

GENERAL AGREEMENT ON TARIFFS AND TRADE

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TRADE IN COUNTERFEIT GOODS

Report by Director-General on Consultations with Director General of WIPO

1. The decision on Trade in Counterfeit Goods contained in the Ministerial Declaration of 29 November 1982 reads as follows:

"The CONTRACTING PARTIES instruct the Council to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting and, if such joint action is found to be appropriate, the modalities for such action, having full regard to the competence of other international organizations. For the purposes of such examination, the CONTRACTING PARTIES request the Director-General to hold consultations with the Director General of WIPO in order to clarify the legal and institutional aspects involved." (L/5424, page 11).

2. I accordingly held consultations with Dr. Arpad Bogsch, Director General of WIPO, on 4 May 1983. These consultations were preceded by two meetings between members of my staff and that of the Director General of WIPO, on 15 February and 22 March 1983.

3. During these consultations, my representatives and I briefed the Director General of WIPO and his representatives on the development of discussions in GATT on the question of trade in counterfeit goods, including the proposals that had been put forward, the views that had been expressed on these proposals and the decision taken by the CONTRACTING PARTIES last year.

4. Dr. Bogsch and his associates gave us information on relevant WIPO provisions and activities (recorded in the Annex to this report). This description related, in particular, to:

- (i) the specific provisions relating to counterfeit goods in the Paris Convention;
- (ii) the experience and practice in regard to the implementation of these provisions;
- (iii) other WIPO instruments of possible relevance; and
- (vi) the situation regarding any possible further developments in the framework of WIPO.

5. Dr. Bogsch and I both agreed that if more efficient measures are desired by the States, appropriate intergovernmental action would be necessary. As far as WIPO's role in any such intergovernmental action is concerned, Dr. Bogsch said that first he would have to be instructed by the

governing bodies of WIPO to undertake new activity in the field of counterfeit goods. In that case, and if so desired by GATT, he personally would see advantages in a cooperative effort with GATT, but that this too would have to be determined by the governing bodies of WIPO. While it is of course for governments to decide what action to take and where to pursue such action, I would also think it desirable that the two secretariats co-operate in any work that they undertake in this area.

ANNEX

WIPO PROVISIONS AND ACTIVITIES RELEVANT TO TRADE IN COUNTERFEIT GOODS

Summary of Information Provided by WIPO during the Consultations

Paris Convention for the Protection of Industrial Property

1. WIPO administers the Paris Convention which sets up a Union of its member States. The Paris Convention specifies the minimum international law applicable in the field of industrial property, including trademarks and trade names. A number of its provisions deal with the question of trade in counterfeit goods (meaning basically the commercial use of a sign in connection with goods, which reproduces or imitates, without authorization, a trademark entitled to legal protection). The Convention provides for protection not only of trademarks that have been registered in a country, but also of "well-known" marks even if they have not been registered in that country (Article 6bis).

2. It was noted that the proposed Agreement on Measures to Discourage the Importation of Counterfeit Goods (L/5382) does not at the present time cover "well-known" but not registered marks and also that it no longer covers trade names. In addition, the question was raised as to whether the definition of counterfeit goods in the proposed agreement (Article 1.2.1) would cover products such as audio- and video-cassettes, gramophone records, etc., to which treaties (see paragraph 22 below) and national laws on copyright and neighbouring rights may be applicable, and thus may be relevant to action against piracy of these products in addition to such piracy as is associated with trademark infringement.

3. A basic principle of the Paris Convention is national treatment. That principle differs from the one in GATT, in that it relates to the treatment accorded in a country of the Paris Union to foreign nationals vis-a-vis that accorded to nationals of that country, whereas the GATT provision (Article III) relates to the treatment accorded to imported goods vis-a-vis that accorded to domestically-produced goods.

4. The Paris Convention includes specific provisions relating to the prevention of imports of counterfeit goods, notably Article 9, pursuant to which countries may adopt, because of the nature of the situation, special remedies and procedures against imported counterfeit goods different from, but in addition to, those available against domestically-produced counterfeit goods. Article 9(1) and (2) require goods unlawfully bearing a trademark (or a trade name) to be seized on importation, or to be seized in the country where the unlawful fixation occurred or in the country of importation. Where legislation does not permit seizure on importation, Article 9(5) requires the goods to be prohibited from importation or seized within the country of importation. Paragraph (6) of the Article enables countries, the legislation of which permits none of the above, to replace these measures by actions and remedies available to nationals under the law

of the country, until such time as the legislation of the country is modified in line with Article 9(1) or (5). Article 9(6) is an exhortation to countries to modify their legislation accordingly. There are countries that have not adopted laws to implement Article 9(1) to (5).

