1. The Group held its third meeting on 24 April 1985.

Chairmanship

2. It was noted that the Group was not in a position to decide on the question of chairmanship. As previously agreed, the work of the Group continued to be co-ordinated in the meantime by Mr. M.G. Mathur (secretariat).

Examination of documentation before the Group

3. The Group continued its examination of the documentation before it, as required by its mandate (L/5758). In addition to the two documents before the Group at its previous meeting, i.e. the preliminary secretariat background note (MDF/W/19) and the document received from the delegation of India (MDF/W/25), the Group had before it a document containing information from the United States delegation (MDF/W/30), the secretariat note on the Group's meeting of 11 March (MDF/8) and a draft secretariat note on the Group's meeting of 3 April (MDF/W/31) (a final version of this note was subsequently circulated as MDF/9).

4. Some members recalled the suggestion that had been made at the Group's previous meeting for the preparation of supplementary information by the secretariat on certain points relating to tests and guidelines for determining whether goods are counterfeit and national laws governing parallel imports (MDF/9, paragraph 9). The acting Chairman hoped that experts would help elucidate these matters in the course of the Group's work and said that the secretariat would examine what possibilities existed to make available to interested delegations information on these matters although he doubted that the secretariat would be in a position to provide comprehensive or systematic information on these matters.

5. As agreed at its previous meeting (MDF/9, paragraph 41), the Group pursued its discussion of the eight headings listed on pages 2 and 3 of MDF/W/19, on the understanding that these should not be regarded as a rigid framework and that, if there were questions which needed to be looked at which did not fall conveniently under any of these headings, they would also be taken up.
I. What is meant by trade in counterfeit goods; what is the nature of the problem to be addressed?

6. On the question of what is meant by trade in counterfeit goods, it was agreed that, while counterfeiting affects the whole range of intellectual property rights, the Group should organize its work by directing its examination, at least initially, to questions relating to trade in goods unlawfully bearing representations of legally protected trademarks.

7. The Group recalled that the Council had been asked to determine the appropriateness of joint action in the GATT framework and noted that what was under consideration was possible joint action aimed at curbing the trade disruptive and inhibiting effects of commercial counterfeiting, while safeguarding against obstacles to legitimate trade.

II. What is the size and significance of trade in counterfeit goods?

8. Some members said that they would be willing to arrange for an exhibition and presentations by interested commercial and industrial bodies during the course of the Group's July meeting, in order to give concrete information on the size and significance of the problem, if this would be of interest to members of the Group. It was suggested the latter part of the afternoon of the first day of that meeting be set aside for this purpose. The acting Chairman noted that such an exhibition and presentations, which would not be part of the work of the Group but arranged on the side, might well help members gain a better appreciation of the nature and magnitude of the problem.

9. A member asked how the domestic production and sale of dangerous counterfeit goods, for example helicopter parts, were prevented in countries seeking action in GATT on trade in counterfeit goods and what procedures existed for quality control of such goods in those countries. In response, a member outlined the measures that could be taken against the domestic production and sale of counterfeit goods in his country, which included their seizure and destruction, the destruction of the means to produce them, and injunctions forbidding the persons concerned from producing and selling such goods. Recent legislation had expanded the sanctions available to include imprisonment. Another member, referring to certain practices in European countries, said that goods which met prescribed safety standards were generally entitled to bear certification marks, for example, the so-called "E" mark for goods that met ECE standards. It had been found that imported counterfeits of these goods tended to bear not only a counterfeit trademark but also counterfeit certification marks even though they rarely met the prescribed safety standards. In most countries there were bodies responsible for checking that safety standards were met by taking samples of the goods for testing. These checks were in practice most effective at the point of production, where samples from the production line could be taken. Checks also took place during the distribution of the products, but the risk of detection at this stage was small. Since the control during the distribution process was of limited efficacy, the main control of imported goods had to take place at the point of importation, thereby putting the port in effect in a similar position for imported goods to that of the factory for domestically produced goods. Hence, it was highly desirable that counterfeit goods could be detected and dealt with at the point of importation.
III. Existing international law dealing with trade in counterfeit goods

10. The discussion under this heading focussed on three main issues: is the present international law adequate to ensure that international trade in counterfeit goods is effectively curbed without creating barriers to legitimate trade; if not, does further multilateral action need to be taken or would purely national action be sufficient; and if further multilateral action needs to be taken, should it be taken in GATT and/or elsewhere. In regard to these matters, some members recalled the points made at the Group’s previous meeting as recorded in MDF/9, paragraphs 19-26. Below are summarized the points made additional to or elaborating on those presented at the Group’s previous meeting.

