

MODULE VIII

ENFORCEMENT

A Introduction

The purpose of this module is to introduce the key features of the provisions of Part III, Sections 1 to 5, of the TRIPS Agreement entitled 'Enforcement of Intellectual Property Rights'. This Part of the Agreement elaborates in 21 articles the enforcement procedures that members have to make available to permit prompt and effective action against infringements of IPRs covered by the TRIPS Agreement. It is divided into five sections:

- general obligations (Article 41);
- civil and administrative procedures and remedies (Articles 42 to 49);
- provisional measures (Article 50);
- special requirements related to border measures (Articles 51 to 60); and
- criminal procedures (Article 61).

Unlike the substantive standards for the protection of IPRs in Part II of the TRIPS Agreement, which draws extensively on the existing body of international IP law, Part III incorporates only a few relevant provisions from earlier treaties; these are mentioned briefly below.

1 Background

Concerns in the multilateral trading system about counterfeiting and piracy and the perception that the international IPR system lacked effective rules on enforcement predated the negotiations on the TRIPS Agreement. As seen in Module I, a proposal on trade in counterfeit goods was developed in the GATT, in 1978, as part of the Tokyo Round of trade negotiations, but no agreement was reached at that time. Subsequent work led to the inclusion of a specific mandate on IPRs in the Uruguay Round negotiations, which included a call for the development of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods. When adopted, the TRIPS Agreement was the first multilateral treaty with detailed rules on the enforcement of IPRs, although earlier IP treaties, notably the Paris and Berne Conventions, do have some provisions specifically on enforcement.

2 What is IPR enforcement?

As seen in Module I, an IPR gives the owner an 'exclusive right' or a right to exclude. This means that an owner of an IPR is entitled to prevent others from undertaking certain acts without his or her authorization. Those rights may be infringed in several ways – either accidentally or deliberately. Infringement occurs when an act is undertaken which is covered by the rights of the owner of the IPR and which is not subject to an exception in the domestic law. Typical examples are:

- unauthorized reproduction of copyright-protected material for commercial gain;
- unauthorized reproduction of trademarks with the intention of passing off the good as a genuine product of the trademark owner; or
- unauthorized manufacture, use or sale of a patent-protected invention.

Industry and product areas concerned by IPR infringements range widely across international commerce. They include textiles and clothing, foodstuffs, automobile and aviation spare parts, pharmaceuticals, music and software. Potential repercussions go far beyond the mere protection of IPR assets, given that infringing acts often affect one or more of the following aspects: consumer safety and health, employment, tax and excise losses, fair competition, combating organized crime and the conditions for FDI.

The two main legal traditions – common law and civil law – differ considerably on some key points, for example with respect to the value of precedents in judgments. The enforcement provisions of the TRIPS Agreement have been designed so as to be compatible with both systems. As indicated in the Preamble, it was one of the ground rules for the negotiation of this Part of the Agreement that 'differences in national legal systems' would be taken into account.

There is little value in developing substantive standards of IP protection if the right holder cannot enforce them effectively through fair and expeditious procedures, including in an environment in which modern technologies have significantly facilitated the infringement of IPRs. It must be possible for the owners of IPRs to stop infringement and prevent further infringement, as well as to recover the losses incurred from an infringement. This is why the Preamble to the TRIPS Agreement recognizes the need to make available effective and appropriate means for the enforcement of such rights. In line with the Uruguay Round negotiating mandate, it also reiterates the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods.

TRIPS provisions specify the civil and administrative procedures and remedies, including provisional measures, which must be available in respect of acts of infringement of any covered IPR. The enforcement requirements are stronger for trademark counterfeiting and copyright piracy. Members have to make border measures available to allow action against importation of counterfeit trademark goods and pirated copyright goods. Criminal procedures also have to be applied in cases of wilful trademark counterfeiting and copyright piracy on a commercial scale. The term 'making available' and similar terms for many enforcement remedies signal that the

TRIPS rules leave the onus generally on the right holder to initiate enforcement procedures, with the member having the onus to put in place effective procedures and deterrent remedies. This general approach is consistent with the fact that IPRs are private rights, as stated in the TRIPS Preamble. Many of the provisions take the form of requiring members to empower judicial or other competent authorities to take certain actions (see Articles 43.1; 44.1; 45; 46; 47; 48.1; 50.1, 2, 3 and 7; 53; 56; and 59). In these cases, the authorities retain discretion in the application of the rules in specific cases.

