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

ENFORCEMENT OF TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS

Submission from Canada

INTRODUCTION

1. Canada regards the development of fair, effective and non-discriminatory international rules and disciplines to enforce intellectual property rights (IPRs), consistent with basic GATT principles, as central to the negotiations on the trade related aspects of intellectual property (TRIPS). Such a framework would help to alleviate the shortcomings of existing international conventions on intellectual property which contain few, if any, detailed obligations regarding enforcement. Such a framework should be acceptable to the widest possible number of countries.

2. This submission provides Canada's views on the relationship between intellectual property enforcement measures and international trade. It outlines basic principles to ensure enforcement of IPRs takes place in a manner that would minimize possible trade impediments and distortions. Attached to the submission are more detailed views on the specific issues covered in the GATT synoptic table MTN.GNG/NG11/W/33, which inter alia may assist the Negotiating Group in addressing the level of detail appropriate for the enforcement provision of a TRIPS agreement.

INTELLECTUAL PROPERTY ENFORCEMENT AND INTERNATIONAL TRADE

3. The issues of enforcement of IPRs in the context of the MTN TRIPS negotiations need to focus on two interrelated aspects. First, because enforcement measures should be designed to protect "legitimate trade" i.e. the trade that does not infringe IPRs, it is necessary to define what should be regarded as being adequate standards of IP protection internationally. Second, enforcement of IPRs should avoid creating international trade distortions which can result from either inadequate or excessive enforcement measures.

4. Inadequate enforcement of intellectual property rights can adversely affect rights holders; their licensees; local manufacturers; distributors or retailers facing unfair competition from counterfeit or otherwise infringing product in their domestic markets; and consumers who have inadequate protection from counterfeit or otherwise fraudulent goods.

5. Excessive enforcement of IPRs can prove to be distorting if, as a result of enforcement measures, particularly at the border, which are arbitrary, unfair or overly zealous:

- foreign companies (i.e. the exporter) are not allowed to compete on an equal footing with local companies in the latter's domestic market;
- the legitimate importation, distribution and retailing interests of the importing country are negatively affected and;
- consumers and industry in the importing market are denied lower prices, higher product quality and more choices.

6. In Canada's view, a TRIPS agreement should contain enforcement provisions which strike an appropriate balance among the commercial and economic interests of the various private sector parties concerned.

7. In addition, a TRIPS agreement should recognize that individual participants will want to maintain reasonable flexibility in the application of basic international enforcement obligations within their own national legal systems. Exporters do not expect legal systems and enforcement procedures to be identical in all countries. However, a TRIPS agreement which provides broad-based enforcement principles and a more uniform and transparent set of enforcement rules internationally would produce many benefits. Such an agreement would not only decrease the risk, uncertainty and expense of doing business in other countries, and therefore reduce trade distortions, but it would also increase international trade by materially facilitating the exports of all participants.

#### ENFORCEMENT PRINCIPLES

8. Under an agreement, the enforcement principles, in Canada's view, should include the following:

- A. Procedures to enforce intellectual property rights should be effective but should not create unnecessary obstacles to legitimate trade.**

#### COMMENT

This is the most basic and fundamental aspect of the enforcement principles. The needs of intellectual property rights holders would be balanced with the needs of legitimate traders of goods and services containing those rights.

- B. Procedures and remedies for enforcing intellectual property rights provided to persons, goods and services of all other parties should be no less favourable than those provided to its own persons, goods or services, i.e. national treatment.**

COMMENT

Failure to give procedural rights and remedies based on the national treatment principle may arbitrarily reduce the flow of imported goods and distort decisions on the location of manufacturing and other production facilities.

Defendants subjected to import proceedings must have recourse to the same defences or counterclaims which would be available to domestic defendants before the courts. Further, the application of time deadlines under legal procedures should be comparable for imports and for domestic goods and services. The existence of different legal procedures raises the possibility of less favourable treatment of importers.