(a) Adequacy of present international law to deal with problems of trade in counterfeit goods

11. The main arguments put forward by those maintaining that the present international law was not adequate were as follows:

- It was possible for a country to be in conformity with the Paris Convention even though its laws and procedures did not provide for adequate action against imports of counterfeit goods or safeguard effectively against such measures giving rise to problems for legitimate trade. This was because the Paris Convention represented a set of minimum standards for the protection of intellectual property, that necessarily did not go as far as some countries would like and that had to accommodate widely differing forms of such protection. In this regard, the point was made that the Paris Convention was only concerned with the protection of intellectual property and did not include provisions aimed at the avoidance of barriers to trade.

- In these circumstances, there was little that a country, experiencing difficulties for trade in genuine goods as a result of either the lack of effective action against imports of counterfeit goods in another country or barriers to legitimate imports into that country resulting from misuse of measures aimed at counterfeit goods, could do in the framework of the Paris Convention, since the latter country could claim compliance with the Paris Convention. Moreover, the Paris Convention did not provide for mechanisms of consultation and surveillance that would enable such difficulties to be raised and resolved in a multilateral context. The Paris Convention was not structured to operate in this way or deal with what were essentially trade policy issues of this kind.

- The Paris Convention did not provide for machinery for mutual administrative assistance - the exchange of information about trade in counterfeit goods between authorities in different countries in order to facilitate their task of identifying and curbing imports of counterfeit goods.

12. Some other members indicated that they still had to be convinced that the present international law was not adequate. In this regard, they recalled the provisions of Articles 2, 3, 9, 10 and 10ter of the Paris Convention. They asked for information on specific instances where difficulties with the operation of these provisions had arisen.
(b) If the present international law is not adequate, does further international action need to be taken or would purely national action be sufficient?

13. Some members were of the view that their present national legislation in their own countries was adequate and that it was primarily a responsibility of national governments to safeguard their citizens and industry against imports of counterfeit goods.

14. Some other members argued that their concern was not limited to imports of counterfeit goods into the markets of their own countries, but also related to the unfair competition for the genuine export products of their countries resulting from imports of counterfeit goods into third markets. Thus, they had an interest in action against such imports being effective in those markets. Moreover, only international action could safeguard against the possible misuse of measures against imports of counterfeit goods as barriers to legitimate trade.

(c) If further multilateral action needs to be taken, should it be taken in GATT or elsewhere?

15. The Group discussed two main points in this regard: (i) was GATT competent to deal with the question of trade in counterfeit goods; and (ii) even if GATT were competent, was it the most appropriate forum for multilateral action on this matter.

16. In regard to these questions, some members said that trade in counterfeit goods was a matter where several organizations had competence in regard to different aspects of the question - WIPO for aspects relating to the level of protection accorded to intellectual property, GATT for trade policy aspects and the CCC for customs enforcement aspects. They did not claim an exclusive competence for GATT, but at the same time could not accept that any other organizations had an exclusive competence. There were provisions in the GATT relating to the trade aspects of intellectual property protection, notably Article XX(d) and Article III:4, and there had been at least two panel cases that had dealt with such questions. When examining the provisions of the Paris Convention relating to imports of counterfeit goods, it had to be recalled that the Paris Convention had been first negotiated in 1883, before any international organization dealing with trade questions existed. If the question of negotiating such provisions were to arise today, particularly if an attempt were made to define procedures for dealing with imports of counterfeit goods, it was likely that the GATT would wish to be involved since they concerned trade policy aspects about which GATT was competent.

17. To these members, the basic objective of the present work on trade in counterfeit goods was to facilitate the expansion of legitimate international trade, which was the main purpose of the GATT. To achieve this end, it was necessary to discourage trade in counterfeit goods and to ensure that measures employed for this purpose did not give rise to obstacles to legitimate trade. Action in the GATT on these matters was preferable to that elsewhere since it should be guided by concern for the expansion of legitimate trade and for the avoidance of barriers to such trade as already outlined in the GATT provisions of relevance, Article XX(d) and Article III:4; other organizations were not necessarily
dedicated to these aims. At present no specific rules for the interpretation of these GATT Articles existed, which limited their effectiveness in safeguarding against non-tariff barriers.

18. Moreover, these members submitted, the GATT had a legal and institutional framework for dealing with problems of international trade of this nature, including machinery of notification, surveillance, consultation and dispute settlement necessary to ensure the effective implementation of joint action, to deal with any difficulties that might rise and to provide a forum for useful exchange of information. WIPO did not have the necessary experience and practices in this regard and was not structured in such a way as to be able to provide such mechanisms. For all these reasons, these members were of the view that GATT was not only a competent body but also a suitable one for taking action to discourage trade in counterfeit goods while safeguarding against barriers to legitimate trade. This did not, of course, exclude action in other organizations on other aspects of the problem.