Part III identifies a number of optional forms of enforcement, such as the extension of border measures, for instance to cover exports of infringing goods, or applying criminal procedures to the infringement of IPRs other than trademark counterfeiting and copyright piracy.

3 *Application of basic principles*

The basic principles of the TRIPS Agreement apply to the provisions on enforcement of IPRs along with other aspects of IP protection. This means, *inter alia*, that members are free, but not obliged, to implement stricter enforcement procedures and remedies, provided that they are TRIPS-consistent (Article 1.1), for example that the safeguards against abuse are respected. Members are also free to determine the appropriate method of implementing Part III of the TRIPS Agreement within their own legal system and practice. Taking into account the existing differences in domestic laws in regard to enforcement rules, the TRIPS Agreement does not attempt to harmonize enforcement rules, but sets certain minimum standards (Article 1.1). In addition, members are obliged to grant non-discriminatory treatment to the nationals of all other members, i.e. national treatment and MFN treatment (Articles 3 and 4), in regard to enforcement procedures and remedies. Finally, like the substantive standards of protection for the IPR categories covered by the TRIPS Agreement, Part III on enforcement is subject to the WTO dispute settlement system (Article 64.1).

4 *What is the relationship of TRIPS with other conventions and treaties?*

The provisions of the pre-existing Paris Convention and Berne Convention are incorporated by reference into the TRIPS Agreement (see Articles 2.1 and 9.1) and thus form part of the obligations to be respected by all members under the latter agreement. Several provisions in those conventions relate to enforcement, for instance:

- the provisions on seizure on importation of goods unlawfully bearing a trademark or trade name (Article 9 of the Paris Convention). Those provisions also apply to seizure on importation of goods unlawfully bearing a false indication of source or the identity of the producer (Article 10 of the Paris Convention);
- liability to seizure of infringing copies of a work enjoying copyright protection, including when they are imported (Article 16 of the Berne Convention).

B General obligations

The general obligations of members concerning enforcement are found in Article 41. They apply to all judicial and administrative enforcement procedures specified in Part III. The objective is to permit effective action against any infringement of IPRs while ensuring that basic principles of due process are met, avoiding the creation of barriers to legitimate trade, and providing safeguards against abuse of the procedures.⁷⁹

Members must make enforcement procedures available in their domestic law to enable right holders to take effective action against infringement of the IPRs covered by the TRIPS Agreement. This obligation typically implies granting the competent authorities, judicial or other, the authority to order certain legal measures. Enforcement procedures must include expeditious remedies to prevent infringements, and remedies to deter further infringements (Article 41.1).⁸⁰

Article 41.1 requires the application of enforcement procedures in such a manner so as to:

- avoid the creation of barriers to legitimate trade; and
- provide for safeguards against the abuse of such procedures. This requirement is further elaborated by specific provisions in subsequent sections, for example regarding the indemnification of the defendant (Article 48) and the requirement to provide a security or equivalent assurance where border measures are applied (Article 53.1), as well as by other detailed procedural safeguards in the areas of provisional and border measures. The general principles of fair and equitable treatment also secure this objective, as this involves a balance of interests between the right holder and the alleged infringing party.

Basic principles of due process include the following requirements:

- **procedures must be fair and equitable** for all parties involved, without being unnecessarily complicated or costly, or entailing unreasonable time limits or unwarranted delays (Article 41.2);
- **decisions on the merits of a case** shall be made available at least to the parties to the proceeding without undue delay, thus ensuring the necessary transparency of the procedures. They shall be preferably in writing and reasoned, and based only on

⁷⁹ India and Brazil invoked, *inter alia*, Article 41 in their respective requests for consultations with the European Union and the Netherlands in *European Union and a Member State – Seizure of Generic Drugs in Transit* (DS408, 409). At the time of writing, the consultations were pending.

