

GENERAL AGREEMENT ON TARIFFS AND TRADE

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DRAFT REPORT OF THE GROUP OF EXPERTS ON TRADE IN COUNTERFEIT GOODS

Introduction

1. At their thirty-eighth Session in November 1982, 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. The Director-General subsequently reported to the Council on his consultations and the Council took note of the report (C/W/418 and C/M/168 and 170).

3. At their fortieth Session in November 1984, the CONTRACTING PARTIES took the following action (L/5758):

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

- (a) decide that the secretariat documentation consolidating available background information and other relevant documents submitted by interested contracting parties be examined by a group of trade policy experts and other experts, including those specializing in intellectual property rights, with a view to facilitating the decisions which the Council is called upon to take, including a further clarifying of the legal and institutional aspects involved. The Expert Group would be open to all contracting parties;
- (b) agree to invite the Director General of WIPO to nominate an expert to participate in the discussions; and
- (c) agree that the Expert Group mentioned in (a) would report to the Council as soon as feasible but not later than the next regular Session of the CONTRACTING PARTIES on the results achieved. The Council will consider the matter, having regard to the 1982 Ministerial Decision."

4. In addition to the secretariat documentation consolidating available background information (MDF/W/19), the Group had before it a communication from the delegation of India (MDF/W/25) and information from the United States delegation (MDF/W/30).

5. In response to the invitation of the CONTRACTING PARTIES to nominate an expert to participate in the discussions, the Director General of the World Intellectual Property Organization (WIPO) indicated that he intended to refer the invitation to the competent WIPO Governing Bodies at their next session, which would be held from 23 September to 1 October 1985 (MDF/8, paragraph 5). In the meantime, in accordance with the proposal of the Director General of WIPO, a member of the staff of WIPO attended the Group's meetings and followed its discussions without taking an active rôle.

6. Some members felt that, in the absence of the active participation of an expert from WIPO, it would be difficult for the Group to clarify fully the legal and institutional aspects involved. Some other members considered that the legal and institutional aspects relating to the rôle of GATT could, nevertheless, be clarified within the time-frame provided for in the Group's mandate. The points made by members on legal and institutional aspects are summarized below.

7. The Group met on 11 March, 3 April, 24 April, 3-4 June, 8-9 July [and 4 October] 1985. Records of the discussions at these meetings, prepared by the secretariat, are in documents MDF/8, 9, 11, 14 and ... At the first three meetings of the Group, Mr. M.G. Mathur (secretariat) stood in as acting Chairman. At its meeting of 3-4 June 1985, the Group elected Ambassador P. Rantanen (Finland) its Chairman.

8. After hearing general statements, the Group initially took up in turn each of the eight points that had earlier been identified as needing examination in the secretariat document consolidating available background information (MDF/W/19). Details of these discussions can be found in the above-mentioned secretariat notes on the Group's meetings. The Group then focussed on the main issues identified as relating to the decisions that the Council is called upon to take (see paragraph 1 above). The remainder of this report presents the issues identified and the views expressed on them.

What is meant by trade in counterfeit goods?

9. The Group noted that counterfeiting is an infringement of intellectual property rights. The point was made that there were also other dimensions of the problem of trade in counterfeit goods. These related to its trade disruptive and inhibiting effects, deception of consumers, risks to health and safety, adverse effects on industry and employment, links with organized crime, loss of government revenue and possible prejudicial effects on indigenous culture and artists.

10. The Group agreed that, while various types of intellectual property rights may be affected by counterfeiting, it would direct its examination, at least initially, to questions relating to trade in goods bearing unauthorized representations of legally protected trademarks. It was understood that, if it were decided that joint action should be taken in the GATT framework, consideration would also be given to counterfeiting affecting other forms of intellectual property rights.

What is the nature of the "joint action" in question?

