Enforcement of Intellectual Property Rights and Dispute Settlement under the TRIPS Agreement*

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The TRIPS Agreement lays down the domestic procedures and remedies that Members have to provide so that right holders can enforce their intellectual property rights effectively. The provisions on enforcement are divided into five sections in the Agreement. The first section lays down general obligations that all enforcement procedures must meet. The following sections deal with civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures. The paper discusses these provisions of TRIPS in detail.

High substantive standards of protection of intellectual property are of little use if rights cannot be effectively enforced. The establishment of such enforcement rules has, therefore, had much attention from the TRIPS negotiators and, as a result, the TRIPS Agreement lays down, in a fair amount of detail, the domestic procedures and remedies that Members have to provide so that right holders can enforce their intellectual property rights (IPR) effectively.

The TRIPS rules on enforcement constitute the first time in any area of international law that such rules on domestic enforcement procedures and remedies have been negotiated. The Agreement therefore breaks new ground in elaborating rules on the procedures and remedies that must be available under national law. These rules aim to recognize basic differences between national legal systems while being sufficiently precise to provide for effective enforcement action as well as safeguards against abuse in

the use of procedures. As provided in Article 1.1 of the Agreement, Member countries are free to determine the appropriate method of implementing these and other provisions of the Agreement within their own legal system and practice.

In some respects the origin of the TRIPS Agreement lies in proposals put forward in 1978 and 1979 in the final stages of the Tokyo Round of Multilateral Trade Negotiations for a GATT agreement on the prevention of the import of counterfeit goods. These proposals were not accepted at that time, but work continued in the GATT, in particular after the 1982 Ministerial Meeting. The ideas put forward at the time correspond broadly to those which were finally contained in the section of the enforcement part of the TRIPS Agreement on special requirements related to border measures. However, during the Uruguay Round negotiations it was agreed that the Agreement should cover also obligations on internal enforcement procedures and remedies and on minimum substantive standards.

The provisions on enforcement are contained in part III of the Agreement, which is divided into five sections. The first section lays down general obligations that all enforcement procedures must meet. These are notably aimed at ensuring their effectiveness and that certain basic principles of due process are met. The following sections deal with civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures.

These provisions have two basic objectives: one is to ensure that effective means of enforcement are available to right holders; the second is to ensure that enforcement procedures are applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

The obligations set out are of two main types. The first type are those which prescribe procedures and remedies that must be provided by each Member—much of this is set out in terms of the authority that must be available to judge and courts or other competent authorities, such as customers. The second type of obligation is what might be described as "performance" requirements in relation to the workings of these procedures and remedies in practices; for example, they must be such as to permit effective action against infringing activity (expeditious and deterrent remedies), and applied in a manner that will avoid the creation of barriers to legitimate trade.

The Agreement makes a distinction between infringing activity in general, in respect of which civil judicial procedures and remedies must be available, and counterfeiting and piracy—the more blatant and egregious forms of infringing activity—in respect of which additional procedures and remedies must also be provided, namely border measures and criminal procedures. For this purpose, counterfeit goods are in essence defined as goods involving slavish copying of trademarks, and pirated goods as goods which violate a reproduction right under copyright or a related right.

**General Obligations**

The general obligations relating to enforcement are contained in Article 41. Paragraph 1 contains what earlier described as "performance" requirements: Enforcement procedures must be such as to permit effective action against any act of infringement of IPR and the remedies available must be expeditious in order to prevent infringement and
they must constitute a deterrent to further infringements. On the other hand, these procedures must be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguard against their abuse.

The following three paragraphs contain certain general principles, the aim of which is to guarantee due process. Paragraph 2 deals with enforcement procedures. Such procedures must be fair and equitable, and they may not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. Paragraph 3 concerns decisions on the merits of the case. Such decisions shall preferably be in writing and reasoned, and they shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard. Paragraph 4 requires that parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member’s law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there is no obligation to provide an opportunity for review of acquittals in criminal cases.

As already mentioned, Member countries are free to determine the appropriate method of implementing the provisions on enforcement within their own legal system and practice. In addition, paragraph 5 contains an understanding according to which the provisions on enforcement do not create any obligation to put in place a judicial system for the enforcement of IPR distinct from that for the enforcement of law in general. In addition, it is stated that nothing in these provisions creates any obligation with respect to the distinction of resources as between enforcement of IPR and the enforcement of law in general.

