Dear Participant,

At its last meeting, the Negotiating Group on Trade Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, did not, for lack of time, have a full discussion of the substance of the annexes to my letter of 21 June 1988 and there was a widespread view that this would be one of the elements before the Group at its next meeting, which will take place on 12-14 September. For the convenience of participants, the two annexes to that letter, unchanged, will be found attached to this letter.

However, since some delegations expressed concerns about the annex entitled "Enforcement/Trade in Counterfeit Goods/Dispute Settlement", I think it would be helpful to participants in their preparations if I were to set out in more detail the context in which this annex was drawn up. The starting point is that, as far as I am aware, there is no disagreement that the Group should seek to do at least two things in the area of enforcement:

(i) to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade; and

(ii) to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods.

The aim of the annex was to try to find common ground for a substantive discussion by presenting questions, based on past discussions in the Group, that it was hoped all participants would find relevant and useful. Of
course, it was only to be expected that the responses of participants and the context in which they would wish to set those responses might differ.

The annex was drafted so as not to prejudice the basic negotiating position of any participant, in that:

i) The questions do not prejudge the scope of GATT commitments in the area of enforcement. Rather, they recognise that different views have been expressed on this matter; for example, some say that commitments on effective enforcement should concern only trade in counterfeit goods while others refer to infringements of intellectual property rights generally. The section on "scope" is thus an attempt to put down systematically the questions that the Group would need to examine in order to have a clear picture in concrete terms of the positions of participants.

ii) The annex is designed not to prejudice any participant's view about whether separate commitments should be negotiated on trade in counterfeit goods or whether these should form part of a wider set of commitments resulting from the work of the Group. It also does not in any way prejudice the issue of under which agenda item the different questions might be addressed: this was left to each participant to determine.

iii) The annex does not prejudice any participant's position on the question of substantive standards. These are not dealt with, except in paragraph (iii), under "scope", which suggests that the issue of appropriate procedures and remedies for enforcement can be discussed irrespective of what, if anything, emerges on the question of substantive standards.

It is my belief that the Group will not be able to make good progress on any of the issues relating to enforcement until it has before it the views of a much greater number of delegations on the substance of the questions posed in this annex. I would thus invite all participants to prepare themselves to discuss these questions, it being understood that they will naturally be free to make clear the context that they find appropriate for the expression of their views.

Annex II reproduces the text outlining what I understand to be the main points emerging from the Group's examination of relevant GATT provisions that I annexed to my letter of 21 April 1988. As I mentioned in my letter of 21 June 1988, I have the impression that participants do not have difficulties with the text or with the secretariat document, MTN.GNG/NG11/W/6, as a description of the relevant GATT provisions. If there are no problems with the text, I would suggest that it be annexed to the note on the Group's next meeting as the Chairman's understanding of the
main points emerging from the Group's examination of the relevant GATT provisions. As such, it would not constitute a legal interpretation of these provisions, but would indicate a common perception in the Group of their significance.

Yours sincerely,

Lars E. R. Anell
Chairman
Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods
ANNEX I
ENFORCEMENT/TRADE IN COUNTERFEIT GOODS/DISPUTE SETTLEMENT

Checklist of Questions

Basic Objectives

Would the basic objective of GATT commitments be to lay down principles, rules and disciplines: (i) to oblige governments to provide effective procedures and remedies by which owners of intellectual property rights could themselves take action to enforce their rights; and (ii) to ensure that measures and procedures for this purpose do not themselves become barriers to legitimate trade?

[This question is put without prejudice to the question of scope, which is addressed below: the objectives would of course have to reflect the decision of the Group on this.]

Scope

In the discussion so far, four aspects have been raised:

- What intellectual property rights should be covered?
- What types of infringement of those intellectual property rights should be covered?
- What should be the substantive intellectual property law that is being infringed?
- At what points of intervention should the procedures and remedies apply?