11. The Council has been asked to determine the appropriateness of joint action in the GATT framework. In this regard, the Group noted that what was under consideration was possible joint action aimed at curbing the trade disruptive and inhibiting effects of commercial counterfeiting, while safeguarding against obstacles to trade in genuine goods. There was general agreement that these were indeed desirable objectives, although there was no agreement on whether joint action to pursue them should be taken in GATT. Some members believed that paragraph 28 of MDF/W/19 provided a good working definition of the problem being dealt with.

Is there a problem of trade in counterfeit goods?

12. There was a general recognition that a growing problem of trade in counterfeit goods existed. To some members, trade in counterfeit goods was a major and growing problem that was causing unacceptable and increasing harm to their consumers and producers as well as increasingly disruptive effects on international trade. Some members, while recognizing that trade in counterfeit goods was a growing problem which may warrant international action, said that to date their domestic industry and consumers had been relatively little affected. Some members were of the view that, while estimates of the possible size of trade in counterfeit goods existed, reliable data and details necessary for a clear assessment of the overall magnitude of the problem and ultimately the solutions to it were, with few exceptions, not available. Some other members said that, while it was in the nature of illegal activities like counterfeiting that precise and comprehensive statistics did not exist, ample information had been made available to establish that there existed a serious problem in need of urgent action, for example in document L/5512 presented by the European Communities and in the United States International Trade Commission study summarized in Annex I of MDF/W/19.

Is the present international law adequate to deal with problems of trade in counterfeit goods?

13. The Group examined the present international law, in particular that contained in the General Agreement and in the Paris Convention for the Protection of Industrial Property, which is administered by WIPO.

14. The main points made to support the view that the present international law, while useful, is not in itself sufficient were as follows:

- The provisions of Article 9 of the Paris Convention on seizure on importation, prohibition of importation and seizure within the country constitute (as made clear at the Hague Revision Conference of the Paris Convention) a "mere invitation" to member States to adopt legislation accordingly, and do not create any obligation, not even a moral one, to do so. As indicated in the report on the consultations between the Director-General of GATT and the Director General of WIPO, there are countries which have not adopted laws to implement these provisions (C/W/418, Annex, paragraph 4).
- The remedies and sanctions are left to national law and therefore vary in effectiveness. They do not necessarily ensure

that the economic incentives for trade in counterfeit goods are removed or that such goods, once detected, are removed from commercial channels.

- The Paris Convention is not structured in such a way as to provide for effective mechanisms of consultation, surveillance, and dispute settlement, that could be invoked if a member State does not enact legislation to implement effectively a provision, for example Article 10ter. Article 28(1), which enables a member country to bring a dispute before the International Court of Justice, does not meet these requirements and, in any event, about one quarter of the signatories of the Paris Convention are not bound by this provision. Similarly, the Paris Convention does not provide for the necessary machinery for mutual administrative assistance.
- The Paris Convention is an agreement establishing minimum standards for the protection of industrial property and, as such, does not concern itself with the avoidance of obstacles to trade in genuine goods that may be caused by measures aimed at protecting intellectual property. The GATT contains provisions on this matter but these leave considerable latitude to contracting parties and need to be elaborated in order to ensure that they are effective.
- The fact that trade in counterfeit goods is a large and growing problem and that there is considerable commercial and political pressure to do something about it indicates that the present international law has been overtaken by the development of the problem. It is not denied that countries can act consistently with the Paris Convention to deal adequately with the problem of trade in counterfeit goods; the point is made that, faced with the present scale of the problem, the Paris Convention does not actually require them to do so.