However, a number of countries have recently established special enforcement units that pool together required experience needed to effectively fight against counterfeiting and piracy. Some countries have centralized certain types of intellectual property issues in one or a limited number of courts in order to ensure that availability of necessary expertise.

Civil and Administrative Procedures and Remedies

The second section requires that civil judicial procedures must be available in respect of any activity infringing IPR covered by the Agreement. The provisions of the Section elaborate in more detail basic features that such procedures must provide for. These provisions apply also to administrative procedures on the merits of a case, to the extent that any civil remedy can be ordered as a result of such procedures.

Article 42 contains certain principles aimed at ensuring due process. Defendants are entitled to written notice which is timely and contains sufficient details of the claims. Parties must be allowed to be represented by independent legal counsel, and 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, while confidential information must be identified and protected.

Article 43 represented a compromise between the different existing approaches in
applying the rules on evidence. Some national legal systems allow the courts more flexibility than other systems, which are more based on a "party trial" approach. The provision lays down that, in a situation where evidence that is likely to be important for one party is in the possession of the opposing party, the court must be empowered, provided that certain conditions are met, to order the latter party to produce that evidence. In addition, courts may be authorized to make their decisions on the basis of information presented to them, if a party refuses without good reason access to evidence that is in his or her possession, subject to providing the parties an opportunity to be heard.

The Section contains provisions on injunctions, damages and other remedies. For the right holder, it may be most important to be able to prevent further infringements. Article 44 requires that the courts be empowered to order injunctions, i.e. to order a party to desist from further infringements, including the possibility to prevent imported infringing goods from entering into domestic distribution channels. Members are not obliged to provide the courts that authority where a person has acted in good faith. Where the infringing act constitutes government use, remedies may be limited to payment of adequate remuneration to the right holder.

In order to create an effective deterrent to infringement, Article 46 requires that the judicial authorities must have the authority to order infringing goods to be disposed of outside the channels of commerce, or, where constitutionally possible, destroyed. Similarly, it must be possible to dispose of materials and instruments used for the production of infringing goods. In considering such requests, the courts must take into account proportionality between the seriousness of the infringement and the remedies orders as well as the interests of third parties.

In respect of counterfeit trademark goods, it is clarified that the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce. A similar provision on counterfeit trademark goods is contained in Article 59 in Section 4 dealing with border measures.

According to Article 47, 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 of their channels of distribution. This option is aimed at assisting the right holders to find the source of infringing goods and to take appropriate action against other persons in the distribution channels. This provision must be applied in a way that is in proportion to the seriousness of the infringement. A similar provision is contained in Article 57 of Section 4.

The Section contains certain safeguards against abuse of enforcement procedures. The judicial authorities must have the authority to order the applicant who has abused enforcement procedures to pay an adequate compensation, to the defendant.
who has been wrongfully enjoyed or restrained, to cover both the injury suffered and expenses. Such expenses may include appropriate attorney’s fees. Public authorities and officials are exempted from liability only where actions are taken or intended in good faith in the course of the administration of that law.

**Provisional Measures**

Article 41 requires that enforcement procedures must permit effective action against infringements and they must include expeditious remedies. As judicial procedures may take a fair amount of time, it is necessary that the judicial authorities are empowered to provide provisional relief for the right holder in order to stop an alleged infringement immediately.

The provisions on provisional measures are contained in Article 50. It requires each country to ensure that its judicial authorities have the authority to order prompt and effective provisional measures. Such measures must be available in respect of any intellectual property right. These provisions apply also to administrative procedures, to the extent that any provisional measure can be ordered as a result of such procedures.

Article 50 spells out two main objectives for the use of provisional measures. One is to prevent an infringement from occurring, and to prevent infringing goods from entering into the channels of commerce. This includes preventing imported infringing goods from being dispersed into domestic distribution channels immediately after customs clearance. The other purpose is to preserve relevant evidence in regard to the alleged infringement.

In order to accomplish these objectives, it may be necessary to take action without prior hearing of the other side. Therefore, the judicial authorities must have the authority to adopt provisional measures without hearing the defendant, where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

The courts may require the applicant to provide any reasonably available, adequate evidence that the applicant is the right holder and that the applicant’s right is being infringed or that such infringement is imminent. The applicant may also be required to supply information necessary for the identification of the goods. Where provisional measures have been adopted without hearing the defendant, the parties affected must be given notice, without delay after the execution of the measures at the latest. The defendant has the right to a review, including a right to be heard, that shall take place with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.