In this regard, complainants in disputes involving imported goods or services should not have options to initiate proceedings in judicial or administrative forums if comparable options do not exist for complainants in disputes involving domestically produced goods and services. Imported goods must not be subject to double jeopardy. If they are challenged under legal or administrative proceedings which apply only to imports, they must not be subsequently or simultaneously challenged for the same alleged offence in domestic courts. This can result in situations where it is more costly and difficult to defend the validity of imported goods than it is to defend the validity of domestic goods, thereby discouraging trade.

- C. Procedures and remedies for enforcing intellectual property rights provided to persons, goods or services of one party to a TRIPS agreement, should be equally applicable to the persons, goods or services of any other party to the agreement, i.e. unconditional mfn/non-discriminatory treatment.**

COMMENT

In order to ensure that all contracting parties benefit fully from a TRIPS agreement, it is important to have an effective MFN principle ensuring non-discriminatory treatment in the enforcement of intellectual property rights. Such a principle will assist in achieving the widest possible acceptance of a TRIPS agreement. It also requires the widest possible acceptance of obligations to provide adequate standards.

**D. Procedures for enforcement should be fair and equitable to the affected parties and transparent.**

COMMENT

Fair and equitable procedures are intended to ensure an appropriate balance between the rights of intellectual property rights holders and defendants and to ensure that the interests of licensees, manufacturers and consumers are also protected. The absence of such a balance could mean either that plaintiffs do not have a fair opportunity to prove their case or, alternatively, that defendants do not have an adequate opportunity to prepare or present their defence. That could mean either excessive or inadequate enforcement with corresponding limitations on international trade.

Such procedures should normally include the right to:

- (a) prompt and reasonable notice of the commencement of proceedings;
- (b) an adequate opportunity to prepare their cases;
- (c) effective means to present evidence and to communicate their views to the authorities;
- (d) compensation against the abuse of procedures;
- (e) reasoned decisions made without undue delay in a transparent manner; and
- (f) judicial review.

As an exception to these procedures, it may be necessary to allow an intellectual property rights holder to take immediate action to seize evidence or stop infringement if enforcement procedures are to be effective. Typical circumstances could relate to trading in pirated and counterfeit products where a requirement to notify a defendant prior to taking action would often result in the destruction of necessary evidence. As a result, contracting parties should make available ex parte judicial proceedings to preserve evidence or grant preliminary relief in cases where immediate and serious harm could result. Such ex parte proceedings must, of course, conform to the "equitable procedures" outlined in this principle.

The procedures also need to be transparent to provide those trading in IPRs with greater certainty and to ensure that the parties to a dispute are fully provided with an opportunity to access or respond to these procedures.

- E. There should be judicial and/or administrative civil remedies which effectively stop or prevent the infringement of intellectual property rights, and entitle the rights holders to claim compensation for the injury caused by the infringement. Criminal sanctions and penalties for trademark counterfeiting and copyright piracy if committed wilfully and for commercial purposes also need to be provided for.

COMMENT

Lack of effective remedies leads to increased circulation of infringing goods and, consequently, decreased trade in non-infringing goods; and therefore hurts the export efforts of legitimate producers in all member countries. Smaller companies in particular encounter serious difficulties in competing against infringing products and therefore are discouraged from entering the export market.

Intellectual property rights holders should be provided with a range of remedies (e.g. injunctions, seizure and damages) to prevent such abuses.

Canada believes that contracting parties should protect intellectual property rights by means of civil remedies or under certain conditions by criminal remedies. Regarding criminal remedies, Canada's view is that there should only be a requirement to provide these in relation to wilful and commercial trademark counterfeiting and copyright piracy. For other intellectual property rights and in particular, patents, criminal sanctions are considered to be inappropriate under most circumstances since the existence of the patent right itself is usually the essence of the question in dispute.

In addition to compensation for losses, in appropriate cases damages should be available to deprive the infringer of any profit and to deter further infringement.

For the purposes of an agreement, it will be necessary to define counterfeit and pirated goods. From a Canadian point of view,

COUNTERFEIT GOODS should mean

any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark and which thereby infringes the rights of the owner of the trademark in question under the legislation of the country of importation.

