake, further, to provide measures to permit federations and associations representing interested industrialists, producers, or merchants, provided that the existence of such federations and associations is not contrary to the laws of their countries, to take action in the courts or before the administrative authorities, with a view to the repression of the acts referred to in Article 9, 10 and 10bis, in so far as the law of the country in which protection is claimed allows such action by federations and associations of that country."

48. Article 10ter was introduced at the 1925 Revision Conference and amended slightly at the 1934 Revision Conference. It, therefore, essentially binds all parties to the Convention. The WIPO Guide comments that the obligation contained in paragraph (1) of this Article "can only be understood as an obligation for member States to introduce, complete or maintain legislation effectively repressing (i) the trade in goods unlawfully bearing a trademark or a trade name which is entitled to protection in the country concerned, (ii) the use of false indications of the source of goods or of the identity of the producer, manufacturer or merchant and (iii) acts of unfair competition With respect to the first two obligations (under (i) and (ii)), the paragraph under consideration reinforces Article 9(6), which is applicable also to Article 10, because it specifies that the actions and remedies available in these cases must be effective".

(b) Other international agreements

49. A number of other international agreements provide for certain minimum levels of protection to the intellectual property of nationals of member States and also, in some cases, contain provisions on remedies and sanctions in cases of infringement, including in respect of imported goods. These agreements relate to some forms of intellectual property other than trademarks considered of relevance to the present exercise by some delegations. The main provisions of these agreements of possible relevance

are summarized in Annex II of this note; their membership is shown in Annex III. The agreements in question are:

- Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (WIPO);
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (WIPO);
- Berne Convention for the Protection of Literary and Artistic Works (WIPO);
- Universal Copyright Convention (UNESCO);
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (WIPO, ILO, UNESCO);
- Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (WIPO, ILO, UNESCO).

50. Certain activities of the Customs Co-operation Council may also be relevant where trade in counterfeit goods involves a customs offence. In this context might be mentioned the Customs Co-operation Council Recommendation of 5 December 1953 on mutual administrative assistance, the Customs Co-operation Council Recommendations of 8 June 1967 and 22 May 1975 on the pooling of information concerning customs fraud and the Nairobi Convention on mutual administrative assistance for the prevention, investigation and repression of customs offences. The Customs Co-operation Council is presently studying the rôle of customs in implementing copyright and industrial property law with a view inter alia to establishing the relevance of these instruments.

51. There are in addition various regional agreements (e.g. the African Intellectual Property Organization, the English-Speaking African Regional Industrial Property Organization, the European Patent Convention and various inter-American conventions on industrial property) as well as many bilateral agreements relating to the protection of intellectual property. One development in recent years has been the conclusion of bilateral agreements providing for the reciprocal protection of specific appellations of origin, indications of source etc. listed in annexes to the agreements.

(c) The application and use of existing international rules and procedures

52. The international law referred to in the preceding paragraphs (and also in Annex II) essentially defines the minimum protection that should be given in the national law of each member State to trademarks and other intellectual property of nationals of other member States. Without this protection, there would be no basis for action against imports that infringe such intellectual property. Trade in counterfeit goods involves imports that may infringe the intellectual property of nationals as well as that of non-nationals. However, even in respect of imports affecting intellectual property of nationals, the international law is also of importance because its evolution and application has influenced the general level of protection accorded to all intellectual property in the member States of the various agreements.

53. In regard to action against infringement, the existing international law is of fundamental importance in that, by laying down the "assimilation" principle, it ensures that the remedies and sanctions available in respect of imports that infringe the intellectual property of nationals of the importing country are also available in respect of imports that infringe the intellectual property rights of nationals of other member States.

54. However, some delegations consider that the present international law does not by itself guarantee effective repression of trade in counterfeit goods. A number of reasons have been given:

- (i) Not all countries belong to the Paris Convention and other important agreements.
- (ii) National laws of member States are not always in perfect harmony with the international agreements, or are not always strictly enforced. Avenues open to a member State believing that its rights are not being respected by another member State consist essentially of bilateral discussion, raising the matter in the governing body of the agreement in question and, in some situations, recourse to the International Court of Justice.¹
- (iii) The agreements generally do not ensure that national law provides for effective remedies and sanctions against trade in counterfeit goods. Remedies and sanctions are essentially left to national legislation, and therefore vary in effectiveness among countries.
- (iv) The agreements do not specify how traded goods once determined to be counterfeit should be disposed of.

55. Some other delegations believe that the Paris Convention already contains all the basic rules to deal with the problem of counterfeiting from both the trade and the production angles. They consider that if specific measures are required to ensure the effective application of such rules in national legislation, the most appropriate course would be to initiate action within the existing framework to draft and approve the necessary international regulations to that effect, without altering or revising the basic rules already contained in the Paris Convention.

IV. GATT PROVISIONS BEARING ON TRADE IN COUNTERFEIT GOODS

56. There are a number of GATT provisions relevant to the two aspects of trade in counterfeit goods indicated in paragraph 28 of this note, namely:

- how to ensure effective action to enforce national legislation relating to counterfeit goods in respect of imports of such goods?

¹The provision of the Paris Convention providing for the possibility of taking a dispute to the International Court of Justice (Article 28), which was added to the Convention at the Stockholm Revision Conference of 1967, has not yet been invoked.

how to ensure that any such action does not give rise to impediments to legitimate international trade?

57. In regard to the latter aspect, a range of general GATT provisions are of course relevant. Among these might be mentioned Article III:4 which requires that imported products shall be given treatment no less favourable than that accorded to like products of national origin "in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use"; Article I:1 which applies the most-favoured-nation rule to all the matters covered by Article III:4 and to "all rules and formalities in connection with importation and exportation" (the relevance or otherwise of Article XXIV might also be a consideration in this connection); and Articles XI and XIII which relate to the general elimination of import restrictions or prohibitions and to their non-discriminatory administration.

58. The main GATT provision specifically relating to trade in counterfeit goods is Article XX(d). It provides certain general exceptions to other GATT provisions, including those mentioned above, subject to certain conditions. This provision relates to both the aspects of the issue referred to at the beginning of this section. It reads 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 customs enforcement, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices."

59. Thus, in order that measures otherwise inconsistent with the General Agreement 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, the following conditions have to be met:

- (i) the laws or regulations in question 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.

60. Of possible relevance to some aspects of the problem of trade in counterfeit goods is Article IX which is entitled "Marks of Origin". In its first five paragraphs, this Article attempts to ensure that marking requirements are not used in such a way as to hamper unnecessarily international trade or discriminate between contracting parties. Paragraphs 2 and 5 relate to questions of enforcement; they read as follows:

"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."

"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."

61. 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."

62. It should be noted that the Analytical Index records in regard to Article IX:6 that the report of the drafting committee of the corresponding provision of the Havana Charter stated 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)".

63. 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". The Recommendation, inter alia, reaffirms paragraph 5 of Article IX. In the Recommendation, it is specifically stated, however, 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 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 have been received.

64. Also of possible relevance to some aspects of the issue are the provisions of Article XX(b) of the General Agreement, and also of the Agreement on Technical Barriers to Trade, which aims, *inter alia*, to ensure that packaging, labelling and marking requirements connected with technical regulations and standards do not create unnecessary obstacles to international trade.

65. Other GATT provisions relating to the protection of intellectual property rights are those contained in Articles XII:3(c)(iii) and XVIII:10 relating to restrictions to safeguard the balance of payments. These prohibit such restrictions from being so applied as to prevent compliance with patent, trademark, copyright or similar procedures.

66. Finally, there are a number of GATT provisions that could be of relevance to the extent that trade in counterfeit goods, or measures taken to deal with such trade, were considered to affect the operation of the General Agreement, to impede the fulfillment of its objectives or to nullify or impair benefits that accrue to contracting parties under the General Agreement, or to the extent that joint action in this area was considered likely to contribute towards furthering the objectives of the General Agreement. These provisions include Articles XXII, XXIII and XXV:1.

