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

PROPOSAL BY THE EUROPEAN COMMUNITY FOR THE NEGOTIATIONS
ON THE ENFORCEMENT OF TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS

The following communication has been received from the delegation of the European Communities with the request that it be circulated to the Negotiating Group.

INTRODUCTION

In earlier submissions to the Negotiating Group, the Community has, inter alia, made suggestions regarding guidelines and objectives for the negotiations on trade-related aspects of substantive standards of intellectual property rights and of the enforcement thereof. While the former were presented in some detail (cf. MTN.GNG/NG11/W/26) the Community's suggestions on enforcement were expressed in somewhat more general terms (cf. MTN.GNG/NG11/W/16). The Community has therefore decided to translate these suggestions into more detailed principles and this in order to provide a concrete starting point for the negotiations on this complex subject matter.

The principles are presented in terms which are often close to treaty language. The Community decided to do so for reason of transparency, so as to ensure that their purpose and potential consequences be clear to all participants. The proposed principles should, however, be considered only as indicative of the direction in which the Community would wish to see the negotiations proceed. These principles are also preliminary in the sense that the Community is ready to examine proposals from other participants and that it may itself wish to modify them during the negotiations.

These remarks apply to the submission as a whole, but even more strongly with respect to the suggested general principles on national treatment and non-discrimination. More work will still be needed on these issues in order to determine how such basic concepts should be applied in the field of intellectual property right enforcement (to the extent they do not already apply). Furthermore, it is not yet clear whether these concepts should be defined separately, on the one hand for substantive

standard, and, on the other hand, for enforcement issues. This question will have to be further examined in the context of the negotiations on norms and standards. The following general principles that refer to these issues are therefore provided as a very preliminary basis for discussions, to be reviewed as the negotiations proceed.

In this first detailed submission on enforcement issues, the Community has chosen to place particular emphasis on internal enforcement. Border enforcement is, however, also of the highest importance. As the negotiations progress, the Community will, in addition to its present suggestions, wish to examine the possibility of going beyond the proposed minimum requirement for intervention by customs authorities, in particular in order to explore the possibility of introducing a commitment that parties adopt procedures in accordance with which customs authorities could detain goods infringing any intellectual property right. In implementing such a commitment, allowance would be made for differences in national legal systems, including the relationship between courts and customs, as well as differences between intellectual property rights.

A. GENERAL PRINCIPLES

1. Signatories shall protect intellectual property rights by means of civil law, criminal law, administrative law or a combination thereof. They shall provide effective procedures to protect intellectual property rights against any act of infringement. These procedures shall be applied in such a manner as to avoid the creation of obstacles to legitimate trade.
2. Procedures concerning the enforcement of intellectual property rights shall not be unnecessarily complicated, costly or time consuming, nor shall they be subject to unreasonable time-limits. They shall provide adequate opportunities for right holders¹, including foreign nationals, to make use of them.
3. Without prejudice to the provisions on national treatment provided for in the Paris Convention and the revised Berne Convention, the procedures shall be formulated and applied so as to provide nationals of other signatories with respect to the protection of intellectual property rights the advantages that the respective laws now grant, or may hereafter grant, to nationals, without prejudice to the rights specially provided for by this agreement. Nationals of other countries who are domiciled or who have real and effective industrial or commercial establishments in the

¹Throughout this document the term "right holder" means the right holder himself, any other person authorised by him or persons having legal standing under national law to assert such rights.

territory of one of the signatories shall be treated in the same manner as nationals of the signatories. The provisions of the national laws relating to jurisdiction, the language of the proceedings, the designation of an address for service or the appointment of an agent, or to the provision of securities are reserved, provided that they are not applied as a means of arbitrary discrimination between nationals of the signatory in question and those of other signatories.

4. The criteria applied in reaching a decision whether an intellectual property right is infringed shall not discriminate between domestic goods and services, and goods and services which are imported or destined for importation. The procedures and remedies applied shall accord treatment to imported goods and services no less favourable than that accorded to domestically produced goods and services. Article XX(d) of the GATT shall apply accordingly.

5. Procedures and remedies applied by a signatory for the purpose of enforcing intellectual property rights shall not constitute a means of arbitrary or unjustifiable discrimination between nationals of other signatories, or a disguised restriction to international trade.

6. Signatories shall provide for remedies which effectively stop or prevent the infringement of intellectual property rights, entitle the right holder to claim compensation of the injury caused by the infringement, and which consist of other measures which, while corresponding to the importance of the infringement in question, constitute an effective deterrent to further infringements. Signatories shall also provide for safeguards against the abuse of enforcement procedures and for compensation of the injury suffered by a party which has been subject to such abuse.

7. Decisions on the merits of a case shall, as a general rule, be in writing and reasoned. They shall be made without undue delay in a fair and open manner.