⁸⁰ In *European Communities/Greece – Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs* (DS124, 125), the United States claimed that a significant number of television stations in Greece had regularly broadcast copyright-protected movies and television programmes without authorization of copyright owners, and that effective remedies against such infringements, as well as sufficient deterrents to further infringements, were lacking. Subsequently, Greece passed legislation that provided for the immediate closure of television stations infringing IPRs. The estimated level of piracy fell significantly, and criminal convictions for television piracy were issued. Based on those developments, the parties to the dispute agreed to terminate consultations and to notify a mutually agreed solution to the WTO.

evidence in respect of which parties were offered an opportunity to be heard (Article 41.3); and

- parties to enforcement proceedings must have an **opportunity for review** by a judicial authority of final administrative decisions. Subject to jurisdictional provisions in a member's law, the same applies to, at least, the legal aspects of initial judicial decisions on the merits of the case. However, members have no obligation to provide for review of acquittals in criminal cases (Article 41.4).

In addition, Article 41.5 addresses some general understandings about resource constraints and the relation with other areas of law enforcement. The principles which guide Part III on enforcement include the understanding that:

- Members are not obliged to put in place a judicial system for the enforcement of IPRs which is distinct from that for the enforcement of law in general;
- TRIPS enforcement rules are not to affect the capacity of members to enforce their laws in general; and
- Members are not required to redistribute resources between enforcement of IPRs and the enforcement of law in general.

C Civil and administrative procedures and remedies

The obligations of members with respect to civil and administrative procedures on the merits of a case, as well as any resulting remedies, are addressed in Section 2 of Part III of the TRIPS Agreement (Articles 42 to 49). They provide that a right holder must be able to initiate civil judicial procedures against an infringer of IPRs covered by the Agreement. Administrative procedures are not an obligation, but Article 49 requires the same principles to be applicable to them to the extent that civil remedies can be ordered as a result of administrative procedures on the merits of a case.

1 Fair and equitable procedures

Civil and administrative procedures must be fair and equitable (Article 42). This means that:

- defendants are entitled to written notice that is timely and contains sufficient details of the claims, including their basis;
- all parties, including defendants and the alleged infringer, must be allowed to be represented by independent legal counsel;
- procedures may not impose overly burdensome requirements concerning mandatory personal appearances;

- all parties are entitled to substantiate their claims and to present all relevant evidence; and
- the procedure must provide a means to identify and protect confidential information, unless this would be inconsistent with existing constitutional requirements. This could, for example, be relevant where an expert opinion is sought to determine damages.

2 Evidence

Article 43 describes how the rules on evidence should be applied in civil and administrative procedures. Where evidence that is likely to be important for one party is in the possession of the opposing party, the judicial authorities must be empowered to order that the evidence be produced. Any such order is, however, subject to conditions ensuring the protection of confidential information; this could, for example, be relevant where the production of evidence risks revealing trade secrets. This obligation only applies where the party has presented reasonably available evidence sufficient to support its claims of infringement and specified the evidence relevant to substantiation of its claims which lies in the control of the opposing party that it wishes disclosed.

If a party refuses without good reason to provide access to evidence in its possession, fails to provide the information within a reasonable period, or significantly impedes a procedure relating to an enforcement action, courts may be authorized to make their decisions on the basis of information presented to them. The parties must, in any event, be provided an opportunity to be heard.

3 Remedies

Judicial authorities must have the authority to award three types of remedies: injunctions, damages, and other remedies.

(a) Injunctions

An injunction is a court order that either prohibits a party from doing a specified act or commands a party to undo some wrong or injury. The party that fails to adhere to the injunction faces civil or criminal contempt of court and may have to pay damages or face other sanctions for failing to follow the court's order.