67. A number of views have been expressed on the relevance of these GATT provisions to possible joint action in the GATT framework on trade in counterfeit goods. Some delegations believe that the General Agreement gives contracting parties a wide degree of latitude to take measures against imports of counterfeit goods and have stressed the need for further international discipline in this area to safeguard against possible misuse of such measures to impede legitimate trade. Nevertheless, some delegations have emphasized the existing GATT obligations regarding such measures as summarized in paragraph 59 above. As to the aim of discouraging more effectively trade in counterfeit goods, some delegations are of the view that Article XX(d) provides an adequate basis for joint action. The point has also been made that, whereas the GATT rules aimed at safeguarding against the misuse of action against trade in counterfeit goods to create new and perhaps discriminatory obstacles to legitimate trade are mandatory, those regarding action to enforce intellectual property rights are permissive in character.

V. WHAT ARE THE TYPES OF MEASURES AND PROCEDURES EMBODIED IN NATIONAL LEGISLATION AIMED AT DEALING WITH TRADE IN COUNTERFEIT GOODS?

68. National laws on intellectual property often have many common features, either because they stem from common legal traditions or because of international agreements that lay down certain minimum requirements. However, national laws also vary considerably, including in regard to procedures, remedies and sanctions in cases of infringement (which are less regulated by international agreements than substantive intellectual

property law). The paragraphs that follow attempt, on the basis of information available, to indicate some of the main common features of, and differences in, national legislation on trademarks as it relates to trade in goods that infringe such rights. Some information on national legal systems in regard to other forms of intellectual property considered by some delegations to be relevant to the present exercise is contained Annex IV of this note.

69. The information does not attempt to be comprehensive; it is clear that not all features of all legal systems can be mentioned. An aim has been to present such information as might be more relevant to consideration of the feasibility of dealing with imported goods suspected of being counterfeit while they are still under customs control, including in regard to the ease or difficulty of establishing whether a legal right to protection of the trademark or other intellectual property in question exists and whether an infringement has taken place. However, the extent to which it has been possible to give an adequate outline of the types of measures and procedures embodied in national legislation aimed at dealing with trade in counterfeit goods has been dependant on the information available.

(a) General legal provisions on trademarks

70. There is no internationally accepted definition of a trademark. While the detailed criteria that have to be met for a trademark to be eligible for protection vary among legal systems, a trademark is generally understood to be a visible sign capable of distinguishing the goods of an enterprise from the goods of other enterprises. Acquisition of a right to the protection of a trademark under trademark law is now based in most countries on registration.¹ A trademark is registered for a particular class (or classes) of goods. The basic right of the owner of a valid trademark under trademark law is to the exclusive use of his trademark with respect to the goods for which it is registered. That exclusive right is limited to the country where the trademark has been registered (or rights to it have been acquired through use); its protection depends on the laws of that country. In contrast to copyrights or patents, the exclusive right in a trademark is not limited in time, though its continuance may be subject to certain conditions, such as renewal of registration and use. Exceptions in many countries to the registration and use conditions of protection, and also to the limitation of that protection to the use of the trademark in respect of particular products, exist in respect of trademarks considered to be "well-known" in the country concerned, which often benefit from protection even where not registered or used and in relation to products different from those for which the owner has registered the mark.

(b) Infringement of trademarks

71. The main benefit conferred by registration of a trademark is protection against infringement - which is generally taken to mean the use

¹In certain countries, registration is official recognition of the right to a trademark that has already been acquired by use; in those countries, unregistered trademarks can receive protection under trademark law. It might also be noted that in many countries an unregistered trademark may be eligible for protection under other laws, such as those relating to unfair competition or passing off.

of an identical or confusingly similar trademark for the same or similar goods (as those for which the trademark has been registered) by someone other than the owner of the mark or a person authorized by him. Infringement under most laws can result from the unauthorized affixation of a trademark to goods as well as the unauthorized selling and distribution (including importing) of such goods. Where an identical mark is used on an identical product, the determination of infringement is usually straightforward, once it has been established that the mark has been used without authority. In some countries, no likelihood of confusion has to be established in such cases. In those countries where such likelihood is required, this is generally presumed to exist where an identical mark is used on an identical product. Where the question relates to a similar trademark or a similar product, the basic test generally employed to determine whether or not there has been infringement is whether the average consumer (generally held to be the ultimate purchaser, not the wholesaler or retailer) would be likely to be deceived or confused. Where protection from infringement is sought not on the basis of registration, but on the basis of a legal right stemming from use or on the basis that the trademark is "well-known", it has also to be established that the trademark is sufficiently renowned in the country concerned to be eligible for such protection.

72. One of the main purposes of the registration procedure for trademarks has been to clarify and make more effective legal rights in this area, and to simplify litigation.¹ Trademark infringement can be considered as a particular type of passing off offence (and indeed the law on trademarks developed historically from the general law relating to passing off), but determination of infringement is usually easier in cases involving registered trademarks than it is in cases involving unregistered trademarks or other forms of passing off. Trademark legislation ordinarily provides that registration is prima facie evidence of the validity of the registrant's ownership of the trademark. The main defences in cases where a person is sued for trademark infringement are to demonstrate that the trademark registration is invalid, either because it was unduly registered or that the trademark owner has not met certain (e.g. user) requirements; that the trademark used is not confusingly similar; that the goods on which it is used are not similar; that the defendant's use of the trademark in the country predates its registration by the complainant; and that the alleged infringing trademark is not a trademark but simply the defendant's name or a descriptive term used to describe the goods or their geographical origin.

¹Procedures for the examination of applications for the registration of trademarks vary between countries. In some countries, the trademark office examines the mark as to the objective grounds of its registrability (regarding use of geographical terms, generic words, names and surnames, etc.) and also to confirm that no conflict exists with any mark already protected. In many countries, however, the trademark office examines applications only as to absolute grounds of registrability and does not ex officio consider possible conflicts with protected marks. In some such countries, the application is published for opposition before registration is granted to permit prior registrants or users to oppose the application. In others, publication occurs only after registration, so that interested parties are only then in a position to institute cancellation proceedings on grounds that the mark was wrongly registered. In a number of countries, applications for registration of a mark are only examined as to form.

(c) General remedies and sanctions in relation to infringement of trademarks

73. A trademark owner believing that his trademark is being infringed can seek relief by instituting a private action through the national courts. The main forms of redress available to an affected trademark proprietor are generally through civil remedies, but in most countries penal sanctions are also available where fraudulent intent can be established. In some countries a competent public authority, for example the public prosecutor, can also initiate an action, either on his own volition or in response to a complaint; the extent to which this happens in practice varies among countries. Ex officio prosecution is more common where penal actions are involved and public as well as private interests deemed to be at stake. In the event of penal actions, police assistance is also more likely in the process of investigation.

74. Different combinations of civil remedies are available in different countries. However, they generally include a number out of the following:

- court injunctions ordering the offending party to cease and desist;
- awards of damages (sometimes treble) and/or profits accruing from the infringing activities;
- awards of legal costs;
- forfeiture of the counterfeit goods (and, in some cases, their handing over to the trademark owner);
- destruction of the counterfeit goods, either in total or, where possible, only those parts, packages, wrappings, etc. bearing the infringing marks;
- destruction of the implements by which the infringement was committed;
- giving publicity to the court's findings.

Penal sanctions where available consist of fines and/or imprisonment.

75. Some legal systems provide for preliminary relief in the form of preliminary injunctions, prior to the court's final judgement, in cases where the court considers that a prima facie case of infringement has been made and any delay in action might do damage to the interests of the complainant. In some countries, courts may issue ex parte (i.e. without providing notice to the suspected infringer) search and seizure orders in respect of infringing material, relevant documents and other evidence, and also sometimes ex parte interim injunctions. Security must sometimes be provided by the complainant so as to compensate the defendant in the event that any damage is caused to his legitimate interests. Ex officio search and seizure (by police, customs or a government department) is also possible in some countries. Another avenue available under at least one legal system is an ex parte order freezing the defendant's assets; this is considered of particular value in cases involving trade in counterfeit goods because it prevents the transfer of funds out of the country.

(d) Remedies in relation to imports infringing trademarks

76. In principle, under trademark law, the registered owner of a trademark has the same rights in respect of infringing goods imported in the country where his registration is valid as he has in respect of domestically produced such goods. Thus, he can invoke the general procedures outlined above in order to prevent any person from importing infringing goods, or distributing and selling them within the country. In some countries the customs administration can be requested to implement court search and seizure orders, and also preliminary or final orders seizing infringing items and/or prohibiting their import by persons on whom the orders have been served.