15. Another view was that the present international law provides a sound framework for action against trade in counterfeit goods:

- The Paris Convention is concerned with the protection of industrial property rights. Of fundamental importance is the basic "assimilation" principle of the Paris Convention, which gives nationals of other member States the same legal protection of their industrial property rights as nationals of the member State in question and also the same legal remedies against infringement of their rights, provided that they observe the conditions and formalities imposed upon nationals.
- Article 9 of the Paris Convention already provides for counterfeit goods to be seized on importation, prohibited from importation or seized within the country into which they are imported.
- While Article 9(6) indicates that the introduction of legislation to give effect to these measures is not mandatory, it makes clear that it is mandatory to apply to imports of counterfeit goods the actions and remedies available in such cases to nationals under national law. Such actions and

remedies can, and often do, include such powerful sanctions as fines and imprisonment. Indeed, Article 10ter requires that the legal remedies to repress importation of counterfeit goods be effective.

- As regards avoidance of non-tariff barriers to trade in genuine goods, GATT Article XX(d) already specifies the conditions under which action normally inconsistent with the GATT can be taken to protect intellectual property rights. If these conditions are not respected by a GATT contracting party, another contracting party can invoke its rights using the well-established GATT procedures.
- The fact that a problem of trade in counterfeit goods exists does not prove the inadequacy of the present international law: it may only be that the present national and international law needs to be more effectively enforced. Any party to the Paris Convention which feels the need to raise a concrete problem has the possibility to do so on the occasion of meetings of its governing body. Article 28 of the Paris Convention provides mechanisms for the enforcement of that Convention.
- Moreover, Article 19 of the Paris Convention envisages the possibility of special agreements for the protection of industrial property, as exemplified by the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.
- Even if it could be shown that the Paris Convention does not at present contain all the requirements for ensuring fully effective action against trade in counterfeit goods, this does not mean the matter should be raised in GATT. By the same reasoning, it could be argued that topics such as subsidies, textiles, safeguards and agriculture which have been discussed in GATT for many years without substantial progress should be referred to other organizations.

16. The Group noted that, while there were differences of emphasis on some points, there was a general view that the present international law contained important principles for guiding action against trade in counterfeit goods but that there was a case for action to ensure that such principles were more effectively applied in practice. The Group then went on to consider whether an improved multilateral framework was required to ensure that these principles were more effectively applied at the national level and, if so, whether it would be appropriate to formulate it in GATT.

Does further multilateral action need to be taken or would purely national action be sufficient?

17. The arguments supporting the need for an improved multilateral framework within which national action would be taken were as follows:

- The problem is not limited to imports of counterfeit goods into national markets, but also relates to the unfair competition to genuine export products resulting from imports of counterfeit goods into third markets; countries thus have an interest in

action against imports of counterfeit goods into their trading partners being effective.

- International action is necessary to safeguard against the possible misuse of measures against imports of counterfeit goods as barriers to trade in genuine goods. Since some governments are under considerable pressure, further unilateral action to combat imports of counterfeit goods will be taken in the absence of internationally agreed rules; there is a risk that such unilateral action could create difficulties for trade in genuine goods.
- To suppress effectively trade in counterfeit goods, internationally co-ordinated action is necessary; otherwise the problem might merely be diverted from one market to another. In addition, cooperation and exchange of information among the competent authorities of different countries would facilitate national action against trade in counterfeit goods.
- Actual experience shows that the action against imports of counterfeit goods possible under present national law is not effective in many countries: often customs has no rôle to play; injunctions are often difficult to obtain; discovery procedures to obtain information necessary to pursue trademark rights are often difficult; and penalties are frequently insufficient.

18. Another view expressed was that:

- It could be expected that the necessary measures to combat trade in counterfeit goods would be taken nationally, since it is the responsibility of each national government to safeguard its citizens and industry against imports of counterfeit goods; some members indicated that they considered the remedies available under their present national law adequate.
- Problems of unfair competition in third country markets can already be dealt with using Article 9 of the Paris Convention; if the provisions of Article 9 need to be more effectively enforced, concerned countries should raise the matter in the WIPO.
- As regards the risk of obstacles to trade in genuine goods, it would, of course, be necessary, in adopting measures to combat trade in counterfeit goods, to take into account the existing obligations under the GATT.
- However, the main problem is not whether or not further multilateral action is required but whether an improved international framework for national action should be sought in GATT. In this regard, it was pointed out that the countries whose experts hold the views presented in this paragraph had already envisaged, as indicated in document MDF/W/25, the possibility of multilateral action, but with the proviso that any such action should be pursued in the WIPO.