Article 44.1 says that the judicial authorities must be empowered to order injunctions, i.e. to order a party to stop any action that infringes IPRs. Among other things, the objective is to prevent the distribution on the domestic market of imported infringing goods, immediately after their customs clearance.

There are two qualifications:

- Members are not obliged to make injunctions applicable to products acquired or ordered in good faith (innocent infringement) (Article 44.1);
- regarding use by governments, or by third parties authorized by governments, without the authorization of the right holder that is consistent with the TRIPS rules allowing such use (Articles 31 and 37.2), members may limit the remedies available in such cases to payment of remuneration in accordance with Article 31(h). In other cases, where TRIPS remedies are not consistent with domestic law, declaratory judgments and adequate compensation shall be available (Article 44.2).

(b) Damages

Available remedies must include damages, depending on the knowledge of the infringement or on negligence. Article 45.1 says that where the infringer acted in bad faith, e.g. engaged in infringing activity knowingly, or with reasonable grounds to know of the infringement, the judicial authorities must be empowered to order an infringer to pay the right holder:

- adequate damages to compensate for the injury that the right holder suffered due to the infringement of his or her IPRs (Article 45.1); and
- expenses, which may include appropriate attorney's fees (Article 45.2).

In appropriate cases, the courts may also be authorized to order recovery of profits and/or payment of pre-established damages even where the infringer acted in good faith (Article 45.2). While courts will often experience difficulty in quantifying the damages and determining adequate compensation, the problem also occurs in other fields of law and is therefore not unique to IPR infringement.

(c) Other remedies

In addition to injunction and damages, and with a view to creating an effective deterrent to infringement, Article 46 mandates that the judicial authorities also have the authority to order, without compensation:

- removal of the infringing goods from the channels of commerce; or
- their destruction (unless not permitted under the member's constitution).

This authority must also extend to ordering the non-commercial disposal of the materials and instruments predominantly used in the production of the infringing goods. In considering such requests to destroy or take goods out of commercial circulation, the courts must take into account the proportionality between the seriousness of the infringement and the remedies ordered, as well as the interests of third parties. In the case of counterfeit trademark goods, the simple removal of the

trademark unlawfully affixed shall normally not be sufficient for the goods to be released into the channels of commerce.

4 Right of information

With a view to assisting the right holder to find the source of infringing goods and to take appropriate action against other persons in the distribution channels, judicial authorities may be authorized to order the infringer to inform the right holder of:

- the identity of third persons involved in the production and distribution of the infringing goods or services; and
- their channels of distribution (Article 47).

This provision is again subject to the basic principle of proportionality since this authority must be applied in a way that is in proportion to the seriousness of the infringement.

5 Indemnification of the defendant

As one of the safeguards built into the enforcement section, Article 48.1 requires courts to have the authority to order an applicant who has abused enforcement procedures to pay adequate compensation to the defendant who has been wrongfully enjoined or restrained. Compensation may cover both the injury suffered by the defendant and his or her expenses, which may include appropriate attorney's fees.

Article 48.2 applies to the actions of public authorities and officials in the administration of any law pertaining to the protection or enforcement of IPRs. Members may only exempt them from liability where they have acted or are intending to act in good faith.

D Provisional measures

Article 50 requires members to provide provisional enforcement measures to permit effective and expeditious action against alleged infringements. Such temporary or interim injunctions constitute an important tool pending the resolution of a dispute at a trial. They are different from the injunctions provided for in Article 44.1 insofar as the alleged IPR infringement has not yet been fully established. As for the other civil and administrative measures required by the TRIPS Agreement, provisional measures must be available in respect of all IPRs covered by the Agreement.

1 Why and what type of provisional measures?

Given that full judicial procedures on the merits of a case may take time to complete, it is sometimes necessary for the judicial authorities to have the authority to act promptly and effectively to stop an alleged infringement immediately, either on notice

or, in cases of urgency, without prior notice to the alleged infringer. Article 50.1 obliges members to authorize the courts to order provisional measures in two situations:

- to prevent an IPR infringement from occurring, in particular to prevent goods from entering the distribution channels, including imported goods immediately after customs clearance; and
- to preserve relevant evidence concerning an alleged infringement.