77. A number of countries have provided for special remedies and procedures in relation to goods bearing a registered trademark imported without the authorization of the trademark owner or user. Generally, the trademark owner or user has to file a request to have imports bearing a specific trademark monitored by customs; evidence of ownership of the trademark must be provided and a fee may be payable. In some cases, customs will only monitor specific suspect shipments on submission of precise details by the trademark owner. When suspect shipments are identified by customs, they are detained. In some countries, customs has the authority to make a determination of infringement and to decide on the disposal of the goods, subject in respect of both aspects to notification of the interested parties and possible appeal, initially to an administrative tribunal and then to a judicial one. In some other countries, customs can only detain the goods for a limited period, so as to give the trademark owner the opportunity to initiate an ordinary court action to have the seizure confirmed and to seek other relief. Sometimes customs requires the lodging of some form of security by the trademark owner so as to be able to indemnify the importer in the event that damage is caused to his legitimate interests. The way in which the seized goods are disposed of and the sanctions against the importer following a determination of infringement vary depending on the nature of the offence and the country concerned. Among the possibilities in countries where these matters may be decided by customs are one or more of the following:

- obliteration of the offending mark on the goods and their return to the importer or owner;
- requirement to re-export the goods (with or without obliteration of offending marks);
- forfeiture of the goods, obliteration of the offending marks and disposal by sale (immediate or delayed), delivery to a public body or donation to charity;
- destruction of the goods if the illegal markings cannot be removed.

78. Another special remedy available in one country derives from legislation which makes unlawful unfair methods of competition and unfair acts in the importation of goods, the effect or tendency of which is to substantially injure or destroy a domestic industry, efficiently and economically operated, or to restrain or monopolize trade or commerce. The acts covered by this law may include trademark violations (in regard to either registered or unregistered trademarks) as well as a range of other

intellectual property offences. A statutory body is required to investigate petitions filed before it by private parties. Where a violation is found, cease and desist orders (addressed to the importer) or orders excluding the infringing goods from importation can be issued, subject to review by the executive branch of government. The exclusion orders, which are enforced by the customs, can either be limited to the infringing product made by specified firms or generalized to the infringing product made by any firm.

(e) Treatment of parallel importations

79. Parallel importations refer to importations of so-called "genuine" trademarked goods, that have been produced or marketed in another country by the trademark owner or with his consent, or by a company related to the trademark owner, but are imported without his authorization. This situation can arise because, once goods have been put on the market by the trademark owner, his licensee or a related company, rights under trademark law regarding their subsequent resale cease; the goods can then be sold for export to another country where the same person owns the trademark. Parallel importation can also result from the export of "genuine" goods directly by a trademark owner, distributor or licensee in contravention of a commercial arrangement.

80. In many countries, parallel importations are generally not held to infringe trademarks rights, but may be held to do so in certain circumstances, for example where the parallel imported product is substantially different from the one generally locally marketed under that trademark. The determination of infringement in cases of parallel importation can often be difficult and the criteria employed vary from country to country. It would appear that, at least in some of the countries where customs has authority to detain imports infringing a registered trademark, customs do not presently exercise this authority vis-à-vis parallel imports.

81. It has been pointed out in the WIPO study on "The Role of Industrial Property in the Protection of Consumers" that "parallel importation may make the control of trade in counterfeits much more difficult; in particular, it may place a heavier burden on customs officials in controlling the importation of counterfeits, since it will be much more difficult to identify counterfeit products and segregate them from genuine products being imported under authentic marks".

(f) Treatment of exports

82. Where trademark laws forbid the unauthorized affixation on goods of an identical or confusingly similar mark, legal action can usually be taken against the export of such goods. However, under some jurisprudence such affixation may not be considered an infringement if the goods in question are shipped directly for export and the use of the mark is legal in the country to which the goods are destined. This position is based on the idea that infringement can only take place if the goods have entered into trade in the country where the mark is protected.

83. Another practice of which there is some use in regard to the treatment of exports of trademarked goods is to make the allocation of export licences dependent on the exporter providing evidence that the buyer is

entitled to use the trademark affixed to the goods in the country of destination.

(g) Treatment of goods in transit

84. Another issue of possible importance concerns the treatment of goods in transit which could be held to infringe a trademark legally protected in the country through which the goods are passing (cf. Article 9(4) of the Paris Convention). It would appear that in some countries goods in transit held in customs warehouses are not considered to fall within the jurisdiction of national courts as far as trademark questions are concerned. The secretariat does not have further information on national laws and practices in regard to goods in transit.

(h) What in general terms can be said about the adequacy of existing measures and procedures in discouraging trade in counterfeit goods?

85. The situation naturally enough varies from country to country. Some delegations have indicated that they believe that the general legal possibilities available in their own countries are proving adequate to provide an effective means of preventing the importation and subsequent distribution of counterfeit goods in their own countries. However, some others have indicated that they are taking steps to reinforce their national legislation in this area. Some delegations also consider that the present enforcement possibilities are often not proving capable of effectively discouraging trade in counterfeit goods in many markets of importance to their industry. It might also be noted that the WIPO Secretariat, commenting on the importance for consumers of speedy and inexpensive procedures being available to industry to enforce in practice their intellectual property rights, has said that "one of the areas where more effective and speedy procedures are needed, not only for the benefit of industrial property owners, but also of consumers, is in combating piracy and counterfeiting" ("The Role of Industrial Property in the Protection of Consumers", WIPO, 1983).

86. Some delegations have reported the areas of concern about the current situation regarding the enforcement of trademark rights vis-à-vis imported goods along the following lines:

- (i) In regard to the rôle of customs, there are only a limited number of countries where customs have the power to intervene. Even in some of those countries, the rôle of customs is of limited value because of the narrowness of their powers, or of the way in which their powers are exercised. For example, the trademark owner may be required to provide the precise date, time and place of arrival of the suspected counterfeit goods before customs will consider taking action.
- (ii) In many countries customs cannot take action even where they are certain the goods are counterfeit. Furthermore, customs often have no power to inform the trademark owner of the arrival of such goods so that he can pursue remedies through the courts.
- (iii) Court injunction procedures are often too slow and cumbersome, so that relief frequently cannot be obtained until after the goods have been put on of the market. Furthermore, in order to

obtain an injunction the trademark owner may be required to provide the exact name and address of the importer. This information may often be unavailable to him without the cooperation of customs.

- (iv) Where importers are found guilty in a criminal or civil action of dealing in counterfeit goods, the sanctions are often insufficient to deter the importer from repeating the offence. In such circumstances, the goods are not always disposed of in such a way as to penalize the importer and ensure that the goods do not re-enter commercial channels (for example, in some cases, the goods may be re-exported).
- (v) Judicial and administrative authorities do not always give sufficient priority to action to repress counterfeiting.

VI. IS THERE A NEED FOR PROVISIONS AND PROCEDURES DIRECTED SPECIFICALLY TOWARDS DEALING WITH COUNTERFEIT GOODS WHICH ARE IMPORTED AS OPPOSED TO GOODS WHICH ARE PRODUCED OR SOLD IN THE COUNTRY? WHAT SPECIAL PROVISIONS AND PROCEDURES MIGHT BE INVOLVED?

87. The arguments made in favour of special provisions and procedures against imports are based on the greater jurisdictional and practical difficulties with enforcing the ordinary relief measures against foreign parties as opposed to domestic parties. It is argued that whereas counterfeits from a domestic producer, once identified, can generally be stopped at source, that is to say at the point of production, this is much more difficult to do in the case of a foreign producer. It is for these reasons that in rem measures, operating against goods rather than parties, are employed in certain legal systems in regard to infringing imports. The problem is described as having a number of aspects:

- (i) One relates to the difficulty of enforcing court rulings against a foreign producer, even where it had been possible to duly serve him notice of legal process. An award of damages might be enforceable in the country of importation if the foreign producer has sufficient assets there. However, awards of damages in other circumstances and court injunctions would have to be enforced through an application for enforcement in the courts of the country where the foreign producer is located. Whether the judgement would be recognized and enforced depends on the national law of the foreign country concerned. The cost, difficulty, uncertainty of result and duration of such procedure may often rule it out in practice.
- (ii) Another possible approach available to a trademark owner in such a situation is to attempt to initiate action against the foreign producer through the courts in the home country of the latter. This solution depends both on the trademark owner having legal rights in respect of the trademark in that country - which he may not - and also on the effectiveness of the enforcement procedures in that country. In addition, it is claimed that fighting court cases in a foreign country with different legal systems, language, etc. can be a lengthy, difficult and expensive process, especially for small and medium-sized enterprises. Moreover, all this depends on the foreign source

of the counterfeit goods being successfully identified, which may not be easy and will generally be more difficult than in respect of a domestic source.