PIRATED GOODS should mean

any goods which are copies made without the consent of the rights holder or person duly authorized by him in the country of production and which are made directly or indirectly from an article where the making of that copy constitutes an infringement of a copyright under legislation in the country of importation.

- F. There should be interim procedures: (a) to allow the courts to direct customs authorities to detain counterfeit or pirated goods, or (b) to allow interim detention by customs of such items, subject to appropriate safeguards. Such measures should not be applied in a manner which would constitute a disguised restriction on international trade.

COMMENT

In the case of counterfeit or pirated products, special border procedures are required, in order to be able to stop the products from entering the country and being circulated widely. Contracting parties should accordingly provide for interim procedures to allow the courts to direct customs authorities to detain counterfeit or pirated goods or provide for interim detention by customs for such items. However, all interim detention procedures should be for a clearly limited duration, should be subject to appropriate safeguards, and also be subject to the general provisions for enforcement outlined in principles A-E above. This situation differs from internal infringement because it is not usually possible to take more complete judicial measures against the source of the infringing products which may often be located abroad. However, the border procedures should not be more onerous, i.e. less favourable, than those applied internally and imported goods should not be subject to double jeopardy.

- G. The enforcement procedures of a TRIPS agreement should be subject to multilateral dispute resolution within the GATT.

9. Attached are Canada's more detailed views on the points covered in Doc. MTN.GNG/NG11/W/33.

ANNEX

CANADIAN PROPOSAL ON ENFORCEMENT

**A. GENERAL OBLIGATIONS**

**(1) Objectives**

Contracting parties should establish measures and procedures to ensure prompt, effective and non-discriminatory enforcement of intellectual property rights (IPRs) covered by this agreement. Such procedures should minimize interference with legitimate trade.

**(2) Types of procedures to be provided**

Contracting parties should protect IPRs by means of civil procedures being judicial or administrative or a combination thereof. In appropriate circumstances, criminal procedures should also apply.

**(3) Procedures, general requirements**

[See above, A(1)]

**(4) Assurance of equitable procedures**

Procedures for the enforcement of IPRs should be fair, equitable and transparent.

Such procedures should meet the following criteria.

Except for ex parte proceedings, parties to a dispute should have a right to receive written notice in sufficient time prior to a hearing on the merits to enable a defence or response to be prepared. Such notice should contain sufficient information to determine the basis of the dispute.

Parties to proceedings should be entitled to substantiate their claims and to present evidence relevant for the establishment of the facts and the determination of the validity and infringement of the IPRs concerned either orally or in writing as appropriate, as well as to exercise their rights of defence. Decisions should be based only on such facts in respect of which the parties were offered an opportunity to present their positions. Hearings should be transparent and, unless there are reasonable grounds to the contrary, should be open to the public. Procedures should not be subject to unreasonable time limits or unwarranted delays.

Decisions should be in writing and should normally be accompanied by written reasons for decision. Decisions should be made without undue delay and in a fair and open manner. Decisions should be published or otherwise available to the public.

**(5) Rights of representation/presentation of evidence**

Parties may be represented by independent counsel where such representation is customary in the relevant proceedings.

Procedures should not impose overly burdensome requirements concerning personal appearances by parties.

Subject to procedures and conditions to ensure reliability and fairness, such as cross-examination and disclosure of adverse information, contracting parties should facilitate the acceptance of evidence, including expert testimony, and technical or test data, in order to assist in expediting and reducing costs of participating in enforcement procedures.

**(6) Access to information**

Procedures should provide for the disclosure of relevant information in the possession of the adverse party prior to a hearing on the merits.

**(7) Treatment of confidential information**

Contracting parties should provide a means to effectively identify and protect confidential information provided by any of the parties to the dispute or by others required to give evidence.

**(8) Facilitation of the obtaining of evidence**

Contracting parties should provide for ex parte judicial procedures to preserve evidence. Applicants may be required to post security or to provide equivalent assurance before obtaining such an order. Parties adversely affected should promptly be given notice of the subsequent proceedings for which the evidence was obtained.