19. The Group noted that there was a widespread view that improvements in the multilateral framework for action against trade in counterfeit goods were desirable. The question was whether such action should or should not be taken in GATT.

If further multilateral action needs to be taken, is the GATT a competent body?

20. The following points arguing that GATT is not a competent body to take action of the sort suggested on the trade aspects of commercial counterfeiting were put forward:

- The matter is essentially an intellectual property question for which WIPO is competent. The objective of WIPO is to promote the protection of intellectual property throughout the world, including rights relating to trademarks and service marks as well as trade names. The rights also relate to protection against unfair competition. If action is to be taken to protect intellectual property, it should be taken within, and consistently with, the agreements and conventions for the protection of intellectual property.
- The GATT cannot settle the question of what is counterfeit and what is not, which is a question that can only be settled in the domain of intellectual property law.
- The provisions of the General Agreement which refer to intellectual property do so tangentially with the basic purpose of avoiding trade restrictions, this being the objective of GATT. These provisions aim to ensure that any action taken to protect intellectual property rights should not be prejudicial to trade or create any discriminatory or restrictive barriers to trade. While these provisions indicate a legitimate GATT concern with these aspects, it is not possible to argue that they form a basis for a GATT rôle in laying down rules aimed at the protection of intellectual property.

21. The arguments put forward supporting the view that GATT is competent to deal with the trade aspects of commercial counterfeiting were as follows:

- The basic objective of GATT is the expansion of international trade. This objective clearly relates to trade in genuine goods and not to trade in counterfeit goods. In fact, trade in counterfeit goods undermines the attainment of this objective. Accordingly, to further the objective of promoting international trade in genuine goods, trade in counterfeit goods should be curbed, while ensuring that this does not give rise to obstacles to trade in genuine goods.
- The aim of joint action in GATT would not be to modify substantive national or international intellectual property law about what is counterfeit and what is not; the aim would be to ensure effective procedures for the enforcement of such law against imported goods, while safeguarding against barriers to trade in genuine goods. GATT is a competent body for dealing with such questions concerning the treatment of imported goods.

- The General Agreement already contains a number of provisions relating both to action to protect intellectual property and to ensuring that such action does not give rise to obstacles to trade in genuine goods.
- This is not an area where any organization can claim an exclusive competence. The WIPO has primary responsibility for dealing with issues related to the establishment of minimum international law applicable to the protection of industrial property. GATT clearly has competence for trade aspects, particularly where action to combat counterfeiting might entail restraints on international trade. The CCC has competence where the intervention of customs officials is involved.

22. The Group noted that there was no disagreement that the contracting parties were competent to take joint action to facilitate the operation of the General Agreement, e.g. by interpreting existing GATT provisions relevant to trade in counterfeit goods or by ensuring that measures and procedures to enforce intellectual property rights do not cause obstacles to trade in genuine goods. The Group also noted that Article XXV foresaw joint action taken with a view to furthering the objectives of the General Agreement. There were, however, some differences of view about the action which might legitimately be taken in this respect.

Even if GATT is a body competent to deal with problems of trade in counterfeit goods, is it an appropriate one?