- (iii) Another approach in the event of infringement by a foreign producer is to litigate against the importer or distributor in the country of importation. This approach can be successful in stopping an importer or distributor from engaging in the illicit activity, but it generally cannot prevent foreign producers from obtaining new distributors in the country of importation.

88. The arguments against special procedures and provisions against imports of counterfeit goods as opposed to domestically-produced and sold such goods are essentially based on the view that there is a risk that special procedures and provisions might be misused to harass or impede legitimate trade, and that full recognition of the national treatment principle (and also of the m.f.n. principle) provides an important safeguard against such misuse. Moreover, some delegations argue that the substantive problems involved in combating counterfeiting are largely the same whether the goods are sold domestically or imported, and that therefore there is no reason to envisage differing procedures or measures according to the origin of goods. Some delegations have also pointed to the experience in their own countries where they consider action against counterfeit imports has generally been effective even though no essential distinction has been made between domestic and imported products.

89. It might be noted that the above issues regarding the need for special procedures and their compatibility with the General Agreement, in particular Articles III and XX(d), were discussed in the context of the Article XXIII action initiated by Canada against the United States in respect of the exclusion of imports of certain automotive spring assemblies by the United States following a finding of patent violation and the use of a special adjudicative procedure regarding imports (Section 337 of the United States Tariff Act) for this purpose. The report of the Panel is in document L/5333, submissions by Canada and the United States to the Council in documents C/W/396 and C/W/400 respectively, and the Council's decision on the disposition of the Panel's report in document C/M/168 (item 7).

90. As to the procedures and provisions that might be involved in discouraging more effectively trade in counterfeit goods, the ideas of a number of delegations have been put before contracting parties in document L/5382.

91. One possible approach in the view of some of these delegations would be simply to prohibit the importation of goods bearing counterfeit trademarks, making such an activity a customs offence. Customs services would then be empowered to seize such goods in the same way as they seize contraband and dispose of them in a similar way.

92. Another approach suggested as being possibly more acceptable in some countries - an approach which would leave the protection of intellectual property rights essentially in the domain of private law - would be to find ways of ensuring that imported goods reasonably suspected of being counterfeit are not cleared by customs until the owner of the trademark right has had a reasonable opportunity of pursuing the remedies available to him in the courts. In such cases, it is suggested that ways should also

be found to ensure that the sanctions applied are sufficient to deprive importers of counterfeit goods of the economic benefits of their illicit operations.

93. Two arguments have been put forward for action against counterfeit goods, whether imported or domestically produced, being generally the responsibility of judicial rather than administrative authorities:

- One relates to the risk of the erroneous seizure of goods suspected of being counterfeit, and the consequent harm to the economic agent concerned (especially where seasonal goods are concerned) and danger of non-tariff barriers to trade. In this connection, it is suggested that counterfeit goods are tending to become increasingly accurate imitations of genuine products and that, as a result, it is becoming increasingly difficult to detect them without thorough examination and specialized technical knowledge.
- It is further argued that judicial procedures may prove more effective in countries where the competent administrative authorities do not place a high priority on combating counterfeiting.

VII. WHY DO SOME GOVERNMENTS CONSIDER PRESENT POSSIBILITIES FOR ACTION INADEQUATE AND FEEL THE NEED FOR ADDITIONAL MULTILATERAL ACTION IN THIS AREA?

94. An essential question in this respect is why do some governments consider that purely national action by them to discourage imports of counterfeit goods into their countries would not be adequate, and that multilateral action is desirable. Four main reasons have been put forward:

- (i) Governments are not only concerned with imports of counterfeit goods into their national territories, but also with such imports into third countries. This is because imports of counterfeit goods into third countries represent unfair competition to, and cause damage to, the legitimate export trade to those countries.
- (ii) National action against imports may only succeed in diverting the trade to other markets. Moreover, exporters of counterfeit goods often not only switch markets but also shift their production centres between countries with a view to circumventing efforts to repress their activities. Making the world an inhospitable place for trade in counterfeit goods can only be achieved through coordinated international action.
- (iii) Another reason given stems from concern about the possibility that national action to discourage trade in counterfeit goods could be misused so as to create obstacles to legitimate trade. Some delegations point out that this risk already exists, since some governments have already taken national action and some others are coming under great pressure to do so. They consider that the risk that more stringent action against imports of counterfeit goods will cause difficulties to their legitimate export trade will be less if such action is taken in the context

of international disciplines which provide adequate safeguards and possibilities for raising and resolving any difficulties that might arise.

- (iv) Effective action against trade in counterfeit goods will be facilitated by greater cooperation and exchange of information among customs administrations and governments, so as to monitor to the extent possible trade in counterfeit goods and counterbalance the international networks established by counterfeiters.

95. For these reasons, governments that consider there is need for multilateral action advocate an international instrument that would set out objectives, broad guidelines for national action and arrangements for international cooperation; leave detailed legislation and procedures to be formulated by individual parties; and provide for effective surveillance, consultation and dispute settlement arrangements so as to further the objectives of the agreement and deal with any difficulties that might arise.

VIII. WHAT OTHER CONSIDERATIONS RELEVANT TO THIS MATTER, E.G. THE NEED TO ENSURE THAT NEW OBSTACLES TO LEGITIMATE TRADE OR SCOPE FOR UNJUSTIFIED DISCRIMINATION ARE NOT CREATED, WOULD NEED TO BE TAKEN INTO ACCOUNT IN ANY ACTION UNDERTAKEN IN THE GATT FRAMEWORK?

96. A set of considerations that has been raised in the information given to the secretariat relates to the need to ensure that any action against trade in counterfeit goods does not generate scope for new obstacles to legitimate trade or for discrimination among countries. A number of related questions have already been mentioned, such as the rôle of special provisions and procedures to combat imports of counterfeit goods and the feasibility of making determinations of infringement, even on a preliminary basis, while suspect goods are still under customs control, without detaining such goods unduly prior to such determination. Relevant to these questions would be an assessment of the particular types of intellectual property infringement which might be the subject of such measures, the respective rôles of customs and courts regarding decisions on the detention of suspect goods and determination of infringement, and the need for special skills and the physical examination of goods by customs. Other areas of concern mentioned are, for example, that customs might apply procedures against imports of counterfeit goods too enthusiastically, or that trademark owners might make unfounded requests for customs intervention. As indicated earlier, these concerns are one reason why some delegations see the need for multilateral disciplines in this area that would limit the scope for such abuse and provide effective means of redress if difficulties arise. In this connection, the question has been raised of what safeguards should be formulated to ensure that procedures and measures against imports of counterfeit goods are not used as an unnecessary restriction on international trade or as a means of arbitrary or unjustified discrimination between countries where the same conditions prevail.

97. The question of safeguards can be viewed at two levels. First, what obligations should be required to be built into national law and, secondly, what provisions should exist at the international level to ensure respect of these obligations and to provide recourse in the event that difficulties nevertheless arise.

98. In regard to safeguards built into national law, the need for such safeguards would have to be considered at each stage of action against imports of suspected counterfeit goods. Without going into questions of modalities which is not the purpose of this paper, below are listed some of the issues mentioned as needing considerations at each stage.

(i) Determination of whether a legal right to protection of the trademark or other intellectual property in question exists

Before any action is taken against imports of a good suspected of being counterfeit, the owner of the intellectual property in question should establish that he has in fact a valid legal right to protection of that property. Where doubts exist or complicated legal determinations are necessary, it may not be possible to establish this prior to customs clearance of the goods without delaying the goods for an undue period. Any action on trade in counterfeit goods would need to take into account the ease or difficulty of determining whether a valid legal right exists. Section V and Annex IV of the paper provide some relevant information in this connection for different types of intellectual property.