5. No recent survey has been made of the application of Article 9 by countries of the Paris Union. It is therefore not possible to say which countries have adopted laws pursuant to Article 9 that provide for "seizure on importation" (Article 9(1)), "seizure where the unlawful affixation occurred" (Article 9(2)), "prohibition of importation" (Article 9(5)), or "seizure inside the country of importation" (Article 9(5)), or which apply the actions and remedies referred to in Article 9(6). The WIPO secretariat indicated that such a survey, although feasible, would be time-consuming and difficult, particularly in view of the need to analyse jurisprudence as well, and would have to be justified by a specific end in view. Another approach would be to do an illustrative sampling of a number of countries.

6. Articles 10(1), 10bis and 10ter(1) are also relevant to action against imports of counterfeit goods. Article 10(1) states that the provisions of Article 9 "shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant". Article 10bis states that the countries of the Union are bound to grant effective protection against unfair competition. Under Article 10ter(1), "the countries of the Paris Union undertake to assure nationals of the other countries of the Union appropriate legal remedies effectively to repress all the acts referred to in Articles 9, 10, and 10bis". In so far as these Articles relate to other industrial property rights than trademarks, reference is made to paragraph 22 below.

7. Under the Paris Convention, responsibility for interpreting the Paris Convention lies with the countries of the Union. The main recourse for persons considering that their rights stemming from the Paris Convention are not being respected is "self-help" through the national courts. Countries, however, vary in the rigour with which they have interpreted the Paris Convention and incorporated it into national law, and also in the vigour with which such law is enforced nationally.

8. However, questions of administration and interpretation of the Paris Convention are also discussed in its governing body which can make recommendations that have persuasive, but not binding, force.

9. The dispute settlement provisions of the Paris Convention are in Article 28(1) under which a dispute may be brought before the International Court of Justice by one of the countries party to the dispute. Article 28(2) enables countries, at the time of their joining the Paris Union, to opt out of these provisions.¹ The other form of recourse open to a country of the Union is to pursue a matter through diplomatic channels or raise it in the governing body of the Paris Convention.

¹At present the following countries avail themselves of this possibility: Algeria, Brazil, Bulgaria, Cuba, Czechoslovakia, Egypt, Hungary, Indonesia, Iraq, Libya, Malta, Poland, Romania, South Africa, Soviet Union, Tunisia and Viet Nam.

10. Ninety-two countries are member States of the Paris Union.¹ Contracting parties to GATT not members of the Paris Union are: Bangladesh, Barbados, Burma, Chile, Colombia, Gambia, Guyana, India, Jamaica, Kuwait, Malaysia, Nicaragua, Pakistan, Peru, Rwanda, Sierra Leone, Singapore and Thailand (18). Members of the Paris Union not GATT contracting parties are Algeria, Bahamas, Bulgaria, Democratic Republic of Korea, German Democratic Republic, Guinea, Holy See, Iran, Iraq, Jordan, Lebanon, Libya, Liechtenstein, Mali, Mexico, Monaco, Morocco, San Marino, Syria, Tunisia, USSR and Viet Nam (22). Of these, Tunisia has provisionally acceded to GATT, Liechtenstein is presently subject to the GATT by virtue of paragraph 3 of the Protocol for the Accession of Switzerland (BISD, 14S/6), and Algeria, Bahamas and Mali apply GATT on a de facto basis.

Possibilities for further development of WIPO provisions relating to imports of counterfeit goods

(i) Revision of the Paris Convention

11. The Paris Convention contains, in its Article 18, provisions for its periodic revision. The last revision was in 1967. A diplomatic conference on a further revision of the Paris Convention has been underway since 1980. Preparatory discussions for this revision started in 1974.

12. The present revision relates primarily to patent questions. Other issues include a rearrangement of the definitions of industrial property in Article 1 and the introduction of an Article 10^{quater} on geographical indications with consequences for the use and registration of trademarks. Questions specifically relating to trademarks and Article 9 are not under discussion. The rules of procedure for the Conference, which were adopted in 1980 with considerable difficulty, set the terms of reference for the Diplomatic Conference; they do not provide for Article 9 to be examined.

13. The main issue in the negotiation of the rules of procedure was the question of unanimity in decision-making. The procedures adopted provide, for the first time in the history of the Paris Convention, for less than unanimity (in essence, if more than 12 countries oppose it, the new text cannot be adopted). One member, which insisted on the need for unanimity, reserved its position on the rules of procedure.