In cases of deliberate infringement, such as trademark counterfeiting or copyright piracy, the defendant is likely to attempt to remove or destroy evidence if he or she is given advance notice of an investigation. Therefore, the TRIPS Agreement requires members to give judicial authorities the authority to adopt provisional measures without prior hearing of the alleged infringer (or '*inaudita altera parte*'), in particular where any delay could cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed (Article 50.2).

2 *Procedural requirements and safeguards against abuse*

The courts may require the applicant to provide evidence of being the right holder and that the right concerned is being infringed or that such infringement is imminent (Article 50.3). The applicant may also be required to supply information necessary for the identification of the goods (Article 50.5).

Where provisional measures are taken without prior notice, the parties affected must, however, be given notice without delay, after the execution of the measures at the latest. The defendant has a right to review with a view to deciding within a reasonable period after the notification of the measures, whether provisional measures shall be modified, revoked or confirmed (Article 50.4).

Article 50 provides for certain additional safeguards against abuse of provisional measures, such as the authority of courts:

- to order the applicant to provide a security or equivalent assurance that is sufficient to protect the defendant and to prevent abuse (Article 50.3);
- upon request by the defendant, to revoke or nullify provisional measures if the applicant fails to initiate proceedings leading to a decision on the merits of the case within a reasonable period fixed by the judicial authority, or, if such a period has not been determined, within 20 working days or 31 calendar days, whichever is longer (Article 50.6); and
- upon request by the defendant, to order the applicant to pay compensation to the defendant for any injury caused by provisional measures, where:
 - they are revoked;

- they lapse because the applicant has not acted or omitted to take appropriate action; or
- it is subsequently found that there has been no infringement or threat of infringement of an IPR (Article 50.7).

As for civil and administrative procedures (Article 49), Article 50.8 clarifies that these principles also apply to administrative procedures to the extent that any provisional measure can be ordered as a result of such procedures.⁸¹

E Border measures

The most efficient enforcement action is generally at the point of production of infringing goods. The TRIPS Agreement takes into account that enforcement at that point may not be possible where imported goods are involved and therefore incorporates special procedures regarding enforcement of IPRs at the border. These special requirements are contained in Articles 51 to 60. They enable IPR holders to obtain the cooperation of customs administrations to intercept infringing goods at the border and to prevent the release of these goods into circulation. This is termed ‘suspension of release’ of the goods by the customs authorities; it is not the same as a full infringement action, and to be ultimately effective must be followed by legal proceedings leading to a decision on the merits of the case. As a general rule, the right holder must request the customs authorities to take action; there is no obligation on customs authorities to act *ex officio*, although members may provide for this.

1 Scope and coverage

(a) Mandatory coverage of pirated copyright goods and counterfeit trademark goods

The goods subject to border enforcement procedures must include at least counterfeit trademark and pirated copyright goods (Article 51).

Footnote 14(a) defines counterfeited trademark goods as ‘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 law of the country of importation’.

⁸¹ A number of settled dispute settlement cases have addressed the availability of provisional measures. *Denmark – Measures Affecting the Enforcement of Intellectual Property Rights* (DS83) and *Sweden – Measures Affecting the Enforcement of Intellectual Property Rights* (DS86) concerned the obligation to make available prompt and effective provisional measures *inaudita altera partes* (see Article 50.2) in civil proceedings involving IPRs. Following amendments to the Danish and Swedish laws, parties to the cases notified mutually agreed solutions. In its request for consultations in *Argentina – Certain Measures on the Protection of Patents and Test Data* (DS196), the United States claimed, *inter alia*, that Argentina had failed to provide prompt and effective provisional measures, such as preliminary injunctions, for purposes of preventing infringements of patent rights from occurring. The case was settled through a mutually agreed solution, as part of which Argentina undertook to submit a bill to its National Congress containing precise language with respect to the authority of judicial authorities to order provisional measures in relation to patents.