(ii) Detention of suspect goods

The question of what evidence that suspect goods are probably counterfeit should be required before they are detained would need to be considered. Where suspect goods are detained under a preliminary administrative or judicial order, the question arises of how long such detention might be allowed without a confirmation of the finding of infringement. Moreover, in some present systems, parties seeking summary action by customs or courts to seize goods suspected of being counterfeit are required to provide security (by bond or deposit of money). In the event that the good concerned is not subsequently determined to be counterfeit, the security may be forfeited and employed to indemnify the owner of the goods in the event that damage is done to his legitimate interests.

(iii) Determination of infringement

If action at the border against suspect goods is not to impede legitimate trade, in addition to determining whether a valid right to protection of the intellectual property in question exists, determination of whether the good in question involves an infringement of that right has to be made reliably and quickly. Thus the ease or difficulty with which such determinations can be made becomes important. Section V and Annex IV of this note give some information on this in regard to different types of intellectual property. Section V also discusses in the case of trademark infringement the relative complexity of infringement determinations when these involve the use of similar rather than identical trademarks or similar rather than identical goods. The question of parallel imports is also relevant in this connection. The respective rôle of the courts and administrative authorities (such as customs) in making preliminary and final determinations of infringement would need to be examined, as would the relationship between, on the one hand, the procedures and criteria for determining such infringement where imports of suspect goods are involved and, on the other hand, those where domestically produced and sold suspect goods are involved.

(iv) Information and appeal

Any system of safeguards against abuse would need to make adequate provision for affected parties to be informed of action taken against goods owned by them and for the possibility of appeal against such actions, especially when taken under administrative authority.

99. The second type of safeguard mentioned above would be provisions aimed at ensuring the effective international enforcement of the disciplines in this area and providing effective redress to any country believing that its legitimate trade was being impeded by measures against counterfeit goods. In this regard, benefit can be gained from experience with the drafting and implementation of the non-tariff measure Codes. These provisions might include:

- notification and surveillance (notification and examination of national implementing legislation; notification of information on, and review of, the implementation of the disciplines resulting from any joint action);
- consultation, conciliation and dispute settlement mechanisms.

ANNEX I

DATA ON THE SIZE AND EFFECTS OF TRADE IN COUNTERFEIT GOODS

1. The two main sources of information made available on the subject are:

- the paper on "International Trade in Counterfeit Goods - The Problems" circulated by the European Communities in document L/5512 of 8 July 1983;
- a United States International Trade Commission report, "The Effects of Foreign Product Counterfeiting on U.S. Industry" (USITC Publication 1479, January 1984).

2. Since the paper of the European Communities is already available to contracting parties, the information contained in it is not reproduced here. It will be recalled that the paper deals with:

- the countries in which goods bearing counterfeit trademarks have been found;
- the categories of good affected;
- health and safety risks;
- losses incurred by legitimate producers and consumers;
- impact of counterfeiting on developing countries; and
- growth trends in counterfeiting.

3. Some of the main findings of the USITC report are reproduced below. The information in the USITC report on products affected and the impact of counterfeiting is basically derived from industry sources, and in particular from responses to a questionnaire sent to all United States producers known or believed to have experienced competition from foreign produced counterfeit goods. The report notes that some respondents, many of which are known to have experienced significant counterfeiting, could not provide specific replies to a number of questions, particularly those regarding sales lost solely due to counterfeiting and identification and enforcement costs. The report thus states that the questionnaire data must be viewed as representing a minimum for each industry.

4. In regard to the information contained in the USITC study, two points in particular should be noted:

- The study deals with the effect of foreign produced counterfeit goods on both the domestic and export sales of United States industry. The data on the effects on United States export sales not only relates to internationally traded counterfeit goods produced in third countries, but also goods produced and sold domestically in United States export markets that are considered to have displaced United States exports, i.e. counterfeit goods that have not themselves been internationally traded.

- For the purposes of the USITC study, the term "counterfeit goods" was taken to mean any goods bearing an unauthorized representation of a trademark that is legally registered in respect of such goods in the country of importation or sale, but not including goods produced or marketed under a protected trademark by the owner of the trademark right or with his consent or goods bearing an authorized trademark which are imported or sold in contravention of a commercial agreement. However, the report also contains some data relating to other counterfeiting-type practices, such as passing off and copyright and patent infringements.

5. The main findings of the USITC report relating to the size and significance of trade in counterfeit goods are as follows:

(a) Product categories affected and types of counterfeiting activity

6. The USITC study summarizes the responses to their questionnaire on the products affected by counterfeiting (in the sense used in that study) during 1980-82 as follows¹:

<u>Industry sector</u>	<u>Product items counterfeited²</u>
Chemicals and related products	33 product items - agricultural chemicals, cosmetics and toiletries, drugs and pharmaceuticals, petroleum products, and miscellaneous rubber and plastic products.
Transportation equipment parts and accessories	27 product items - a wide variety of automobile parts and accessories, and aircraft parts.
Wearing apparel and footwear	25 product items - fashion and athletic apparel and footwear.
Miscellaneous metal products, machinery and electrical products	17 product items - hand tools, machine tool dies, industrial plug valves, video computer hardware, video switchers, speakers, circuit breakers and fuses, battery packs, wire connectors, integrated circuits and toasters.

¹ It will be recalled that the European Communities, in its information paper (L/5512), listed 30 categories of goods that had been affected by counterfeiting. A product area mentioned in the USITC report as one where foreign product counterfeiting of United States produced goods was negligible during 1980-82 was that of food, beverages and tobacco. However, these areas have been specifically mentioned by certain other delegations as ones where their producers have experienced competition from counterfeit products.

² A product item encompasses varying models of a single product by a single respondent.

Records and tapes	8 product items (records of different titles reported by one respondent are treated as one product item) - recorded video and audio discs and tapes, and blank tapes.
Sporting goods	8 product items - tennis and golf equipment, and sports balls.
Miscellaneous manufactures	33 product items - luggage, handbags, and flat goods; writing instruments; sunglasses; jewellery; toys; computer software; and video, arcade and other electronic games.

7. The USITC study also contained the table below summarizing information on the number of product items reported in response to their questionnaire to have been affected by other counterfeiting-type practices. The report notes that for several industries counterfeiting in the sense used in the report was less prevalent than certain other counterfeiting-type practices. For the automobile parts and accessories, chemical, sporting goods and toy industries, patent infringements and passing off were the more common problems; records and tapes and video games suffered in particular from copyright infringement.

Industry sector	Grey market sales ¹	Trade dress/ passing off	Patent infringement	Copyright infringement
Chemicals and related products	8	18	6	0
Transportation equipment parts and accessories	3	9	7	4
Wearing apparel and footwear	6	14	2	5
Miscellaneous metal products, machinery and electrical products	3	15	4	3
Records and tapes	5	1	1	6
Sporting goods	5	3	3	2
Miscellaneous manufactures	6	17	7	9
Total	36	76	30	29

¹The term "grey market sales", as used in the USITC report, refers to goods bearing an authorized trademark that are sold in contravention of a commercial arrangement, e.g. legal production by a licensee sold in markets restricted by the licensing agreement, deliberate unreported overproduction by a licensee that is sold without the knowledge of the trademark holder.

(b) Growth and diversification trends in counterfeiting

8. The USITC report records that all of the seven industry sectors examined reported an increase in the number of counterfeit product items between 1980 and 1982. For two sectors, wearing apparel and footwear and records and tapes, the increase was less marked and consistent than for the other sectors. Total numbers reported of foreign produced counterfeits of United States produced items increased on the United States market from 50 in 1980 to 67 in 1982 and on export markets from 74 in 1980 to 106 in 1982. Other indicators of growth trends in the report are in the figures for sales lost and expenses to combat foreign counterfeiting outlined below.

(c) Countries affected

9. The report recorded that foreign produced counterfeits of United States produced goods had been reported, during the period 1980-1982, in the United States and in sixty-six other markets, twenty developed and forty-six developing countries.

10. As to foreign sources of products counterfeiting United States goods, the report mentions forty-three countries, thirteen developed and thirty developing.

(d) Quality of counterfeit goods

11. The USITC study reported that, according to responses to the questionnaire and written and oral testimony, counterfeits are generally inferior in quality to the original product. It added, however, that some counterfeits can and do function in a manner similar to the original product, especially where the price of the original is more dependent on a fashion name than on an inherent superiority over lower priced goods.