14. Since a decision to take up Article 9 would require an amendment of the rules of procedure of the Diplomatic Conference, it is rather unlikely that action to modify Article 9 of the Paris Convention could be initiated at this stage in the context of the present revision of the Paris Convention.

¹ 122 countries are members of WIPO or one or more of the treaties administered by WIPO.

(ii) Special agreements and treaties

15. One consequence of the unanimity rule applicable under the Paris Convention in the past is that countries wishing to enter into a higher level of obligations in respect of matters covered by the Paris Convention have tended to do so through the negotiation of special agreements, as provided for in Article 19 of the Paris Convention. A special agreement could be negotiated on matters covered by Article 9, as long as it did not contravene -- that is, essentially, did not lower the level of protection provided for in -- the provisions of the Paris Convention. Each special agreement is an autonomous instrument. Membership of these agreements is limited to members of the Paris Union. Special agreements are normally negotiated under WIPO auspices, but this need not and has not always been the case (for example the European Patent Convention).

16. Another method is to conclude treaties on intellectual property matters, including industrial property, which are open not only to States members of the Paris Union but also to other States members of the United Nations or one of its specialized agencies.

17. Decisions to adopt such special agreements or treaties negotiated so far have not required unanimity. Generally, major decisions are taken by a two-thirds majority of the countries invited and participating in the vote at the negotiating conference.

18. Conferences to negotiate special agreements or treaties are convened by the Director General of WIPO in accordance with WIPO's biennial programme, under which the competent governing body gives, by a two-thirds majority, the mandate for this activity in WIPO. In the case of the Paris Convention, the governing body meets every two years. Following an initiative to negotiate a new special agreement or treaty and its inclusion in the biennial programme of WIPO, the normal procedure would be for a draft text to be put forward by the Director General of WIPO. This would then be examined by an intergovernmental committee of experts, following which a diplomatic conference would be called. The time taken to negotiate special agreements or treaties has varied.

(iii) Possible further activity

19. As a general rule, the Director General of WIPO would make proposals for further action if so requested by WIPO members. The offer made by the Director General of WIPO in his note of 26 July 1982 to the Chairman of the Group of 77 (PREP.COM/W/28, Annex II) has not so far been taken up. It should, however, be noted that, since the programme of WIPO for the present biennium is fixed, it is not possible for WIPO to engage in new activities involving significant expenditure until 1984. WIPO's programme for the biennium 1984/85 will be established by the Governing Bodies of WIPO in September 1983.

20. The ongoing WIPO programme for the biennium 1982/83 had provided for a forum on piracy of industrial property, including marks, but this was postponed for budgetary reasons. However, study of this matter has been initiated by the WIPO secretariat, by inviting contributions from known specialists in the field. These contributions have been published in the November 1982 edition of the WIPO monthly review, Industrial Property (copies were made available to the GATT secretariat). These papers are considered by the WIPO secretariat as a first basis for any more in-depth study of the issue.

WIPO instruments and activities relevant to a broader concept of counterfeiting

21. Article 9.5.2 of the draft Agreement on Measures to Discourage the Importation of Counterfeit Goods envisages the possible future coverage by the Agreement of counterfeit goods involving intellectual property rights other than trademarks, as a result of discussions and negotiations among Parties to the Agreement bilaterally or in appropriate international fora. The "other" intellectual property rights referred to include appellations of origin and indications of source, certification marks, copyrights and industrial designs.

22. Certain WIPO instruments and activities are relevant to action to deal with trade in goods infringing these other forms of intellectual property right. Such instruments include the Paris Convention itself (notably, as stated above, Articles 10, 10bis and 10ter), the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, the Berne Convention for the Protection of Literary and Artistic Works, the Rome Convention on the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, and the Nairobi Treaty for the Protection of the Olympic Symbol.

23. In regard to the Madrid and Lisbon Agreements, work started several years ago on the negotiation of a new treaty for the protection of geographical indications, but is now suspended because of the consideration that is being given, in the context of the revision of the Paris Convention, to a strengthening of the provisions of the Paris Convention on geographical indications (a proposed new Article 10quater) and to a special system in this regard for developing countries.

24. As regards other recent WIPO activities, WIPO held a Worldwide Forum on the Piracy of Sound and Audiovisual Recordings, 25-27 March 1981 (copies of the proceedings of this Forum were given to the GATT secretariat). A WIPO Forum on Piracy of Broadcasts and the Written Word was held in March 1983. Also relevant is a Memorandum on the Rôle of Industrial Property in the Protection of Consumers, prepared by the International Bureau (the WIPO secretariat), with the help of a WIPO Working Group on Industrial Property Aspects of Consumer Protection. The latest version of this Memorandum, dated June 1982, was given to the GATT secretariat.