23. The arguments put forward supporting the view that GATT is not only a competent but also an appropriate body were as follows:

- Action on trade in counterfeit goods should be guided by concern for the expansion of international trade in genuine goods and for the avoidance of barriers to such trade. Since the expansion of and avoidance of barriers to international trade are the main objectives of GATT and it is clear that such objectives relate to trade in genuine goods and not to trade in counterfeit goods, GATT is an appropriate body for undertaking such action, including to ensure that the policy of seizure on importation of counterfeit goods laid down in Article 9(1) of the Paris Convention is pursued by GATT contracting parties in ways consistent with these objectives and with the relevant GATT provisions.
- The main GATT provisions relating to the protection of intellectual property and ensuring that action to do so does not cause obstacles to trade in genuine goods need interpretation and elaboration if they are to be fully effective.
- GATT has a legal and institutional framework which makes it appropriate for dealing with problems of this nature, including machinery for notification, transparency, consultation and dispute settlement necessary to ensure the effective implementation of joint action, to deal with any difficulties that might arise and to provide a forum for useful exchange of information. The WIPO as an organization is not structured in such a way as to provide such mechanisms.
- For these reasons action in GATT can complement efforts at the national level and in other international fora.

24. The arguments put forward supporting the view that joint action in the GATT would not be appropriate at the present time were as follows:

- If action in respect of counterfeit goods is designed to improve and protect intellectual property rights, in particular marks, such action should be carried forward in the forum that deals with these issues, i.e. WIPO. It is surprising that the countries preoccupied by the problem of counterfeiting have not raised the matter in that forum.
- Articles 9, 10 and 10ter of the Paris Convention provide an existing basis for joint action; if they need to be elaborated, this should be done in the framework of the organization that administers the Paris Convention, namely WIPO. Article 19 of the Paris Convention envisages the possibility of special agreements for the protection of industrial property.
- The fact that dispute settlement mechanisms exist in GATT does not imply that GATT should necessarily deal with the question of trade in counterfeit goods. WIPO also has dispute settlement mechanisms, for example that in Article 28 of the Paris Convention.
- It has not been demonstrated that the problem is sufficiently grave to warrant taking up in the GATT at the moment when there are other issues of a more pressing nature and of more central concern to GATT that need to be pursued in GATT.
- As regards the arguments relating to GATT's objective of the expansion of international trade, this relates to trade in goods in general, and, in so far as trade in counterfeit goods is concerned, is manifested through provisions, notably Article XX(d), designed to avoid the creation of barriers to trade. It does not manifest itself through provisions obliging contracting parties to protect intellectual property rights; in this respect, the GATT provisions are merely permissive.

If joint action in the GATT framework is appropriate, what should be the modalities for such action?

25. There was a general view that at the present stage the Group should not attempt to reach agreement on possible modalities for joint action in the GATT framework. This would have to be done subsequently if the Council were to determine that joint action in the GATT framework was appropriate. Possible modalities were, therefore, not discussed in detail. However, it was recognized that, in order to be in a position to take a decision on the question of appropriateness, it would be helpful for the Council to have before it some indications in broad terms of the types of joint action possible and the results of consideration of a number of issues in this connection that had been raised by certain members.

(a) What should be the basic purpose of any joint action?

26. Some members were of the view that rules of general application should be drawn up in the GATT framework which would (i) place obligations on governments to provide trademark owners with effective means to enforce their trademark rights while suspect imported goods were still under the

control of customs, (ii) effectively remove the economic incentive for trade in counterfeit goods and (iii) ensure that action taken for these purposes did not give rise to problems for trade in genuine goods. Some members asked whether trade in counterfeit goods might best be curbed and the danger of non-tariff barriers avoided if action were to focus on preventing the domestic production and sale of counterfeit goods. Some members stated that such action would most appropriately be undertaken in WIPO.

(b) What should be the definition of counterfeit goods for the purposes of any joint action?

27. The Group agreed (see paragraph 10 above) to direct its examination, at least initially, to questions relating to trade in goods bearing unauthorized representations of legally protected trademarks. However, if joint action in GATT were found appropriate, its scope would have to be more closely defined. One view was that there should be adopted, as an initial basis, the working hypothesis that any such joint action would deal with goods bearing an unauthorized representation of a trademark that was legally registered in respect of such goods in the country of importation; this would cover only imported goods with trademarks identical or substantially identical to the legally protected mark and exclude "parallel" imports (see MDF/W/19, paragraph 19(i) plus footnote for details). It was also understood (see paragraph 10 above) that, if it were decided that joint action should be taken in the GATT framework, consideration would also be given to counterfeiting affecting other forms of intellectual property rights.