Generally, such measures should include the following provisions:

Unless there are reasonable grounds to the contrary, the right holder should be entitled in civil proceedings to be informed by the infringer on request, of the identity of the persons involved in the production and the channels of distribution of infringing goods or services. A court or tribunal may order that this be treated as confidential information by the party obtaining it but it may be used in proceedings against other infringers.

**(9) Consequences of failure to provide information**

Where a party to a proceeding refuses to provide necessary information within a reasonable period or fails to take the necessary steps required to further the proceedings, preliminary and final determinations, affirmative or negative, may be made on the basis of evidence previously presented.

**(10) Avoidance of barriers to legitimate trade**

Enforcement procedures should be implemented in a manner to minimize interference with legitimate trade. In particular, any alleged infringement or other violation of an IPR relating to the importation of goods or services originating in the territory of another party should be adjudicated through proceedings no less favourable than those applicable to goods or services originating in the domestic territory.

Complainants in actions where imported goods are concerned should not have the option to initiate proceedings in judicial or administrative forums if comparable options do not exist for complainants in disputes involving domestically produced goods and services.

**National Treatment**

Contracting parties should provide procedures and remedies for enforcing intellectual property rights to persons, goods or services of the other parties, no less favourable than those accorded to its own persons, goods or services.

**Most-Favoured-Nation Treatment**

Contracting parties should provide procedures and remedies for enforcing intellectual property rights to persons, goods or services of all other parties, equally applicable to the persons, goods or services of any party.

**(11) Remedies and Sanctions**

Contracting parties should provide for remedies which effectively stop or prevent the infringement of IPRs, and entitle the right holder to compensation for the injury caused by the infringement. In appropriate cases, damages should be available to deprive the infringer of any profit and to deter further infringement. Contracting parties should provide criminal remedies at least for trademark counterfeiting and copyright piracy if done in a wilful and commercial manner.

**(12) Right of judicial review**

Contracting parties should provide the right of appeal to a court of law of initial judicial decisions on the merits of a case and final administrative decisions on the merits of a case. The court of appeal should be entitled to consider and review all legal issues raised before or considered by the previous court or administrative tribunal and should also be entitled to review issues of procedural fairness.

**B. INTERNAL MEASURES****(1) Coverage**

See above, A(1) and A(11).

**(2) Standing to initiate procedures**

Procedures should be available to owners of IPRs and to any other person duly authorized by such owner to exercise and enforce such rights.

**(3) Provisional Measures**

**(a) Nature and purpose**

Contracting parties should provide prompt and effective provisional measures to prevent or stop an infringement of an IPR. Where appropriate, these measures may be taken ex parte.

**(b) General Conditions**

The applicant should be required 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 or other authorized person and that there is an arguable case that his right is being infringed. The applicant may be required to provide security to prevent abuse.

Provisional measures should be revoked or lapse where, notwithstanding a request by the defendant, proceedings leading to a decision on the merits of the case are not commenced within a reasonable period of time.

Contracting parties may also provide that provisional measures may be revoked or lapse where the applicant does not pursue a decision on the merits in an expeditious manner.

**(c) Conditions on ex parte proceedings**

Where provisional measures are adopted ex parte, an oral hearing should take place upon the request of the defendant within a reasonable period after the notification of the measures to decide whether the measures should be revoked, modified, or confirmed.

**(d) Indemnification of defendant [and others]**

Contracting parties should 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. In appropriate cases, contracting parties should provide for indemnification of parties wrongfully enjoined or restrained.

**(4) Civil remedies for infringement**

**(a) Injunctions**

Final injunctions should be available.

**(b) Seizure, forfeiture, destruction**

Remedies for the infringement of IPRs should include the possibility of seizure, forfeiture, destruction and removal from commercial channels of infringing goods. Remedies should also include the possibility of seizure, forfeiture or destruction of any device specifically used for the production of infringing goods.

**(c) Damages [and recovery of costs]**

In addition to the damages provided in A(11), right holders should be entitled to recover costs reasonably incurred in the proceedings involving counterfeiting or piracy or proceedings where the relevant good has been previously held on the merits to infringe an IPR.

