

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)

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

GUIDELINES PROPOSED BY THE EUROPEAN COMMUNITY FOR THE
NEGOTIATIONS ON TRADE-RELATED ASPECTS OF
INTELLECTUAL PROPERTY RIGHTS

The following communication, dated 19 November 1987, has been received from the delegation of the European Communities.

I. INTRODUCTION

The Community considers it highly important that substantial progress should be made in the negotiations on trade-related Intellectual Property Rights (IPRs). In this connection, it reaffirms the utmost priority it attaches to the globality of the Uruguay Round negotiations. The work of the Group should continue to advance along the lines laid down at Punta del Este in order to reduce the distortions and impediments to international trade. It should therefore take account of the need to foster effective and adequate protection of intellectual property rights while avoiding becoming an obstacle to legitimate trade. The Community's proposals are set in that framework.

As was laid down in Punta del Este, an analysis has been made of the provisions of the General Agreement that have some relevance in this field, in particular Articles I, III, IX, X, XX, XXII and XXIII. In the Community's view, they have been found totally or partially inadequate to resolve the problems encountered in the field of Intellectual Property Rights (IPRs). In order to achieve the Punta del Este objective, it is therefore necessary to draw up new rules and disciplines.

To that end, the negotiations should pursue and attain the following goals:

- (a) Apply to IPRs the general principles and mechanisms of the General Agreement that ensure the liberalization of trade, namely: non-discrimination, national treatment, dismantling of trade barriers, transparency, consultation and dispute settlement;
- (b) ensure effective protection of all IPRs, in particular by action against trade in and production of goods violating IPRs;

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- (c) find solutions to the trade problems created by inadequate or excessive substantive standards relating to IPRs;
- (d) avoid creating barriers to trade and eliminate existing barriers;
- (e) ensure protection against misuse of rights.

These goals should apply to all IPRs, in particular patents, trade marks, designs and models, geographical descriptions, designations of origin, new varieties of plants, copyright and similar rights, as well as new forms of intellectual property (for example, semi-conductor lay-outs).

In the Punta del Este Declaration, the CONTRACTING PARTIES agreed:

"In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines. Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT".

The Community considers that to achieve the objectives laid down at Punta del Este, the negotiations must provide substantial results on these subjects.

In this context, the following points should be dealt with:

II. GENERAL PRINCIPLES AND INSTITUTIONAL ASPECTS

(i) Non-discrimination

This principle must apply with regard to any form of discrimination, whether based on origin, nationality or residence ...

(ii) National treatment

Imported products must not be accorded treatment that is less favourable than that accorded to like products of national origin for reasons connected with the enforcement of IPRs.

One way of obtaining such treatment is that the courts that hear disputes among "resident nationals" should also hear cases involving foreigners, whether resident or non-resident, following the same rules as for resident nationals. If this is impossible, then the procedures and remedies concerning observance of IPRs for imported products must not place the parties concerned, and in particular the defendants, in a less favourable position than the procedures and remedies for IPRs relating to national products.

(iii) Transparency

Transparency of measures relating to IPRs, whether they be substantive standards or to ensure enforcement, must be ensured by an appropriate procedure, based for example on the provisions of Article X of the General Agreement. Besides the publication of laws and regulations, this should include the transmission of any relevant information requested by trading partners.

Examination of national texts by a competent committee or technical group should be envisaged.

(iv) Consultation and dispute-settlement procedures

The consultation and dispute-settlement mechanisms of the General Agreement¹ should be applicable in this field. However, it is necessary to examine the question as to whether, because of the specific nature of the issues to be settled, special procedures should also be included.

The dispute-settlement mechanism should also provide the possibility of suspending or withdrawing certain benefits, where appropriate, in particular the rights stemming from the "new rules and disciplines".

(v) Dismantling of trade barriers

Existing or planned legislative or other measures in the above-mentioned areas should be examined to ensure that they do not constitute barriers to trade. If necessary, recommendations could be made.

(vi) Protection against abusive use of rights

Measures should be provided to avoid misuse of rights. For example:

- damages in the event of misuse of the procedure;
- deposit of security when bringing a complaint.

(vii) Other institutional aspects

A structure for examining and dealing with all matters relating to IPRs would be useful. The work of this structure should be articulated, as necessary, with that of the organizations having competence for the issues involved (WIPO, CCC, ...).

¹ In particular Articles XXII and XXIII, and the agreements or practices relating to their implementation.

III. SUBSTANTIVE STANDARDS

The problems created by inadequate or sometimes excessive substantive standards are very serious and require urgent multilateral solutions. The problems thus created for international trade have been described at length in the Community's communications and statements. Many solutions have been suggested formally or informally by some participants to find solutions to these problems. They range from a suggestion to include in a GATT instrument an obligation relating to the signing or at least the implementation of the essential provisions of the existing international conventions, to the idea of establishing within GATT minimum rules for the definition of IPRs. In any case, a transposition within the GATT legal system of the rules that enjoy wide international recognition would strengthen the effective protection of the trade interests stemming from IPRs.

