

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Group of Experts on Trade in Counterfeit Goods

MEETING OF 8-9 JULY 1985

Note by the Secretariat

Chairman: Ambassador P. Rantanen (Finland)

1. The Group held its fifth meeting on 8-9 July 1985.
2. After hearing general statements, the Group continued its examination of the documentation before it, basing its discussion on document MDF/W/43, the summary of the issues raised and views expressed prepared by the secretariat in accordance with the Group's request at its last meeting. The Group then had an exchange of views on elements for inclusion in its report, including what conclusions the Group might wish to present to the Council.
3. At the end of the meeting, the secretariat was asked to prepare a draft report of the Group for submission to the Council, based on MDF/W/43 and taking into accounts points made in the discussion at the meeting (see paragraph 12 below). This note does not repeat those points incorporated into the draft report but summarizes points not taken care of in that document.

### General statements

4. The Group was informed of arrangements for the exhibition and presentations on the size and significance of international trade in counterfeit goods by a number of affected industrial and commercial bodies.

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<sup>1</sup>The exhibition and presentations, which were not part of the work of the meeting of the Group but were put on for the benefit of interested participants in the work of the Group, took place in the afternoon of 8 July. The following industrial and commercial bodies participated:

AIM: European Association of Industries of Branded Products  
ACG: The Anti-Counterfeiting Group (United Kingdom)  
ASEC: Association Suisse d'Etude de la Concurrence - group  
anti-contrafaçons  
CENTROMARCA: Centro di Coordinamento dell'Industria di Marca (Italy)  
CLEPA: Centre de Liaison de la Construction d'Equipements et de Pièces  
d'Automobiles  
IACC: International Anti-Counterfeiting Coalition  
ICC: International Chamber of Commerce  
C.I.B.: ICC Counterfeiting Intelligence Bureau  
IFPI: International Federation of Phonogram and Videogram Producers  
NAPAG: Nigerian Anti-Piracy Action Group

5. A member said that his authorities had been following the work of the Expert Group with interest and considered that the issues under discussion were important, in particular the need to curb commercial counterfeiting. They took the view that the problems in this connection were very much enforcement problems by nature. His authorities considered that their present national legislation, namely the Trade Descriptions Ordinance and the Copyrights Ordinance, was effective. The Trade Descriptions Ordinance, which dealt among other things with goods unlawfully bearing representations of legally protected trademarks, provided for criminal sanctions of fines and up to two years imprisonment for summary offences and larger fines and up to five years imprisonment for indictable offences, and for seizure and forfeiture of all goods proven to be counterfeit. It also contained strong enforcement provisions. Under the Customs and Excise Department, a special task force of about fifty specially trained investigating officers was responsible for eradicating commercial counterfeiting activities. They could mobilize, where necessary, hundreds of customs officials, as during a recent three-day territory-wide operation targeted against hawkers selling counterfeit goods. Giving some statistics on enforcement and results, he first recalled that his territory had acceded to the Paris Convention in 1977. The following year 213 investigations against counterfeit activities had been carried out, leading to fifty-six prosecutions. By 1984, these figures had increased to 865 and 432 respectively and the value of goods seized had increased over thirty-fold. Evidence indicated that this increased enforcement activity was not a symptom of increased counterfeiting activity but rather the cause of a substantial reduction in counterfeiting. For example, about ten to twelve years ago nine out of ten music tapes sold had been estimated to be counterfeit; now, it was widely believed that at least 99 per cent of music tapes sold were genuine copies. Efforts to combat counterfeiting were being continued and intensified as necessary. In this connection, he provided details of major seizures of suspect goods in May 1985, the most recent month for which information was available. Apart from the customs enforcement aspect of the problem of commercial counterfeiting, he noted that there were also intellectual property and trade aspects. In this regard, his authorities considered both the streams of thinking reflected in document MDF/W/43 persuasive and had difficulty in reaching a firm view on the crucial question of the appropriateness of joint action in GATT. One important aspect which needed further discussion was the rôle that GATT mechanisms could play in preventing barriers to trade in genuine goods arising from action designed to combat trade in counterfeit goods.

Examination of the documentation before the Group

6. The Group examined section-by-section document MDF/W/43, the summary of issues raised and views expressed prepared by the secretariat.