A fifth question that participants might reflect on is whether there are any acts of counterfeiting that should be covered by GATT commitments that would not constitute an infringement of a traditional intellectual property right. The Group was told, for example, at its last meeting that the WIPO draft model legislation on counterfeiting and piracy proposed the coverage of the appearance or packaging of goods known in commerce as an appearance or packaging of goods of a given enterprise, even if not protected as a trademark or an industrial design or by copyright.

(i) Coverage of intellectual property rights. The discussion at the Group's last meeting on trade in counterfeit goods showed that, in their initial thinking, some delegations favoured a larger and others a narrower conception of what should be covered. It also seemed to demonstrate two other points: generally speakers
appeared to be willing to consider at least some coverage beyond registered trademarks; and there is need for further exploration of this question before a decision can be taken. The Group has been told, for example, that the type of procedures that would be appropriate would vary according to the type of intellectual property right; it might be useful to explore further this and other practical implications of different coverages of intellectual property rights. This, I believe, would be in accordance with the expectations of the CONTRACTING PARTIES in adopting at Punta del Este the Group's Negotiating Objective; when they referred to "counterfeit goods", they knew that the GATT Group of Experts had reached an understanding that, if it were decided that joint action should be taken in the GATT framework, consideration would also need to be given to counterfeiting affecting other forms of intellectual property rights in addition to that affecting trademark rights (L/5878, paragraphs 10, 27 and 35). This, of course, does not bind the Group to cover counterfeiting affecting other forms of intellectual property rights, but does I believe require the Group to consider that possibility.

(ii) What types of infringement of those intellectual property rights should be covered. In the discussion so far, three main possibilities appear to have been raised. One is that all types of infringement should be covered. The second is that only infringements embodied in or associated with a good should be covered. This would presumably exclude such matters as the infringement of service marks and the infringement of the rights granted under copyright or neighbouring rights over communication to the public by performance, broadcasting or other non-tangible means. The question would arise as to whether an infringement not actually embodied in a good but taking place in connection with a good, for example with its sale, display or offering for sale, or in the preparation for its manufacture, sale, display or offering for sale, should also be covered. The third possibility referred to is that in the draft WIPO model legislation on measures against counterfeiting and piracy (WIPO document G&F/CE/2). The basic criteria in that draft are that goods (or, in the case of copyright or neighbouring rights, copies) should have been manufactured on a commercial scale without the authorisation of the owner of the right in question. In connection with trademarks and industrial designs, it does not cover all goods that may infringe those rights but only those that bear, or are accompanied by, a slavish or near-slavish reproduction of the protected mark or design. It might also be noted that the acts covered include acts of preparation for the manufacture or for the packaging of counterfeit goods or pirate copies as well as for the unauthorised affixation of protected trademarks.
(iii) **The substantive intellectual property law.** It seems clear that GATT commitments will have to indicate what are the rights that the procedures and remedies they provide for are designed to enforce, whether it is to be those contained in national legislation or whether the actual rights would be in some way specified. This is, of course, a question under discussion under the first agenda item of the Group. I would suggest that, as far as the Group's work on enforcement is concerned, we leave it aside for the time being and concentrate on what might be the appropriate procedures and mechanisms for the enforcement of rights, whatever they may be.

(iv) **Points of intervention.** In the discussion so far, a distinction has been made between measures at the border, against importation, exportation and transit, and internal measures. There does not appear to be any difficulty in principle with the Group dealing with the movement of goods across borders, although some questions have been raised about the appropriateness and feasibility of action against transit. As for internal measures, the feeling of the Group is less clear. The view has been expressed that the most effective action is at the point of production. It has also been said that too heavy a reliance on border measures would increase the scope for misuse of such measures as obstacles to legitimate trade.

**Procedures and remedies**

The most detailed ideas before the Group are those of the European Community (MTN.GNG/NG11/W/16) and in the 1982 draft agreement (MTN.GNG/NG11/W/9). Participants might wish to indicate their reaction to these and other suggestions which are summarised in the synoptic table in the compilation (MTN.GNG/NG11/W/23). Participants might also comment on how procedures and remedies might need to vary according to different intellectual property rights and different acts of infringement that might be covered. I would also encourage more participants to submit in writing their ideas on procedures and remedies.