(c) What should the mechanisms of any joint action be?

28. A number of possibilities for enabling the trademark owner to enforce his rights against counterfeit goods before they are cleared through customs were outlined. All of these would require the trademark owner in some way to initiate the action by approaching the designated authority in the country of importation and would further require him, as a precondition for such action, to demonstrate the validity of the trademark rights he was seeking to protect. The possible mechanisms included:

- Giving customs the administrative authority, subject to appeal, to detain suspect goods, to determine whether they are counterfeit and to decide on the disposal of the goods. If the importer challenges such a seizure of his goods, one variant would require the customs to seek a court ruling confirming their action while the other variant would put the onus on the importer to appeal against the action of the customs to the courts.
- Giving customs the administrative authority to detain suspect goods for a limited period. During this period, the trademark owner would have to seek and obtain a court order confirming the seizure, in the absence of which the goods would be released.
- Customs would only detain suspect goods on the basis of a court order, and appropriate legal possibilities for enabling such court orders to be obtained by the trademark owner prior to clearance of the goods would be provided for.

29. As regards which of these mechanisms should be provided for in any joint action, a number of possibilities were mentioned. One was that,

within a broad framework providing some degree of harmonization and uniformity of procedures, the mechanisms should be largely left to national law, provided they were effective. Another possibility would be to reach agreement on a specific mechanism to be applied by all countries. One view was that, provided administrative action was confined to imports involving unauthorized representations of an identical or substantially identical trademark on the same goods as the trademark was registered for, and did not enter into more complex fields of trademark infringement involving similar marks or goods, some degree of administrative authority may be justifiable, but the final action should always be a judicial responsibility. Another view was that action against counterfeit goods should normally be pursued through judicial channels and customs should normally only act on the basis of a court order: customs were not technically equipped to identify counterfeit goods; placing responsibilities on them to do so could lead to difficulties for trade in genuine goods; and administrative authorities sometimes tended to be responsive to political or economic pressures to delay or prevent proper action in response to a complaint. It was noted that, to some extent, which mechanism or mechanisms were appropriate would depend on the type of trademark offence that the mechanisms were expected to deal with.

- (d) Should such mechanisms be the same for goods at the border as for those in domestic circulation?

30. One view was that, while the substantive intellectual property law to be applied should be the same, it would usually be necessary to provide for some degree of administrative action by customs against the importation of counterfeit goods if action was to be effective before goods entered into domestic circulation, even though there may be no equivalent administrative action provided for against the domestic production and sale of such goods. It was argued that such differentiation was justifiable because, whereas the domestic production of counterfeit goods and their subsequent sale could generally be stopped at source, i.e. at the point of production, this was much more difficult in the case of a foreign producer, since he was not within the national jurisdiction and often difficult to detect anyway (these arguments are more fully described in MDF/W/19, paragraph 87). Another view was that, if action against the internal production and sale of counterfeit goods can only take place on the basis of a court order, this should also apply to imports.

- (e) Who should determine whether suspect imports infringe trademark rights and what should be the criteria for determining infringement?

31. One view was that at least the final determination of infringement should always be made by the courts. Another view was that the possibility of customs making such determinations should not be excluded, provided they were subject to appeal to a judicial authority. As for the criteria for determining infringement, it was suggested that they should be those provided for in national law, with, of course, the requirement that the same criteria be applied to goods on importation as for those in domestic circulation. A concern was expressed that problems may arise because of differing criteria among countries. It was noted that consideration of these issues would depend on the type of trademark offence involved and the consequent complexity of the determinations required. It was suggested that, if any joint action was limited to goods bearing unauthorized representations of identical or substantially identical trademarks to those

legally registered for such goods in the country of importation, the determination of infringement would be unlikely to be complex and the question of differing criteria among countries would be unlikely to arise.