The term 'counterfeit' is therefore used in the TRIPS Agreement only in the trademark area. Counterfeit trademark goods are goods involving slavish copying of trademarks. A counterfeit good gives the impression of being the genuine product (for instance a 'Louis Vuitton' bag, 'Rolex' watch, 'Puma' shoes) originating from the genuine manufacturer or trader. It can therefore be usually characterized as fraud since confusion between the genuine product and the substantially identical copy is intended. This is distinct from 'ordinary' trademark infringement: in such cases, the issue may be whether an alleged infringer's mark is sufficiently close to a registered mark for there to be a likelihood of confusion between the marks.

Footnote 14(b) defines pirated copyright goods as 'any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation'. The term 'pirated' thus relates to infringement of copyright and related rights. Piracy is not a recent phenomenon. However, it has increased with advances in the means by which works may be communicated (print, media, audio and visual recordings), as well as the advances in technology (computer and digital technology) which facilitate reproduction and communication of copyright works.

(b) Optional coverage

Members may, but are not required to, make border measures available for:

- infringement of other IPRs: the extension of border measures to goods which involve other infringements of IPRs, such as patents, GIs, industrial designs, or layout-designs, is optional, as long as the other requirements of Section 4 are met (Article 51);
- infringing goods destined for exportation (Article 51);
- parallel imports: members are not obliged to apply border measures to imports of goods put on the market in another country by or with the consent of the right holder (footnote 13 to Article 51). This is because parallel or grey-market imports are not imports of counterfeit products produced without any authorization of the right holder, and may not be considered infringing goods in the importing country. As explained in Module I, these products are marketed by the right holder or with his permission in one country and subsequently imported into another country without his or her approval.
- goods in transit: footnote 13 to Article 51 clarifies that members are not obliged to make border measures available for such goods;
- *de minimis* imports, that is the importation of small quantities of goods of a non-commercial nature, typically contained in travellers' personal luggage or sent in

small consignments. This reflects the fact that customs authorities will often find it difficult to control such imports, and that the right holder may be less disposed to bear the costs of enforcement. However, some members have opted for a 'no tolerance' policy, where even imports of this nature are considered to be infringing and the importer (such as a traveller) may be held to be guilty of an offence in such cases (Article 60); and

2 Procedural requirements and safeguards against abuse

Like other enforcement procedures, border measures are also subject to certain procedural requirements and safeguards against abuse. Some of those are similar to the requirements applying to provisional measures under Article 50.

(a) Application, including evidence and description of goods

Each member must designate a 'competent authority' to which applications by right holders for customs action shall be lodged (Article 51). This can be a judicial authority, such as a judge or a court, or an administrative authority, such as a special service within the customs administration.

Right holders applying for border measures must provide adequate evidence satisfying the competent authorities that there is *prima facie* an IPR infringement under the importing member's laws. This task is facilitated where rights are subject to registration, but may prove more difficult in regard to those rights which are not based on registration, such as copyright-protected works, and which therefore may require customs to develop some IPR expertise. The right holder is also due to supply a sufficiently detailed description of the goods concerned so as to facilitate their identification by customs authorities. The competent authorities shall then inform the applicant within a reasonable period about the acceptance of the application and for how long they will take the requested action, where the latter has been determined by the authority (Article 52).

(b) Notice of suspension

Where customs release of particular goods has been suspended, the importer and the applicant must be promptly notified of the detention of the goods (Article 54).

(c) Duration of suspension

A time limit applies to the suspension of customs release of the goods: if the applicant fails to initiate proceedings leading to a decision on the merits of a case within ten working days from the notice of suspension, and the duly empowered authority has not provisionally prolonged the suspension, the goods shall normally be released. It is possible to extend this delay by an additional ten days (Article 55).

Once judicial proceedings on the merits of a case have been initiated, the defendant may request a review of the suspension in order to decide whether the measure is to be modified or revoked, or whether it is to be confirmed.