(e) Effects on United States industry(i) Lost sales

12. United States industry estimates of sales lost due to foreign produced counterfeits of its goods as well as other counterfeiting type activities by foreign producers amounted from US\$6 billion to US\$8 billion for 1982, divided approximately equally between lost domestic and export sales. The estimates of these losses in 1982 for products covered by the USITC's questionnaire are as follows:

US\$ million

Industry Sector	US market	Export markets
Wearing apparel and footwear	700	300
Chemicals and related products	Negligible	170-240
Transportation equipment parts and accessories3000.....	
Miscellaneous metal products, machinery and electrical products	10-15	30-45
Records and tapes	400	258
Sporting goods	250	350
Miscellaneous manufactures	over 200	over 100

13. Those producers which felt able to make individual estimates reported that their domestic United States sales lost due to foreign-produced counterfeit goods increased from US\$15 million in 1980 to US\$23.6 million in 1982. Corresponding figures for lost export sales were put at US\$22.5 million and US\$25.6 million. The report states that many respondents were unable to quantify their lost sales.

(ii) Loss of goodwill

14. Of the fifty-five respondents indicating that counterfeits of their products were different from the original, forty-five indicated that they had lost sales to the counterfeits due to loss of goodwill (in addition to sales lost through substitution), and twenty-three respondents indicated that this loss of goodwill extended to their non-counterfeited products.

(iii) Expenses in combating foreign counterfeiting

15. Respondents reported that their total costs of identifying, detecting, and combating counterfeiting (through registration and enforcement of trademarks) rose from US\$4.1 million in 1980 to US\$5.0 million in 1981 and to US\$12.1 million in 1982. In 1982 an additional US\$5.6 million in identification and enforcement costs was expended combating practices similar to counterfeiting.

(f) Effects on employment

16. Taking as a basis estimates, totalling nearly US\$5.5 billion in 1982, of lost sales due to foreign counterfeiting and similar practices by five industry sectors (wearing apparel and footwear, chemicals and related products, automobile parts and accessories, records and tapes, and sporting goods), and assuming that these lost sales equalled lost output, the USITC estimated that approximately 131,000 United States' jobs, including 127,000 in manufacturing, were lost in these sectors in 1982. One Commissioner on the USITC pointed out that the effects on aggregate domestic employment could only be assessed if all the repercussions on economic variables (e.g. exchange rates, labour-output ratios, etc.) were taken into account.

Annex IIEXISTING INTERNATIONAL LAW RELEVANT TO ACTION AGAINST IMPORTS
INFRINGING INTELLECTUAL PROPERTY RIGHTS OTHER THAN TRADEMARKS

1. Below are summarized the main features of a number of international agreements relevant to action against imported goods that infringe certain intellectual property rights other than trademarks. Countries presently members of these agreements are listed in Annex III below.

(a) Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (WIPO)

2. The aim of the Madrid Agreement is to afford effective means to combat frauds involved in the use of false or deceptive indications of origin on goods. However, the repression of false or deceptive indications used in translation or qualified by such terms as "kind" or "type" is not provided for. The Madrid Agreement is in effect an agreement to make more effective the implementation of Article 10 of the Paris Convention, which provides that the sanctions stipulated in Article 9 of the Paris Convention shall apply in cases of the use of false indications of the source of goods. However, revisions to the Paris Convention since the Madrid Agreement came into force have gradually eroded the additional protection offered by the Madrid Agreement. Article 1 of the Agreement, which is similar to Article 9 of the Paris Convention, specifies that all goods bearing a false or deceptive indication of source by which one of the countries to which the Agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin shall be seized on importation. If national legislation does not permit seizure on importation, importation of the goods shall be prohibited. Where national legislation permits neither of the above, nor seizure within the country, then, until such time as the laws are modified accordingly, those measures shall be replaced by the actions and remedies available in such cases to nationals under the laws of such country. Article 1 further specifies that, 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.

3. The Agreement provides for the manner in which seizure may be requested and implemented. Article 2 of the Agreement states that:

"(1) Seizure shall take place at the instance of the customs authorities, who shall immediately inform the interested party, whether an individual person or a legal entity, in order that such party may, if he so desires, take appropriate steps in connection with the seizure effected as a conservatory measure. However, the public prosecutor or any other competent authority may demand seizure either at the request of the injured party or ex officio; the procedure shall then follow its normal course.

"(2) The authorities shall not be bound to effect seizure in the case of transit."

Unlike the Paris Convention, the Madrid Agreement does not provide for seizure to take place directly at the request of a private party; such parties have only to be given the possibility of applying for seizure through the public prosecutor or any other competent authority.

(b) Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (WIPO)

4. This Agreement imposes on member States general requirements to protect, against usurpation or imitation, the appellations of origin of products of other members which are recognized as such in the country of origin and registered with WIPO under the Agreement. Such protection must be given even where corrective or qualifying terms (such as "kind" or "type") are used or where the appellation is used in translation. Moreover, the Agreement contains provisions to prevent appellations of origin from becoming generic names (in the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods such protection only applies to products of the vine). Article 8 indicates that all remedies for protection shall be defined by the law of each member country in accordance with its national legislation. Such legal action may be taken at the instance of the competent public authority or by any interested party.

(c) Berne Convention for the Protection of Literary and Artistic Works (WIPO); Universal Copyright Convention (UNESCO)

5. Although these two international copyright conventions differ, with the Universal Copyright Convention providing for somewhat lower standards of protection than the Berne Convention, certain fundamental rules aimed at ensuring copyright protection of literary, scientific and artistic works originating in countries parties to them, are common to both conventions. One such rule is the principle of "assimilation", whereby works originating in a member State are protected in every other member State in the same manner as States protect works originating within their own territory (except in certain respects in regard to the duration of protection). Under the Berne Convention, such protection must not be conditional upon compliance with any formality; under the Universal Copyright Convention obligatory formalities are limited to the printing on published works of a copyright notice. Among the major forms of protection that must be given is that of the exclusive right (with certain specified exceptions) of the author to make or authorize reproductions in any manner or form. Article 16 of the Berne Convention stipulates that "infringing copies of a work shall be liable to seizure in any country of the Convention where the work enjoys legal protection". This provisions applies also to reproductions coming from a country where the work is not protected, or has ceased to be protected. The seizure takes place in accordance with the legislation of each member country.

(d) Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (ILO, UNESCO, WIPO)

6. The purpose of the Rome Convention is to provide protection at the international level for the rights of performers, producers of phonograms (i.e. exclusively sound recordings) and broadcasting organizations. The Convention provides for the assimilation of foreign beneficiaries to national ones, and for certain minimum levels of protection. For example, producers of phonograms must be given the right to authorize or prohibit the direct or indirect reproduction of their phonograms. In order to implement this Convention, a country has, in effect, to provide in national law the protection accorded under the Convention by way of copyright or some other specific related (or "neighbouring") right.

(e) Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (WIPO, ILO, UNESCO)

7. This Convention was specifically established to combat piracy of phonograms. Each contracting State is required to protect producers of phonograms who are nationals of other contracting States against the making of duplicates without the consent of the producer and against the importation of such duplicates (provided that any such making or importation is for the purposes of distribution to the public), and against the distribution of such duplicates to the public (Article 2). The means by which the Convention is implemented are left to the domestic law of each contracting State, but shall include one or more of the following: protection by means of the grant of copyright or other specific right; protection by means of the law relating to unfair competition; protection by means of penal sanctions. The secretariat of the Convention is provided by WIPO, in cooperation with ILO and UNESCO for matters relating to their respective fields of competence.

(f) Other international agreements

8. A number of other international agreements relate to the protection of intellectual property. Most of these are mainly concerned with administrative matters, such as arrangements for the international registration or deposit of objects of industrial property (trademarks, industrial designs, appellations of origin, etc.) or international classifications for purposes of registration. Among the instruments that might be mentioned are:

- The Madrid Agreement Concerning the International Registration of Marks (WIPO) (26 members);
- The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (WIPO) (32 members);
- The Trademark Registration Treaty (TRT) (WIPO) (5 members);
- The Hague Agreement Concerning the International Deposit of Industrial Designs (WIPO) (19 members);
- The Locarno Agreement Establishing an International Classification for Industrial Designs (WIPO) (15 members);
- The Patent Cooperative Treaty of Washington (WIPO) (36 members);
- The Strasbourg Agreement Concerning the International Patent Classification (WIPO) (27 members);
- Nairobi Treaty on the Protection of the Olympic Symbol (WIPO) (18 members).