**Safeguards against barriers to legitimate trade**

There is already before the Group a large number of suggestions (MTN.GNG/NG11/W/23, synoptic table (7) and paragraphs 37-38). I would encourage more participants to provide their reactions to these suggestions.
Types of disputes that might arise in multilateral dispute settlement proceedings

At its last meeting, the Group had a useful discussion of the sorts of disputes concerning GATT commitments in the area of the trade-related aspects of intellectual property rights that might be considered by a multilateral dispute settlement mechanism. From the discussion, I noted the following points:

- Disputes would only be disputes over whether a member government had met its GATT commitments: these commitments would only be on governments, not on private parties.

- Only governments, not private parties, would have access to multilateral dispute settlement procedures.

- It is not suggested that governments themselves be obliged to initiate action to prevent the violation of intellectual property rights. Thus, the fact that private parties in a country are violating intellectual property rights would not in itself be grounds for dispute settlement proceedings against that country.

- GATT obligations on governments would take the form of ensuring that their national legislation on the trade-related aspects of intellectual property rights was consistent with their GATT commitments and that the legislation in question was effectively applied.

- When assessing whether legislation is effectively applied, due allowance should be made for the different possibilities of countries - of the objective constraints facing each country. The obligations should be such that, in any dispute settlement proceedings, a common sense assessment would be made of what would reasonably be expected of a country according to its situation.
There appears to be no problem in the Group with the identification and description of relevant GATT provisions contained in document MTN.GNG/NG11/W/6. The following attempts to summarize the main points emerging from the Group's examination of the relevant GATT provisions:

1) The General Agreement does not put on governments specific obligations to enforce intellectual property rights or to accord any particular level of protection to intellectual property. The only GATT provision that specifically promotes the protection of intellectual property is Article IX:6, which concerns certain geographical indications. This requires contracting parties to co-operate and to be willing to consult with each other and indicates the standard of protection that such cooperation and consultations should aim to promote.

2) The General Agreement recognizes the right of contracting parties to enforce intellectual property rights and contains a specific "exceptions" provision, Article XX(d), that authorizes contracting parties to take, subject to certain conditions, measures that would normally be inconsistent with the General Agreement for this purpose.

3) The conditions attached to the use of Article XX(d) are essentially designed to ensure that such measures are not employed as unwarranted restrictions on trade or means of discrimination between contracting parties.

4) With the same basic aims, the General Agreement also contains a number of general rules that apply to a wide range of governmental measures, both at the border and internally, including when taken in connection with intellectual property rights. Thus Article III on national treatment requires that, in so far as laws, regulations and requirements on intellectual property rights affect the internal sale, offering for sale, purchase, transportation, distribution or use of products, they should not be applied to imported or domestic products so as to afford protection to domestic production or to accord imported products less favourable treatment than like products of national origin. The basic GATT most-favoured-nation rule (Article I) and the GATT provisions on the publication and administration of trade regulations (Article X) also apply widely to intellectual property law as it affects trade.

5) While these GATT rules serve to prevent intellectual property legislation from having certain undesirable effects on trade, the General Agreement also contains two specific requirements that trade measures must not be used in a way that would prevent compliance with intellectual property procedures. The trade measures in question are import restrictions taken to safeguard the balance of payments (Articles XII:3(c)(iii) and XVIII:10).
vi) In addition to the above, some procedural provisions of the General Agreement have a potentially wide-ranging scope and could be invoked in certain situations in connection with intellectual property rights:

- the consultation provisions of Article XXII can be invoked to the extent to which a matter related to intellectual property rights is considered to affect the operation of the General Agreement;

- the dispute settlement provisions of Article XXIII can be invoked to the extent that some measure or situation related to intellectual property rights, whether or not conflicting with GATT obligations, is considered to be a cause of nullification or impairment of benefits under the General Agreement or an impediment to the attainment of any of its objectives;

- under Article XXV:1, the CONTRACTING PARTIES can take joint action on a matter concerning intellectual property rights where this would facilitate the operation and further the objectives of the General Agreement.