Special rules apply where the suspension of the allegedly infringing goods takes place based on a decision other than by a court or other independent authority and where such goods involve industrial designs, patents, layout-designs or undisclosed information. In such cases, the importer must be entitled to obtain their release on the posting of a security sufficient to protect the right holder from any infringement, if the period for the initiation of proceedings has expired without the granting of provisional measures by the duly empowered authority (Article 53.2).

(d) Posting of security/payment of compensation

As in the case of provisional measures, the Section on border measures provides for certain additional safeguards against abuse, under which the competent authority may require the applicant:

- to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. However, such security may not be such as to unreasonably deter the applicant from having recourse to these procedures (Article 53.1); and
- to pay appropriate compensation to persons whose interests have been adversely affected by the wrongful detention of goods or through detention of goods released pursuant to the failure of the applicant to initiate in time proceedings leading to a decision on the merits of the case (Article 56).

3 *Right of inspection and information*

In most cases, the right holder is obviously best placed to assist in the identification of infringing goods. The competent authorities may therefore give the right holder, and also the importer, sufficient opportunity to inspect any goods detained by the customs authorities. This is meant to allow the right holder to substantiate his or her claims, and the importer to prepare the defence. Where goods have been found infringing as a result of a decision on the merits, the TRIPS Agreement leaves it to members to decide whether the right holder should be enabled to be informed of other persons in the distribution channel so that appropriate action could also be taken against them. Both the right of inspection and information are subject to the protection of confidential information (Article 57).

4 *Remedies*

Under Article 59, the competent authorities must have the power to order the destruction or disposal outside the channels of commerce of infringing goods in such a manner as to avoid any harm to the right holder. Unlike in Article 46 (which deals

with general civil remedies), remedies regarding the material used to produce the infringing goods are not available, because this Section addresses imported goods, for which the production material is usually located in a third country. Otherwise, the same principles as in Article 46 on civil remedies apply to border measures:

- need to ensure proportionality of the measure;
- no compensation is paid to the defendant;
- the measure is ordered to avoid any harm caused to the right holder; and
- the measure is not contrary to constitutional requirements.

The remedies are without prejudice to other rights of action open to the right holder, such as to obtain damages through civil litigation, and are subject to the right of the defendant to seek review by a judicial authority.

As regards counterfeit trademark goods, it is clarified that the authorities may not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure (e.g. transit), other than in exceptional circumstances.

5 *Special rules for ex officio action*

Providing for *ex officio* action by the competent authorities (i.e. without a request from the right holder) is not mandatory under the TRIPS Agreement. However, where members provide for the competent authorities to act upon their own initiative and to suspend the release of goods on the basis of *prima facie* evidence of IPR infringement, certain additional rules apply (Article 58):

- right holders may be asked at any time to provide information assisting the competent authorities to act upon their own initiative; and
- the importer and the right holder are to be promptly notified of the suspension. Where the importer has appealed against the suspension, the conditions regarding the duration of the suspension (Article 55) apply *mutatis mutandis*.

Like under Article 48.2, actions of public authorities must be taken or intended in good faith if they are not to give rise to liability to appropriate remedial measures.

The application of the provisions on border measures was considered by the Panel in *China – Intellectual Property Rights* (DS362). This case is summarized in Box VIII.1 below.

F Criminal procedures

1 *Scope and coverage*

Section V, the fifth and final section in the enforcement part of the TRIPS Agreement covers criminal procedures. Article 61 stipulates that Members ‘shall provide for criminal procedures and penalties to be applied’ in cases of:

- wilful acts;
- of trademark counterfeiting or copyright piracy;
- carried out on a commercial scale.

The panel in *Saudi Arabia – IPRs* (DS567) considered the meaning of the phrase ‘shall provide for criminal procedures and penalties to be applied’. In its view, the existence of a formal written law criminalizing wilful commercial-scale piracy does not automatically discharge the obligation under Article 61. Regard must also be given to whether and, if so, how, such a law is applied in practice, considering the evidence available to the authorities and other relevant circumstances.