Membership of Certain International Agreements relating
to the Protection of Intellectual Property (as of 31 December 1984)^{1/}

Country	Paris Convention for the Protection of Industrial Property	Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods	Lisbon Agreement for the Protection of Appellations of Origin and their International Registration	Berne Convention for the Protection of Literary and Artistic Works	Universal Copyright Convention	Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations	Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Contracting parties to GATT</u>							
Argentina	X			X	X		X
Australia	X			X	X	X	X
Austria	X				X		
Bangladesh	X ^{2/}			X	X	X	X
Barbados	X			X	X		
Belgium	X				X		
Belize				X			
Benin	X	X		X	X	X	X
Brazil	X						
Burma							
Burundi	X			X	X		
Cameroon	X			X	X		
Canada	X			X	X		
Central African Republic	X			X			
Chad	X			X			X
Chile					X	X	
Colombia			X	X	X	X	
Congo	X	X	X		X		
Cuba	X	X		X			
Cyprus	X			X	X	X	X ^{3/}
Czechoslovakia	X	X	X	X	X	X	X
Denmark	X			X	X		
Dominican Republic	X	X		X			X
Egypt	X	X		X	X	X	X
Finland	X	X	X	X	X		X
France	X	X	X	X			
Gabon	X		X	X			
Gambia							
Germany, F.R.	X	X		X	X	X	X
Ghana	X			X	X		
Greece	X						
Guyana					X		
Haiti	X		X	X	X		X
Hungary	X	X	X	X	X		
Iceland	X			X	X		X
India				X	X		
Indonesia	X						
Ireland	X	X		X	X	X	X
Israel	X	X	X	X	X	X	X
Italy	X	X	X	X			
Ivory Coast	X			X			
Jamaica				X	X		X
Japan	X	X			X		X
Kenya	X						
Korea, Republic of	X						
Kuwait				X	X	X	X
Luxembourg	X			X			
Madagascar	X				X		
Malawi	X						
Malaysia							
Maldives				X	X		
Malta	X			X			
Mauritania	X				X		
Mauritius	X				X		
Netherlands	X			X	X		X
New Zealand	X	X		X	X		
Nicaragua							
Niger	X			X	X	X	
Nigeria	X				X	X	X
Norway	X			X	X		

^{1/} Includes ratifications or accessions deposited before 31 December 1984 but to take effect later.

^{2/} Takes effect 12 March 1985.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pakistan				X	X		
Peru					X		
Philippines	X			X	X	X	
Poland	X	X		X	X		
Portugal	X	X	X	X	X		
Romania	X			X			
Rwanda	X			X			
Senegal	X			X	X		
Sierra Leone							
Singapore							
South Africa	X			X			
Spain	X			X	X		X
Sri Lanka	X	X		X	X		
Suriname	X			X			
Sweden	X	X		X	X	X	X
Switzerland	X	X		X	X		
Tanzania	X						
Thailand				X			
Togo	X		X	X			
Trinidad and Tobago	X						
Turkey	X	X		X			
Uganda	X						
United Kingdom (Hong Kong)	X (X)	X		X	X (X)	X	X (X)
United States	X				X		X
Upper Volta	X		X	X			
Uruguay	X			X		X	X
Yugoslavia	X			X	X		
Zaire	X			X			X
Zambia	X				X		
Zimbabwe	X			X			
<u>Acceded provisionally to GATT</u>							
Tunisia	X	X	X	X	X		
<u>Other countries</u>							
Algeria ^{1/}	X	X	X		X		
Andorra					X		
Bahamas ^{1/}	X			X	X		
Bulgaria	X ^{2/}	X	X	X	X		
China, People's Rep. of							
Costa Rica				X	X	X	X
Ecuador					X	X	X
El Salvador					X	X	X
Fiji				X	X	X	X
Germany, Democratic Rep. of	X	X		X	X		
Guatemala					X	X	X
Guinea	X			X	X		
Holy See				X	X		X
Iran	X						
Iraq	X						
Jordan	X						
Kampuchea ^{1/}						X	
Korea, Dem. People's Rep. of	X						
Laos						X	
Lebanon	X	X		X	X		
Liberia					X		
Libya	X			X			
Liechtenstein	X	X		X	X		
Mali ^{1/}	X			X			
Mexico	X		X	X	X	X	X
Monaco	X	X		X	X		X
Morocco	X	X		X	X		
Panama					X		
Paraguay					X	X	X
San Marino	X	X					
Soviet Union	X				X		
Sudan	X						
Syria		X					
Venezuela				X	X		X
Viet Nam	X	X					
TOTAL	96	32	16	76	78	27	38

^{1/} Countries maintaining a de facto application of the GATT.

^{2/} Takes effect 19 March 1985.

Annex IV

MEASURES AND PROCEDURES EMBODIED IN NATIONAL LEGISLATION
AIMED AT DEALING WITH TRADE INVOLVING THE INFRINGEMENT
OF INTELLECTUAL PROPERTY RIGHTS OTHER THAN TRADEMARKS

(a) Collective and certification marks

1. A collective mark is generally understood as a mark owned by an association or other legal entity and used by its members to indicate that membership. A certification mark is generally understood as a mark used for goods or services of any enterprise which conform to certain common characteristics or standards. Most countries have provided for the registration of certification and, in many cases, collective marks, though the conditions that such marks have to meet for registration vary considerably. The secretariat has little information in regard to questions of enforcement of rights in respect of such marks, except that in many countries their basic treatment is similar to that of trademarks.

(b) Trade names

2. Trade names are generally names, terms or designations which come to identify and distinguish an enterprise and its business activities from those of other enterprises. Whereas trademarks distinguish the goods of an enterprise, a trade name identifies the entire enterprise, without necessarily any reference to the goods it puts on the market. Some trade names are registered as trade marks and receive protection as such; but many trade names are not eligible for such registration because they involve surnames, descriptive words, geographical terms or other non-distinctive matter. Trade names are generally protected under national laws. The way in which this is done varies considerably from country to country and may involve a combination of provisions of civil, commercial, company, trademark and/or unfair competition laws, and/or special laws on trade names. Many countries have a system for the registration of trade names (though for countries members of the Paris Convention this should not be a condition of the protection of such names). Generally, foreign trade names are protected on the basis of use in the country where protection is sought. However, an increasing number of countries are willing to protect foreign trade names on the basis of mere reputation. Legally protected trade names are protected against the concurrent use of an identical or confusingly similar trade name by another enterprise. Legal procedures, remedies and sanctions vary between countries, partly because of the different areas of law under which protection is given. However, in general it can be said that determinations of infringement are often more complex than in trademark cases, especially where the trade name is not registered or where it is not distinctive or a question arises as to whether the trade name should be protected against its use by an enterprise engaged in a different field of economic activity. In some countries, customs have the power to seize imports that infringe protected trade names.

(c) Indications of source and appellations of origin

3. Indications of source and appellations of origin serve to identify the geographical source or origin of the products for which they are used. Appellations of origin have an additional function in also indicating the

characteristic qualities of a product which are determined exclusively or essentially by the geographical area from which it comes, including natural and human factors, and to which the appellation refers. The main difference between the two is that appellations of origin must be recognized as such, e.g. by statute, regulation or court decision, in the country of origin. As in the case of trade names, the laws under which indications of source and appellations of origin are protected vary between countries, and several laws may be relevant in any particular country. Among the laws concerned might be those relating to unfair competition, trade descriptions, marks, civil code provisions, the common law concept of passing off, customs and importation and/or special laws dealing with geographical indications, particularly appellations of origin, often for a specific kind of product. Some countries put the emphasis in their law on providing general protection for indications of source (some do not give specific legal recognition to appellations of origin), for example by means of unfair competition law or the law on marks. In other countries, the emphasis is on recognizing and protecting exclusive rights of a collective nature in appellations of origin, for example through specific laws or decrees or registration requirements in respect of each such appellation. National laws and practices vary in regard to the effectiveness of the protection given to geographical indications. In certain countries, goods that infringe certain geographical indications can be seized by customs on importation or their importation can be prohibited.