**(5) Criminal sanctions**

Criminal remedies with respect to counterfeit and pirated goods should include imprisonment and monetary fines. They should also include the possibility of seizure and forfeiture of counterfeit and pirated goods and any plate, cast, mold or similar device used in their creation.

**(6) Indemnification of defendant**

Parties wrongfully enjoined or restrained should be entitled to claim adequate compensation for the injury suffered and to recover the costs reasonably incurred in the proceedings. Contracting parties should provide for the possibility that these parties may, in appropriate cases, claim compensation from the authorities where such authorities have initiated the proceedings.

**C. SPECIAL REQUIREMENTS RELATED TO BORDER MEASURES**

**(1) General requirement**

Contracting parties should provide for interim judicial measures to allow the courts to direct customs authorities to detain counterfeit or pirated goods or they should provide for interim detention by customs as provided by this section. Contracting parties may also provide for the detention or prohibition of other types of infringing goods.

Any procedure to allow customs authorities to detain or prohibit any type of infringing good without a court order should conform to the rules set out in this section.

Where contracting parties allow the right holder to initiate detention, they should establish procedures according to which a right holder may lodge an application in writing with competent authorities for the suspension by the customs of the release into free circulation of suspected counterfeit or pirated goods.

**(2) Coverage**

**(a) Of IPRs**

Counterfeit trademark goods and pirated copyright goods.

Definitions

COUNTERFEIT GOODS should mean

any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark and which thereby infringes the rights of the owner of the trademark in question under the legislation of the country of importation.

PIRATED GOODS should mean

any goods which are copies made without the consent of the rights holder or person duly authorized by him in the country of production and which are made directly or indirectly from an article where the making of that copy constitutes an infringement of a copyright under legislation in the country of importation.

**(b) Of acts involving those IPRs**

Importation of counterfeit trademark goods or pirated copyright goods.

For greater certainty, contracting parties may, but are not required to, have border measures for goods that have been put on the domestic market or the market of a third country with the consent of the right holder.

The provisions should not apply to small quantities of goods of a noncommercial nature contained, for example, in travellers' personal luggage.

**(3) Standing to initiate procedures**

[See above, C1, re: right holders]

Contracting parties may require customs authorities to act upon their own initiative and to suspend the release of goods where they have a sufficient degree of certainty that an IPR is being infringed. Such detention should be subject to the same conditions, mutatis mutandis, as set out in C(5) below.

**(4) Requirements for initiation of procedures by IPR owners**

**(a) Application**

See above, C(1) paragraph 1.

**(b) Information to be provided**

The application should be accompanied by proof that the applicant is the right holder or duly authorized person. It should 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 these to be recognized by the customs authorities. The applicant may also be required to supply any other information available to him necessary for the identification of the goods concerned.

**(c) Provision of security**

Contracting parties may require a right holder to provide security up to an amount sufficient to hold the authorities and importer harmless from loss or damage resulting from detention where the goods are subsequently determined not to be infringing or where the right holder, after being informed of the detention, does not promptly inform the customs authorities that he does not intend to refer the matter to the competent authority for a decision on the merits or provisional measures. However, such securities shall not unreasonably deter recourse to such procedures.

Right holders should be liable to indemnify importers for goods wrongfully detained at their request regardless of whether the right holder has provided a security.

**(5) Conditions on detention of goods by customs**

If, within a reasonable time as set by legislation following the notification of the suspension of the release of goods in response to an application by a right holder, the customs authorities have not been informed either 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 should be released, provided that all other conditions for importation or exportation have been complied with.

Unless a court of appeal has made a decision affirming detention, seizure or prohibition by customs, goods should be released if any internal court or authority acting upon similar facts decides that the products are not infringing.

**(6) Inspection of detained product by right holder**

No proposal

**(7) Release of information concerning other parties to the transaction**

No proposal

**(8) Remedy**

See above, B(4)

D. ACQUISITION OF IPRS

In the Canadian proposals, this subject will be dealt with as a matter of standards.