7. Referring to the discussion on the adequacy of the present international law in paragraphs 13 and 14 of MDF/W/43, a member said he would like to know more about how the provisions of Article 28 of the Paris Convention worked and to what extent they could be made to deal with the enforcement problems that had been identified. Turning to paragraph 15, second indent, of that document, this member said that his authorities had given some thought to what kinds of barriers to trade in genuine goods could result from unilateral action against trade in counterfeit goods. Their preliminary thinking was that two sorts of difficulty could arise. One was the danger of the discriminatory detention of goods from particular sources for unduly long periods for verification purposes. The second was

the possible requirement of a substantial deposit from importers of goods for provisional customs clearance, pending completion of counterfeit investigations. The requirement to provide such deposits might be particularly onerous on small importers and especially a problem for their operations where seasonal or perishable goods were involved. He recalled that it had been suggested that one way of preventing the possible misuse of procedures aimed at imports of counterfeit goods would be to require the trademark owner seeking action against suspect imports to provide financial security that could be used to compensate importers where their legitimate interests had been adversely affected. Since the trademark owner was often likely to be a large corporation the provision of such financial guarantees would generally pose no difficulty. This member said that he would like to know more of the thinking of other members about the possible obstacles to trade that could arise.

8. Referring to MDF/W/43, paragraphs 18, first indent, and paragraph 19, first indent, some members said that it was a false syllogism to suggest that because the objective of GATT was the expansion of legitimate trade and trade in counterfeit goods undermined this, GATT should take action to suppress trade in counterfeit goods. In their view, the correct conclusion to be drawn from these premises was that action should indeed be taken to repress trade in counterfeit goods, but this should be done in the appropriate institution, which was WIPO. Moreover, the General Agreement did not speak of the expansion of trade in legitimate goods, but referred simply to the expansion of trade in goods. In response, some members said that since no contracting party would support the expansion of trade in counterfeit goods, it was a reasonable interpretation to suppose that objectives of the General Agreement referred to the expansion of legitimate trade, by which was simply meant trade in goods that were not counterfeit.

9. A member, referring to MDF/W/43, paragraph 19, second indent, wondered what were the main GATT provisions referred to aimed at ensuring that action to protect intellectual property did not cause obstacles to legitimate trade. Did they include Articles XXII and XXIII? How did the members holding the view that these provisions needed further interpretation and elaboration to be fully effective deal with the counter argument present in paragraph 14, last indent? To what degree could necessary guidelines be satisfactorily evolved from case law resulting from the resolution of disputes brought to the CONTRACTING PARTIES? In response, some members said that, since Article XX(d) contained no notification or transparency requirements with regard to implementing legislation or measures taken, it might be difficult for a contracting party to assemble the necessary material to prepare a case. Moreover, in their view it would be better to act to prevent difficulties before they arose and to influence national legislation before it was adopted. A member said that the sort of matters that would be likely to be the subject of disputes in GATT would relate to the procedures introduced by a country to deal with imports suspected of being counterfeit, for example: was the importer given sufficient information about action taken against his goods; did he have adequate rights to appeal against administrative decisions; and were the goods detained for an unreasonably long period. The GATT was the most appropriate body to deal with these sorts of disputes. This was one reason why action should be taken on the trade aspects in the GATT. However, it might be difficult for the CONTRACTING PARTIES to resolve such disputes on the basis of the existing GATT provisions, which were very general in nature, and would be better to lay down guidelines that would help forestall their emergence.

10. Some other members said that there were GATT provisions concerning the notification of measures taken pursuant to GATT Article XX(d). Such provisions were contained in paragraph 3 of the 1979 Understanding Regarding Consultation, Dispute Settlement and Surveillance, which required contracting parties, to the maximum extent feasible, to notify trade measures affecting the operation of the General Agreement. They also said that, in their view, the present provisions of Article XX(d) were sufficiently clear and explicit to enable their effective implementation.

11. Some members said that the purpose of Article XX(d) of the General Agreement was to ensure that measures taken to protect intellectual rights did not give rise to unwarranted barriers to international trade. It could only therefore be used to argue that GATT had competence to deal with this aspect. The references to the protection of intellectual property were merely incidental and tangential, and could not be used to argue that GATT had competence to deal with this aspect any more than the references in Article XX to public morals or health or in Article XXI to essential security interests could be used to argue that GATT should lay down rules on how these should be protected. Some other members said that all aspects of procedures to protect intellectual property rights applying to internationally traded goods were legitimate concerns of GATT. Moreover, the two aspects referred to could not be separated; they were two sides of the same coin.

Elements for inclusion in the report, including conclusions of the Group

12. The Group agreed that the secretariat prepare a draft report, based on MDF/W/43 and taking into account points made in the discussion at the meeting. Members with particular drafting suggestions were asked to make them available to the secretariat by 25 July 1985. It was noted that the secretariat would also prepare a note on the meeting summarizing points not taken care of in the draft report.

Date and agenda of next meeting

13. The Group agreed to meet again on 4 October 1985 to examine the draft report prepared by the secretariat.