

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MDF/W/27

25 March 1985

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Group of Experts on Trade in Counterfeit Goods

MEETING OF 11 MARCH 1985

Draft Note by the Secretariat

Acting Chairman: Mr. M.G. Mathur (Secretariat)

1. The Group held its first meeting on 11 March 1985.
2. It was noted that the Group was not yet in a position to elect its chairman. It was agreed that consultations on this matter would be pursued actively with a view to reaching an understanding well in advance of the next meeting of the Group. In the meantime, the work of the Group would be co-ordinated by Mr. M.G. Mathur (secretariat).
3. The Group took up its work under three headings:
  - A. Organization of work;
  - B. Statements on issues before the Group;
  - C. Other business, including programme of meetings.
- A. Organization of Work
  - (i) Composition of the Group
4. The acting Chairman said that the secretariat would shortly issue a document listing the nominations of experts received from contracting parties and participants at the first meeting.
5. The acting Chairman recalled that the CONTRACTING PARTIES had agreed to invite the Director General of WIPO to nominate an expert to participate in the discussions in the Expert Group. This invitation had been conveyed to the Director General of WIPO by the Director-General of GATT. The reply received from the Director General of WIPO read as follows:

"Thank you for your letter of December 12, 1984, conveying an invitation to me to nominate an expert to participate in the discussions of a GATT Expert Group on trade in counterfeit goods.

"I regard this invitation as a matter of such importance that I intend to refer it to our competent Governing Bodies at their next sessions.

"The said sessions will be held from September 23 to October 1, 1985. In the meantime, and if you agree, I should like to have a member of the staff of WIPO follow, without an active role, the discussions in the Group."

Following consultations with delegations, the Director-General of GATT had written to the Director General of WIPO noting his decision to refer the invitation to nominate an expert to participate in the discussions to the competent WIPO Governing Bodies at their next sessions, thanking him for offering to send, in the meantime, a member of his staff to follow, without an active rôle, the discussions in the Group, and confirming that such a person would be welcome to attend the meetings of the Group. The Director General of WIPO had since advised that the staff member in question would be Mr. Andres Davila, Senior Programme Officer. The Group of Experts welcomed Mr. Davila.

(ii) Observers

6. The Group noted that any contracting party not wishing to nominate an expert could follow the work of the Group as an observer if it so wished.

7. As regards countries not contracting parties to the GATT and international organizations, the Group agreed that it would consider according them observer status on a case-by-case basis in the light of individual indications of interest from them.

8. The Group noted that the Customs Co-operation Council (CCC) had indicated an interest in following the work of the Group. The Group agreed to invite the CCC to attend meetings of the Group in an observer capacity.

(iii) Documentation before the Group

9. The acting Chairman noted that the situation concerning documentation for examination by the Group in terms of its mandate (L/5758) remained as indicated in GATT/AIR/2111: the secretariat documentation had been circulated in preliminary form as MDF/W/19 and a document received from the delegation of India had been circulated as MDF/W/25.

10. A member of the Expert Group said that it might wish to update the materials it had supplied to the secretariat as a contribution towards document MDF/W/19. This member also drew the attention of the secretariat to the documentation prepared by other international organizations, in particular the Customs Co-operation Council.

11. The acting Chairman said that, while it remained open to contracting parties to present papers at any stage of the Group's work, it would be useful if such papers were submitted as soon as feasible, and, if at all possible, before the Group's next meeting.

B. Statements on Issues Before the Group

12. Many members of the Expert Group recalled the mandate given to the Group (L/5758) which was to facilitate the decisions required by the Ministerial Declaration of 1982. Some of these members emphasized the urgency of the issue and the need for the Group to work expeditiously, having regard to the requirement for it to "report to the Council as soon as feasible but not later than the next regular session of the CONTRACTING PARTIES on the results achieved".

13. Referring to objectives, some members were encouraged that there appeared to be widespread agreement that international action in this area should aim to discourage trade in counterfeit goods while ensuring that

such action did not give rise to obstacles to legitimate trade. In this regard, the statement in document MDF/W/25, in which the developing contracting parties to GATT indicated their concern that the trade disruptive and inhibiting effects of commercial counterfeiting should be curbed, was noted.

14. Some members referred to the need to define what types of intellectual property should be dealt with in the work. A member said that he could accept that work should focus initially on trade in goods bearing unauthorized representations of trademarks. Some members said that other forms of intellectual property violation should also be examined, for example that of industrial designs. A further member said in this connection that a pragmatic approach should be adopted; not all problems could be solved and the Group should focus on those that could be tackled.

15. Apart from the question of "what" should be protected, some members said that the Group should consider "who" should be protected and "where" and "how" that protection should be given. In regard to the first question, should the aim of the work be to protect the legitimate interests of intellectual property owners, traders, producers, consumers, etc? As regards the second issue, should these interests be protected by action in the country of importation, in the country of production and/or in third countries? As regards the last question, what would be the rôle of action by national courts and administrative authorities and at the border and internally and what penalties should be provided for?

16. Some members said that trade in counterfeit goods was growing, and causing increasing harm to their consumers and producers as well as increasingly disruptive effects on international trade. Some other members, while recognizing that trade in counterfeit goods was a growing problem, said that to date their domestic industry and consumers had been relatively little affected. Some members were of the view that the magnitude and significance of trade in counterfeit goods was an issue that needed further examination. Some other members thought that these questions had already been sufficiently covered in the available documentation, notably L/5512 and MDF/W/19, and that it had been established that the problems arising were sufficiently grave to justify work being done on how to deal with them.