Article 61 explicitly recognizes that members may provide for criminal procedures to be applied in other cases of infringement of intellectual property rights, in particular where those are committed wilfully and on a commercial scale.

2 *Remedies*

Criminal sanctions must include imprisonment and/or monetary fines sufficient to provide a deterrent, consistent with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies must also include seizure, forfeiture and destruction of the infringing goods and of materials and equipment used to produce them (Box VIII.1).

BOX VIII.1 CHINA – INTELLECTUAL PROPERTY RIGHTS⁸² (DS362)

PARTIES	TRIPS PROVISIONS	KEY DATES	
Complainant United States	Arts. 9, 41, 46, 59, 61	Establishment of Panel	25 September 2007
Respondent China		Adoption of Panel and AB reports	20 March 2009

Measures and intellectual property at issue

• **Measures at issue:**

- (i) China’s Criminal Law and related Supreme People’s Court Interpretations that establish thresholds for criminal procedures and penalties for infringements of IPRs;
- (ii) China’s Regulations for Customs Protection of Intellectual Property Rights and related Implementing Measures that govern the disposal of infringing goods confiscated by customs authorities; and
- (iii) Art. 4 of China’s Copyright Law that denies protection and enforcement to works that have not been authorized for publication or distribution within China.

• **IP at issue:** Copyright and trademarks.

Summary of key Panel findings⁸³

(a) Criminal Thresholds

- **TRIPS Art. 61:** The Panel found that while China’s criminal measures exclude some copyright and trademark infringements from criminal liability where the infringement falls below numerical thresholds fixed in terms of the amount of turnover, profit, sales or copies of infringing goods, this fact alone was not enough to find a violation because Art. 61 does not require members to criminalize all copyright and trademark infringement. The Panel found that the term ‘commercial scale’ in Art. 61 meant ‘the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market’. The Panel did not endorse China’s thresholds but concluded that the factual evidence presented by the United States was inadequate to show whether or not the cases excluded from criminal liability met the TRIPS standard of ‘commercial scale’ when that standard is applied to China’s marketplace.

(b) Customs Measures

- **TRIPS Art. 59:** The Panel found that the customs measures were not subject to Arts. 51 to 60 of the TRIPS Agreement to the extent that they apply to exports. With respect to imports,

⁸² China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights.

⁸³ Other issues addressed in this case: *prima facie* case; Panel’s terms of reference; exhaustiveness of TRIPS Art. 59; information from WIPO.

BOX VIII.1 CHINA – INTELLECTUAL PROPERTY RIGHTS⁸² (DS362)

although auctioning of goods is not prohibited by Art. 59, the Panel concluded that the way in which China's customs auctions these goods was inconsistent with Art. 59, because it permits the sale of goods after the simple removal of the trademark in more than just exceptional cases.

(c) Copyright Law

- **TRIPS Art. 9.1 (Berne Convention Art. 5(1) and Art. 17), Art. 41.1:** The Panel found that while China has the right to prohibit the circulation and exhibition of works, as acknowledged in Art. 17 of the Berne Convention, this does not justify the denial of all copyright protection in any work. China's failure to protect copyright in prohibited works (i.e. that are banned because of their illegal content) is therefore inconsistent with Art. 5(1) of the Berne Convention as incorporated in Art. 9.1, as well as with Art. 41.1.

G Cooperation and contact points

1 Cooperation between members

Although Article 69 on international cooperation is incorporated in Part VII of the TRIPS Agreement on institutional arrangements, it is directly related to Part III on enforcement of IPRs. It provides that members agree to cooperate with a view to eliminating international trade in IPR-infringing goods.

2 Contact points

As a concrete measure to promote this goal, members are required to establish contact points in their administrations and be ready to exchange information on trade in infringing goods. There is a particular obligation to promote the exchange of information and cooperation between customs authorities with respect to two categories of IPR infringement: trade in counterfeit trademark goods and pirated copyright goods.

The TRIPS Council receives notifications and updates of these contact points from its members and these are now published through the e-TRIPS Gateway, e-trips.wto.org. For more information, see Appendix 1, section C4.