19. Some other members said that, even if it could be shown that joint action was necessary, they remained to be convinced that GATT was an appropriate forum. For them, the matter was essentially an intellectual property question for which WIPO was competent. The Paris Convention provided in its Articles 9, 10 and 10ter a basis for any further action necessary. If countries seeking international action wanted tighter disciplines or additional machinery, they should raise the matter in that context. They wished those countries to clarify the reasons why they had not done this, for example in the context of the present conference on the revision of the Paris Convention, and to know what improvements to the Paris Convention would make it adequate to deal with problems of trade in counterfeit goods in the view of those members which considered it presently not able to respond fully to these problems.

20. Further, in their view, it had not yet been demonstrated that the problem was sufficiently grave to warrant priority attention in the GATT at a time when there were other very serious problems facing the trading system of more direct concern to GATT that GATT was not adequately dealing with. There was a risk that GATT, in spreading its efforts too widely, might risk failing to deal with any question properly. It was also necessary for the proponents of joint action in the GATT to make clearer what they wanted done in the GATT before the basic question of appropriateness could be answered.

21. Responding to the point concerning the scope for dealing with the question of trade in counterfeit goods in the context of the present conference on the revision of the Paris Convention, a member said that the subject matter of the present conference had been defined at the outset in the rules of procedure and did not include any of the provisions relating to trade in counterfeit goods.

22. The observer from the Customs Co-operation Council said that the secretariat of the CCC believed that trade in counterfeit goods concerned WIPO, GATT and the CCC. This is a view shared by some members of the CCC. The trade policy issues concerned GATT; implementation by customs was a matter for the CCC; the promotion and protection of intellectual property was the concern of WIPO. On the question of how customs could identify counterfeit goods, he said that customs expertise would develop with time.
and might need to vary from product to product. This was an area where the CCC Enforcement Committee could contribute. As regards the question of non-tariff barriers to legitimate trade, he thought there were such risks if unilateral action was taken and that these could be minimized through international action. The CCC Permanent Technical Committee had a role to play on this aspect. In regard to the question of the size and significance of trade in counterfeit goods, he recalled paragraph 5 of his statement at the Group's previous meeting (MDF/9, Annex). He was of the view that it was clear that trade in counterfeit goods was a considerable problem which was adversely affecting both developed and developing countries. For example, there were cases where counterfeit goods exported from developed countries had caused harm in developing countries.

IV. GATT provisions bearing on trade in counterfeit goods. V. What are the types of measures and procedures embodied in national legislation aimed at dealing with trade in counterfeit goods? VI. Is there a need for provisions and procedures directed specifically towards dealing with counterfeit goods which are imported as opposed to goods which are produced or sold in the country? What special provisions and procedures might be involved?

23. Responding to the suggestion that it might help assess a number of issues of possible relevance to the appropriateness of joint action in the GATT framework if a clearer idea could be given of what kind of action was being proposed, a member recalled that a draft agreement had been circulated in 1982 in document L/5382, which he continued, in general terms, to support. In broad outline, the procedures set out in that document provided for the trademark owner, after providing necessary proof of ownership of the trademark and evidence that goods infringing that trademark were likely to be imported, to be able to get the competent authorities (to be specified by each country) to ask the customs to watch out for such goods and take appropriate action. It was recognized that this appropriate action would depend on the legal situation in each country and could cover several possibilities, including the direct seizure of goods by customs, subject to appeal to the courts, the detention of goods by customs who would then themselves seek from the courts a ruling on whether the goods were counterfeit, and the detention of the goods by customs for a limited period during which the trademark owner himself would have the opportunity to start legal proceedings in the absence of which the goods would be released. The draft agreement contained provisions relating to the avoidance of non-tariff barriers and also provisions relating to exchange of information and dispute settlement. Another member drew the attention of the Group to the indications of possible types of action against trade in counterfeit goods given in paragraphs 91-93 of MDF/W/19.

24. A member recalled that he had asked at an earlier meeting for information on the action presently taken or under consideration in certain countries, particularly where they involved international procedures. A member said that, in the group of countries from which he came, certain proposals for common action were under consideration. The approaches presently applied by those countries varied, encompassing several of the possibilities outlined in MDF/W/19. Another member said that she would provide in writing a description of the present practices in her country for the Group's next meeting. She hoped that those countries that presently considered their national practices adequate would also provide information on them.
Further work

25. The acting Chairman suggested that the secretariat be invited to prepare a note on the meeting in order to facilitate exploration at the next meeting of any points of which there was still scope for further clarification, perhaps with the aid of additional information from members on their national practices. At that meeting, the Group might also consider what kind of report could be presented to the Council, describing the main issues identified and the points made and hopefully providing some conclusions to assist the Council take the decisions required of it. The Group agreed to pursue its work on this basis at its next meeting, which is scheduled for 3–4 June 1985.