17. Some members said that the Group would have to examine the existing international arrangements, in particular their practical effectiveness. Some members indicated their belief that existing international mechanisms were not adequate to deal with present problems. Among the points made in this connection were that, under existing international agreements, countries were generally not required to provide for seizure of infringing goods in their national legislation; the present international law did not ensure the effectiveness of the protection given under national law; and provision for effective economic sanctions was lacking. It was suggested that any additional measures at the international level, including within the GATT framework, should supplement the existing mechanisms and be aimed at the elimination of economic incentives for the production of counterfeit goods. Some other members expressed support for the views expressed in MDF/W/25, and indicated that even if the present arrangements could be shown to be less than adequate, this did not mean that the organization which administered them was not an effective fora in which to consider possible improvements.

18. Some members observed that the Group would have to take into account the respective rôles and areas of competence of different international organizations. It was further noted that the respective responsibilities of different national authorities would also be a factor to be kept in mind. A member, noting that WIPO might well be asked by its governing bodies to consider the counterfeiting problem and to proceed in its area of legal and technical expertise, for example by drafting model anti-counterfeiting provisions designed to be included in national laws, said that any such action would not, in itself, solve the problem and there was no need for action in the GATT to await it. Some members said that once the objectives and the methods to achieve them had been defined, it would be possible to identify what part of any multilateral action necessary should be undertaken in GATT and how this would fit into international action in a larger context, including what forms of co-operation with other international organizations, notably WIPO, should be envisaged both in the short term and in the longer term.

19. Some members said that it was important not to over-estimate what could be done in GATT to deal with the problem; for example, GATT had no authority to enforce national law or to arbitrate disputes between private parties. GATT should only deal with aspects relating to international trade in goods; it should not attempt to revise intellectual property law. A member said that to repress counterfeiting effectively would require concerted multifaceted action, including the enactment of stronger national statutes, increased efforts by national administrations to enforce these statutes and discourage domestic production of counterfeit goods, and enhanced bilateral contacts among trading partners, as well as strengthened multilateral cooperation.

20. Some members spoke of the need to examine present national legislation, including judicial and administrative mechanisms, relating to the repression of trade in counterfeit goods. A member said that, in so doing, attention should be paid to the legal philosophy underlying such legislation and procedures. Some members referred to the legislation and mechanisms presently in force in their countries, in some cases indicating their belief that they were generally adequate to deal with the problem. Some members noted that at the national level an increasing number of countries had stepped up efforts to combat counterfeiting through enactment of and enforcement of tougher anti-counterfeit laws. In this regard, a member noted that an economic entity had developed a set of draft regulations and indicated that he would like to hear about the nature of these proposals and the philosophy underlying them. Some members said that, while present efforts to tighten national legislation would help, they would not by themselves be sufficient to deal with the problem.

21. Many members referred to the need to ensure that action against trade in counterfeit goods did not give rise to new, and perhaps discriminatory, obstacles to legitimate trade. Some members indicated their concern that unilateral action might lead to the creation of such obstacles; consequently, they supported international disciplines that would safeguard against such possibilities. A member said that at present there were few restrictions to circumscribe the range of actions contracting parties may take to enforce their trademark laws provided those laws were GATT consistent, and that at present no recourse to GATT dispute settlement existed in these instances since no standards for trademark enforcing measures existed. Some members suggested that the Group should examine the various considerations referred to in Section VIII of MDF/W/19, including

the penalties and damages to be borne by traders or producers making unjustified requests for the seizure of goods as being counterfeit.

22. Some members said that the Group would have to consider the methods to be employed to discourage trade in counterfeit goods effectively. In this regard, it would be necessary to examine the respective rôles of the judicial and administrative apparatus, and of action at the border and internally, as well as the sanctions to be faced by those trading in counterfeit goods and the safeguards necessary to prevent possible misuse of measures in such a way as to inhibit legitimate trade. Only when the means to be employed had been identified would it be possible to determine whether and to what extent it would be appropriate to take action in the GATT framework to put them into effect. Some other members said that it would be premature to deal with questions of methods before having dealt with a number of other points, for example what is meant by trade in counterfeit goods and what should be, in general terms, the rôle of GATT, taking into account the points made in MDF/W/25.

23. Many members said that the documentation presently before the Group in documents MDF/W/19 and MDF/W/25 provided a good basis on which to pursue the work, although this should not preclude the Group from taking into account any other points that members might feel relevant.

24. Some members, noting that there was a link between trade in counterfeit goods and restrictive business practices, suggested that the Group should also take into account the documents produced by UNCTAD on restrictive business practices. A member said that it might be helpful to the Group if a history of how the problem of counterfeit goods had been dealt with internationally, including concrete examples involving infringements, were to be prepared, perhaps by WIPO, going back as far as possible and in any event as far as the beginnings of WIPO or GATT. The acting Chairman noted that this would be a matter for the representative of WIPO to reflect on.

#### C. Other Business, Including Programme of Meetings

25. Turning to the way in which the Group of Experts might pursue its substantive work at its next meeting, the acting Chairman stressed the desirability of a systematic approach to the tasks before the Group. He suggested that the Group at its next meeting take up in turn the eight points that had earlier been identified as needing examination and which were the subject of the secretariat paper (MDF/W/19). Under these headings, the points made in the discussion today and the information in the documents before the Group could be examined. The paper presented by the delegation of India (MDF/W/25) would enable, in particular, a fuller discussion on existing international law, about which information was also contained in the secretariat note. These eight points should not be regarded as a rigid framework; if there were questions which needed to be looked at and which did not fall conveniently under any of these points, they would of course also have to be taken up.

26. The Group noted that the following dates had been reserved for possible future meetings, on the understanding that the dates are indicative and that meetings would be held as required by the progression of the work of the Group: 3 April 1985, 24-25 April 1985, 3-4 June 1985 and 8-9 July 1985.

27. The Group agreed to hold its next meeting on 3 April 1985 and to proceed as indicated in paragraph 25 above.