The Community is currently studying the various options and intends to present its conclusions and suggestions to the Group in due course. Meanwhile, it can only recall the very great importance it attaches to the solution of these problems. Naturally, any solution must take account of the need to avoid duplicating the work of WIPO and to promote complementarity between the work of GATT and that of WIPO.

IV. IMPLEMENTATION

Different implementation mechanisms and procedures must be provided for according to the point at which the official authorities intervene. It is essential that IPRs should be protected everywhere, not only internally but also at the border. For once the border has been crossed, it is much more difficult, if not impossible, to reach the real beneficiaries of an IPR infringement. A mechanism at the border is therefore necessary side-by-side or in conjunction with internal procedures. Furthermore, the consultation and dispute-settlement mechanism described in Part II above will ensure that these procedures and mechanisms comply with multilateral disciplines.

A. Enforcement at the border

- (i) An undertaking should be entered into for the implementation of a mechanism for action at the border¹ to ensure that IPRs are respected before products leave the control of the customs authorities. Such a mechanism for action at the border usually requires the intervention of the customs authorities as the agent for the enforcement of decisions delivered by other appropriate authorities. The respective rôles of the courts, the customs and/or other duly empowered authorities should be carefully defined and could depend on the nature

¹ For members of a customs union, the term border is understood to apply to their border with regard to countries not members of the union.

of the rights in question and on the nature of the infringements. All participants should in any case provide internal, legal or administrative (see below), mechanisms allowing the holders of any IPR to secure enforcement of their rights in an effective, rapid and non-discriminatory manner before products have left the control of the customs authorities.

- (ii) Furthermore, the customs or other duly empowered authorities should have the power to prevent imports (and exports) of counterfeit (or pirated) goods,¹ subject to review or appeal to an appropriate judicial authority.
- (iii) The mechanisms for the implementation of enforcement of IPRs at the border should contain the following elements:
- Definition of IPRs;
 - definition of the natural and legal persons empowered to take action to enforce them;
 - definition of the infringements in relation to which the customs authorities could intervene;
 - participants should be free to decide on the desirability of providing for automatic ex officio proceedings to ensure official enforcement of IPRs. In any case, appropriate proceedings should be opened upon complaint by the holder of an IPR;
 - the generally accepted principles of due process;
 - the criteria and procedures used with respect to imported products to determine infringements (in particular to avoid discrimination against imported products and ensure that such criteria and procedures are no less favourable than those used with respect to national products);
 - quite short time-limits for the adoption and maintenance of interim protective measures (in particular to avoid undue obstacles to legitimate trade, but also to respect the rights of the defence);
 - deterring of misuse of complaints by deposit of a security, awarding of costs, obligation to compensate the defendant for the prejudice caused to him, and possibility of appeal;
 - reasonable possibilities of seizure and destruction of goods infringing IPRs.

¹ The draft code on counterfeit goods and the work carried out within GATT should facilitate work in this area.

The question as to whether the same principles should apply to goods subject to "inward processing", temporary admission, customs bonding (warehouses and free zones), transit and export should also be considered.

With respect to action by the customs authorities, account should be taken of the practical possibilities for effective intervention, which vary both according to the different types of IPR concerned and also according to the type of customs procedure (import, export, and so forth).

B. Internal procedures and remedies designed to ensure respect for IPRs

Participants should undertake to provide appropriate internal procedures and remedies in order to ensure balanced¹ efficient and rapid enforcement of the IPRs attached to a product, whether the possible infringement is carried out through imports or through local products. In weighing up whether the enforcement provided is balanced, account must be taken of the existence of different legal traditions. The model laws or standard laws which have been devised in the context of competent international organizations in this field and would be recognized as being "appropriate" shall be considered to provide the elements of balanced protection. Contracting parties should remain free to decide on what type of procedure, civil, criminal or administrative, should be used.

The internal procedures and remedies designed to ensure respect for IPRs should be based, mutatis mutandis, on the same principles and contain, as appropriate, elements comparable to those indicated in the previous section relating to the implementation of enforcement at the border. They should also include the following elements:

- definition of the conditions for intervention by the courts;
- reasonable possibilities of referral to the judicial authorities in order to enforce an IPR;
- reasonably simple and rapid procedure for determining infringements of an IPR, while respecting the rights of the defence;
- appropriate damages for parties to a dispute concerning enforcement of an IPR;
- appropriate deterrent penalties (for example large fines or prison sentences).

C. Other questions relating to implementation

Some issues are at the interface between implementation and substantive standards. This is the case in particular of the conditions

¹ In particular as regards the rights of the defence.

and procedures relating to the obtention and maintenance of IPRs. These conditions and procedures should, in particular, be subject to the principles and mechanisms described in Part II above.

V. TECHNICAL CO-OPERATION

In this particularly complex sphere, an appropriate mechanism (or procedure) should be established so that it is possible to accede to requests for technical co-operation that might be forthcoming from certain countries.

VI. INTERNATIONAL CO-OPERATION

Special attention should be paid to possible means of improving co-operation between contracting parties both as regards the exchange of information (at all levels of administration: customs, police, courts) and concerning the efforts made in other fora, in particular WIPO and the CCC, to rationalize existing national procedures.

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The proposals are an initial contribution which the Community intends to develop and add to in the course of the negotiations.