8. Final administrative decisions on the merits of a case concerning the protection of an intellectual property right shall be subject to the right of appeal in a court of law.

General Principles concerning Acquisition of intellectual property rights

9. Where the acquisition of an intellectual property right covered by this Agreement is subject to the intellectual property right being granted or registered, signatories shall provide for procedures which permit, subject to the substantive conditions for acquiring the intellectual property right being fulfilled, the granting or registration of the right within a reasonable period of time so as to avoid that the period of protection is unduly curtailed.

Where the national law provides for opposition, revocation, cancellation or similar inter-partes procedures, they shall take into account the legitimate interests of the applicant or holder of an intellectual property right, in particular in an expeditious conclusion of such proceedings, as well as the interests of the other party, in particular in presenting its side of the case.

Procedures concerning the acquisition of such intellectual property rights shall be governed by the general principles set out in paragraphs 2, 3, 4, 5 and 7 above. Final administrative decisions concerning the acquisition of an intellectual property right shall be subject to the right of appeal in a court of law or quasi-judicial body.

B. CIVIL AND ADMINISTRATIVE PROCEDURES AND REMEDIES

(i) Judicial procedures

1. Signatories shall provide for civil judicial procedures concerning the enforcement of any intellectual property right internally and with regard to imports and exports. The holders of such rights shall be provided with appropriate access to the courts. All parties to such procedures shall be duly entitled to substantiate their claims and to present the evidence relevant for the establishment of the facts and the determination of the validity and infringement of the intellectual property rights concerned, as well as to exercise their rights of defence. Decisions shall only be based on such facts in respect of which parties were offered the opportunity to be heard.

2. Where the judicial authorities are satisfied that an infringement of an intellectual property right has been or is about to be committed they shall be entitled, upon request and irrespective of whether the defendant has acted with intent or negligence, to issue an order that the infringement be refrained from or discontinued.

3. Where an intellectual property right has been found to be infringed, the right holder can, in accordance with the relevant provisions of national law and where this would not be out of proportion to the infringement in question, for example in cases of deliberate and flagrant infringements of an intellectual property right, request that the infringing goods, including materials and implements predominantly used in their creation, be, without compensation of any sort, forfeited, and destroyed or disposed of outside the channels of commerce in such a manner as to minimise any harm caused to him, or that, as applicable, any other measures be taken having the effect of effectively depriving those responsible for the infringement of the economic benefits of their activity and constituting an effective deterrent to further activities of the same kind.

4. The right holder shall be entitled to obtain from the infringer adequate compensation of the injury he has suffered because of a deliberate or negligent infringement of his intellectual property right and to recover the costs reasonably incurred in the proceedings. The compensation may, in particular, consist of the restitution as far as possible of the situation as it existed prior to the infringement and of the recovery in appropriate cases of the profits resulting from the infringement. In appropriate cases recovery of profits may be granted even where the infringer has not acted intentionally or negligently.

5. Unless this would be out of proportion to the importance of the infringement, the right holder shall be entitled to be informed by the infringer, upon request, of the identity of the persons involved in the production and the channels of distribution of the infringing goods or services.

6. Parties wrongfully enjoined or restrained by any measures taken for the purpose of enforcing intellectual property rights shall be entitled to claim adequate compensation of the injury suffered because of an abuse of enforcement procedures and to recover the costs reasonably incurred in the proceedings. Signatories may provide for the possibility that these parties may in appropriate cases claim compensation from the authorities.

(ii) Administrative procedures

7. Signatories may provide for administrative procedures concerning the enforcement of intellectual property rights. These procedures shall conform to principles equivalent to those applied to judicial procedures, inter alia in order to ensure effective equality of opportunities for imported products.

C. PROVISIONAL MEASURES

This section shall be understood to apply to provisional measures taken in order to enforce any intellectual property right, enabling right holders to secure effective enforcement of their rights through action within the country as well as with regard to the importation and exportation of goods

1. (a) Signatories shall provide for judicial procedures for the adoption, upon request by a right holder, of prompt and effective provisional measures
 - to prevent an infringement of any intellectual property right from occurring or being continued, and in particular to prevent the goods from entering commercial channels, including their importation and exportation, and
 - to preserve the relevant evidence with regard to the alleged infringement.

- (b) The applicant shall be required either to provide any reasonably available evidence so as to permit the authority to establish with a sufficient degree of certainty that he is the right holder and that his right is being infringed or that such infringement is imminent, or to provide security sufficient to prevent abuse.
- (c) Where appropriate, provisional measures may be adopted inaudita altera parte. In this case, an oral hearing shall take place upon request of the defendant within a reasonable period after the notification of the measures, with a view to deciding whether these measures shall be revoked or confirmed.

2. Without prejudice to paragraph 1 (c) provisional measures taken on the basis of paragraph 1 (a) shall be revoked or lapse where, notwithstanding a request by the defendant, proceedings leading to a decision on the merits of the case are not initiated within a period of one month after the notification of the provisional measures, unless determined otherwise by the court.

3. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the defendant shall be entitled to claim from the applicant adequate compensation of any injury caused by these measures.

4. Where provisional measures are to be carried out by customs authorities, the applicant may be required to supply any other information necessary for the identification of the goods concerned.

D. DIRECT BORDER INTERVENTION BY CUSTOMS AUTHORITIES¹

1. Without prejudice to paragraph 9 below, signatories shall establish procedures according to which a right holder, who has valid grounds for suspecting that the importation of counterfeit goods is contemplated, may lodge an application in writing with the competent authorities for the suspension by the customs authorities of the release into free circulation of such goods.

For the purpose of section D, counterfeit goods are understood to be those bearing without authorisation a trade mark which is identical to a trade mark validly registered in respect of such goods in or for the signatory in the territory of which the goods are declared for importation, or which cannot be distinguished in its essential aspects from such a trade mark.

¹For members of a customs union, the term "border" is understood to apply to their border to countries or areas which are not part of the union, and the term "territory" is understood as the customs territory of the union.

Signatories may provide for corresponding procedures concerning the suspension by the customs authorities of the release of counterfeit goods destined for exportation from their territory.

2. The application under paragraph 1 must be accompanied by proof that the applicant is the right holder. It must contain all pertinent information available to the applicant to enable the competent authority to act in full knowledge of the facts, and a sufficiently detailed description of the goods to enable them to be recognised by the customs authorities. It must specify the length of period for which the customs authorities are requested to take action. The applicant may also be required to supply any other information necessary for the identification of the goods concerned.

3. Signatories may establish the procedures provided for under paragraphs 1 and 2 above concerning any goods which, prima facie, infringe any other intellectual property right.

4. Signatories may require a right holder, who has lodged an application according to paragraph 1, to provide a security. Such a security or equivalent assurance shall be required in the context of procedures established according to paragraph 3.

5. If, within two weeks following the notification of the suspension of the release of goods falling under paragraphs 1 or 3 above, the customs authorities have not been informed that the matter has been referred to the authority competent to take a decision on the merits of the case, or that the duly empowered authority has taken provisional measures, the goods shall be released, provided that all other conditions for importation or exportation have been complied with. In exceptional cases, the above time-limit may be extended by another two weeks.

6. Without prejudice to the protection of confidential information, the right holder shall be given sufficient opportunity to inspect any product detained by the customs authorities in order to substantiate his claims. Unless this would be contrary to provisions of national law, the customs authorities shall inform the right holder, upon request, of the names and addresses of the consignor, importer, consignee and of the quantity of the goods in question.

7. Where goods have been put on the domestic market or the market of a third country with the consent of the right holder, the fact that he has not agreed that the goods are imported or reimported, or that they are imported under conditions other than those agreed by him, shall not be sufficient reason for direct border intervention.

8. Without prejudice to the other rights of action open to the right holder, and subject to the right of the defendant to lodge an appeal to the judicial authorities, the competent authorities shall, as a general rule and in accordance with the relevant provisions of national law, and where this would not be out of proportion to the infringement in question,

provide for the forfeiture of the infringing goods and destroy them or dispose of them outside the channels of commerce in such a way as to minimise harm to the right holder without compensation of any sort. They may in respect of such goods take any other measures having the effect of effectively depriving those responsible for the infringement of the economic benefits of their activity and constituting an effective deterrent to further activities of the same kind. Other than in exceptional cases, with regard to counterfeit goods the simple removal of the trade marks affixed without authorisation shall not be regarded as having such effect. The authorities shall not order the re-exportation of the goods in an unaltered state or subject them to a different customs procedure.

9. Signatories may require customs authorities to act upon their own initiative and to suspend the release of goods falling under paragraphs 1 and 3 above where they have acquired a sufficient degree of certainty that an intellectual property right is being infringed.

In this case, the customs authorities may at any time seek from the right holder any information that may assist them to exercise these powers.

Without prejudice to the other rights of action open to the right holder and subject to the right of the defendant to lodge an appeal to the competent judicial authorities, signatories shall, where this would not be out of proportion to the infringement in question, for example in cases of deliberate and flagrant infringements, provide for the forfeiture of the goods thus detained by the customs authorities and for their destruction or disposal outside the channels of commerce in such a manner as to minimise harm to the right holder.

10. The above provisions shall not apply to small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments.

E. CRIMINAL PROCEDURES AND SANCTIONS

Signatories shall provide for criminal procedures and penalties to be applied in cases of wilful infringements of trademarks and copyright on a commercial scale. Such remedies shall include imprisonment and monetary fines sufficient to provide an effective deterrent. Signatories may provide for criminal procedures and penalties to be applied in cases of infringement of any other IPR, in particular where it is committed wilfully and on a commercial scale.