(f) How would "parallel" imports be treated?

32. It was said that "parallel" imports, by definition, were genuine goods; not being counterfeit, they would therefore not fall within the ambit of any joint action on counterfeit goods. In this regard, it was pointed out that the definition of counterfeit goods suggested in earlier discussions (see paragraph 27 above) specifically excluded imported goods which had 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 were imported in contravention of a commercial agreement. The question was also raised as to whether the existence of "parallel" imports would make it more difficult for customs to identify counterfeit goods at the border, since there were then three categories of goods to distinguish between (genuine goods imported with the authorization of the trademark owner, genuine goods imported without his authorization and counterfeit goods). A member, in whose country customs has experience in this, indicated that this had not in practice proved a problem.

(g) What should be the remedies and sanctions provided for against imports of counterfeit goods?

33. One view regarding the remedies and sanctions that should be provided for against the importation of counterfeit goods was that the aim should be to ensure that the economic incentive for trade in such goods was removed and that this would be best met by providing for forfeiture of the goods as the normal sanction. Moreover, such goods should be disposed of outside the channels of commerce to minimize any harm to the owner of the trademark right in question. Another view was that, even if procedures and remedies did not enable goods to be seized and forfeited before they entered into domestic circulation, the economic incentive could be subsequently removed through a suitable award of damages.

(h) What is the danger of action to combat counterfeit goods giving rise to obstacles to trade in genuine goods? How can this best be safeguarded against?

34. Some members stressed the danger that procedures and sanctions directed against imports of counterfeit goods could be applied to imports of genuine goods. One view was that such dangers could best be safeguarded against by ensuring that action against imports of counterfeit goods only took place on the basis of a court ruling and that the mechanisms for such action, as well as the substantive intellectual property law applied, were the same for goods on importation as for goods in domestic circulation. Another view was that, even if some degree of administrative authority and special mechanisms was involved in action against imports of counterfeit goods, the risk of giving rise to obstacles to trade in genuine goods could be avoided through suitable safeguards in regard to such matters as proof of ownership of the trademark, demonstration of likelihood of imports of counterfeits and provision of financial security by the trademark owner before suspect goods were detained; time-limits to the detention of goods by customs without a court ruling; provision for compensation to importers whose legitimate interests had been adversely affected; provision for

appeal to a judicial body; and suitable multilateral mechanisms for transparency, consultation and dispute settlement in the event that difficulties arise.

Conclusions

35. The work of the Group has been essentially directed towards facilitating the determination of the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting, which determination the Council is required to make by the Ministerial Declaration of 1982. In this regard, the Group agreed to examine questions relating to trade in goods bearing unauthorized representations of legally-protected trademarks, but it was understood that, if it were decided that joint action should be taken in the GATT framework, consideration would also need to be given to counterfeiting affecting other forms of intellectual property rights. On some issues related to the question of appropriateness, although there were differences of perception or interpretation, there was a measure of agreement in the Group, which can be found summarized under the pertinent headings of this report (see, for example, paragraphs 11, 12, 16, 19 and 22). However, the Group was unable to come to a common view on the basic question - whether or not it would be appropriate to take joint action in the GATT framework on the trade aspects of commercial counterfeiting (see in particular paragraphs 23 and 24 above). The Group considered that this was a policy question and that its examination could not be carried further at the expert level. The Group therefore limited itself to setting out before the Council the different arguments on this issue. In this situation, the Group did not attempt to reach agreement on the question of modalities for such action. However, it recognized that, in order to be able to decide on the question of appropriateness, the Council would need to have some indications of the type of joint action envisaged. The results of its consideration of a number of issues raised in this connection are therefore recorded in paragraphs 25-34 of this report.