(d) Patents

4. The requirements for an invention to receive protection as a patent are generally that it should be new, involve an inventive step and be capable of industrial application. A patent gives an exclusive right to its owner to exploit (i.e. make, use, sell, import) the subject matter of the patent during a certain period (usually fifteen to twenty years) in the country where the patent has been granted. Patents can either be in respect of products or processes. The procedures before an invention can receive a patent vary among countries. In some countries the patent application is examined only for form; in these countries the grant of a patent provides no guarantee that its validity will be upheld by the courts (e.g. that the invention has the requirements of novelty, inventiveness, etc). In other systems, the application is examined as to both form and substance; in these countries, there is a presumption that a patent once granted is valid. There is also variation in national practice concerning the delimitation of the scope of patents. In some countries, the invention is described in general terms, leaving it to the courts to determine the exact scope in case of dispute. In other countries, there is a requirement to define in the patent the precise subject matter of the patented invention. For those and other reasons, determinations of patent violation are frequently highly complex and the result of lengthy judicial procedures. Many cases do not involve straightforward copying of a product, but require a determination as to whether the patented inventive step is embodied in a product or in the method employed to make a product.

5. The remedies available to patent owners in cases of alleged infringement are mainly private actions through the courts. They may be civil or criminal, and can include, depending on the country, damages, seizure and destruction, reasonable royalties, profits, court injunctions, fines and imprisonment. Preliminary injunctions and/or seizure may

sometimes be available, often dependant on the lodging of a security by the complainant. The nature of the exclusive right in a patent gives the patent owner the right to pursue these remedies vis-à-vis imported as well as domestically produced infringing goods. In such cases, customs may be required by the courts to seize infringing items or prevent their importation. A particular problem arises in regard to action against imported products in the production of which a process patent may have been infringed. Proof of infringement in these cases can be particularly difficult, because national courts have no power to investigate the manufacture of the good in foreign countries. Moreover, in some countries patentees do not generally have rights over the sale or use of goods manufactured with a patented process; they only have rights over the manufacture. In some countries, national legislation provides that in respect of imported products only, patentees also have rights in respect of the product manufactured using the patented process. However, pursuant to Article 5quater of the Paris Convention an obligation to consider imported products made abroad pursuant to a process patent in the country of importation as infringement exists only when the national law also considers domestically-produced products made pursuant to a patented process as infringement.

6. The secretariat does not have information about any special remedies against imported infringing goods, except in regard to the law of one country referred to in paragraph 78 of the body of this paper, the main use of which has been in cases of alleged patent infringement of imported goods and which can lead in the case of a successful action to general or limited exclusion orders enforced by customs.

(e) Copyright

7. Practically all national copyright laws provide for the protection of literary, musical, artistic and photographic works as well as maps and technical drawings and motion pictures. Many copyright laws also protect works of applied art (artistic jewellery, lamps, wallpaper, furniture, etc.). Phonographic records, tapes and broadcasts also receive copyright protection (or protection under neighbouring rights) in some countries. For a work to be eligible for protection, it has to be expressed in a form (sometimes a tangible form) and must be original in the sense that it has not been copied from another work and represents a considerable amount of creative authorship. As far as trade in goods is concerned, the most important right stemming from copyright protection is that copies or reproductions of the protected work can only be made and distributed with the authorization of the copyright owner, subject to certain limitations and exceptions. The laws of most countries provide that protection is accorded independently of any formalities, although completion of certain formalities such as deposit of copyrighted works, registration and copyright notice may be optional. In some countries acquisition of copyright is, however, subject to such formalities. Registration where it exists is usually recognized by courts as prima facie evidence of ownership. Elsewhere, there is generally a presumption, until evidence to the contrary is presented, that the author indicated on a work owns the

copyright. Copyright protection is limited in duration.¹ As in the case of other forms of intellectual property, copyright protection based on national law is only effective in the country concerned.

8. The legal remedies and procedures available in the event of infringement vary between national legal systems and are of differing effectiveness in preventing such infringement. The initiation of a legal action is generally the responsibility of the copyright owner who may either initiate a private action or lodge a complaint with a public authority which may then decide to prosecute. In certain countries, organizations of authors may lodge complaints. This approach is sometimes followed in relation to international infringement when authors' societies have agreed among themselves to undertake to prosecute unlawful exploitation on their own territory of works belonging to members of authors' societies in other countries. Most countries provide for penal sanctions as well as civil remedies in cases of infringement. Penal sanctions - fines and sometimes imprisonment - are generally only applied where fraudulent intent is established. Civil remedies may include court injunctions, damages, profits and/or costs. Most countries provide for the confiscation of infringing copies and the equipment used to manufacture them.

9. These legal procedures and remedies can apply to infringing imports as well as domestically-produced or sold such products. Customs can be required in some countries to enforce court orders. In addition, certain countries have enacted provisions of an administrative nature forbidding the import of infringing works or bringing about the suspension of the sale of such works. In some countries, these provisions are similar to those applying in respect of trademarks. Also, in some countries customs have a responsibility to check that author's royalties have been paid on imported copyrighted material; this task can lead to the detection of, and action against, pirate goods.

(f) Industrial designs

10. Generally speaking, an industrial design is the ornamental aspect of a useful article. Most countries provide some protection to industrial designs, although the extent, nature, subject matter and conditions of protection vary considerably. In many countries specific industrial design legislation provides for protection provided the design is original or novel and registered with the competent agency. While the validity of a registration depends on the novelty or originality of the design, this is often difficult to check before registration and in some countries designs are registered without such examination. In some countries, however, designs are published for opposition before registration. In some other countries, design registration is kept secret for all or part of the period of protection. Protection under industrial design law generally lasts for from five to fifteen years. In some other countries, protection is accorded to some industrial designs under the provisions of copyright law

¹Under the Berne Convention, to fifty years after the death of the author; under the Universal Copyright Convention, to twenty-five years after the death of the author and, in some cases, twenty-five years from the date of first publication. There are countries providing protection for longer periods.

on applied art, generally without the requirement of registration and for a somewhat longer period. Under certain circumstances, some industrial designs may also be eligible for protection as trademarks or under unfair competition law. The protection given to industrial designs is basically against their copy or imitation without authorization, and against the sale or importation of such copies or imitations. As in the case of trademarks, some legal systems distinguish between identical copying which infringes an exclusive right, and imitation (i.e. use of a similar but not identical design) which is unlawful when a likelihood of confusion can be established. Even where a design or model no longer receives protection under design or copyright law, it can sometimes still receive protection against servile imitation under trademark or unfair competition law (see below), when it has acquired a strong rôle in identifying or characterizing a particular product or enterprise.

(g) Unfair competition

11. Many countries have laws making it illegal to act in such a way as to create confusion with the establishment, the goods, or the industrial or commercial activities of a competitor (as required by Article 10bis(3)1 of the Paris Convention). This is one aspect of what is known as unfair competition law. The way in which unfair competition law is included in different legal systems varies considerably, being composed in different countries of general constitutional and civil code principles, case law and special laws. Unfair competition law can be used to combat acts by a producer to pass off his goods as those of another producer, where remedies cannot be obtained under trademark, industrial design or other special laws. Such acts could include imitation of "trade dress" and "get-up", including unregistered trademarks, signs, labels, packaging and servile imitation of the shape, appearance or some other characteristic feature of a competitive product. Whereas under the other types of law mentioned above, the basic case that has to be made in the event of a legal suit is that an exclusive right has been infringed, in regard to passing off offences under unfair competition law, it has to be established that the acts complained of are likely to create confusion with the establishment, the goods or the industrial or commercial activities of a competitor.

(h) Other applicable legislation

12. In many countries, particular types of counterfeiting may also be unlawful under types of legislation not mentioned above. This might include general constitutional or civil or criminal code provisions on the one hand and specific laws relating to particular products (e.g. pharmaceuticals, foodstuffs, records and tapes, precious metals) on the other. An increasingly important area of law in this respect is in the field of consumer protection, particularly as it relates to labelling and trade descriptions. This is an area where ex officio action by public authorities is more widespread than in respect of trademark infringement. Also, to the extent that trade in counterfeit goods may be associated with other illicit activities, for example smuggling, false customs declarations (e.g. as to the nature, value or origin of the goods), and foreign exchange contraventions, other legal provisions may be relevant.