Also, the provisions on provisional measures contain safeguards against abuse of such measures. The judicial authority may require the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse. Provisional measures shall, upon request by the defendant, be revoked or otherwise cease to have effect, if the applicant fails to initiate proceedings leading to a decision on the merits of the case within a reasonable period to be determined by the judicial authority concerned. In the absence of such a determination, this period may not exceed 20 working days or 31 calendar days, whichever is longer.
Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant to provide the defendant appropriate compensation for any injury caused by these measures.

Special Requirements Related to Border Measures

The emphasis in the enforcement part of the TRIPS Agreement is on internal enforcement mechanisms, which, if effective, would enable infringing activity to be stopped at the source of production. Compared to special border measures, this is both a more efficient way of enforcing IPR and one which is less liable to give rise to risks of discrimination against imports. However, the Agreement recognizes that enforcement at the source of production will not always be possible and that in any event not all countries in the world are members of the WTO and, therefore, have obligations under the TRIPS Agreement. Consequently, the Agreement recognizes the importance of border enforcement procedures that will enable right holders to obtain the cooperation of customs administrations so as to prevent the release of infringing imports from passing through the customs and entering into domestic distribution channels, which would often make it more difficult to take efficient action.

The special requirements related to border measures are contained in Section 4 of the enforcement part of the Agreement. Until recently, few countries had given their customs services the authority to combat counterfeiting and piracy. However, in a number of countries, the courts now have the power to order that the release into free circulation, by the customs services, of counterfeit and pirated goods be suspended. For most countries, though, this part of the Agreement will require the establishment of new legislation and the putting in place of new procedures.

Coverage

According to Article 51 of the Agreement, the goods which must be subject to border enforcement procedures must include at least counterfeit trademark or pirated copyright goods that are being presented for importation. These categories of goods are defined in footnote 14 to Article 51 as follows:

"(a) 'counterfeit trademark goods' shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validity 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;" 

(b) 'pirated copyright goods' shall mean 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 Article leaves flexibility to Member governments on whether to include imports of goods which involve other infringements of IPR. Members are also free to determine whether to apply these procedures to parallel imports. This is confirmed in footnote 13 to the Article, according to which it is understood that there shall be no obligation to
apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder.

In accordance with Article 60, Members may exclude from the application of these procedures *de minimis* imports, i.e. small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments.

Article 51 leaves it to Members to decide whether to apply corresponding procedures to the suspension by customs authorities of infringing goods destined for exportation from their territories, or to goods in transit.

**The Basic Mechanism**

The basic mechanism required by the Agreement is that each Member must have a "competent authority", which could be administrative or judicial in nature, to which applications by right holders for customs action shall be lodged. The Agreement leaves it to each Member to decide whether the competent authority should be judicial or administrative in nature. In other words, it could be a judge who would issue a provisional court order for execution by the customs authorities or it could be a service within, for example, the customs administration itself with special responsibility for enforcement of IPR. In practice, countries will have to find the most appropriate balance within their own legal system and practice between allowing for swift and effective action by the customs and the necessary judicial control in order to lessen the risks of abuse of the procedures.

The right holder lodging an application before/with the competent authority shall be required to provide adequate *prima facie* evidence that certain goods arriving at the border are infringing his IPR and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall then inform the right holder whether his application has been accepted and, if so, for what period, while giving the necessary directions to customs officers. After this, it is the responsibility of the right holder to pursue the matter further and initiate proceedings leading to a decision on the merits of the case.

Apart from the requirement in the Agreement to have in place a system under which action shall be taken on the basis of an application from a right holder, Members also have the option, in addition to that requirement, to require competent authorities to act upon their own initiative. Article 58 contain certain additional provisions applicable to such *ex officio* action.

**Safeguards against Abuse**

The TRIPS Agreement's section on border measures requires the taking of what are essentially provisional measures against imports of infringing goods. The Section also stipulates a number of safeguards against abuse of the procedures, which are similar to those in Article 50 on provisional judicial measures. 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 or equivalent assurance may not be such as to unreasonably deter recourse to these procedures. The importer and the applicant must be promptly notified of the detention of goods.

If the right holder fails to initiate proceedings leading to a decision on the merits of a case within ten working days, the goods
shall normally be released. Where goods involve the alleged infringement of industrial designs, patents, layout designs or undisclosed information, the importer must be entitled to obtain their release on the posting of a security sufficient to protect the right holder from any infringement, unless provisional relief has been granted by a duly empowered authority.

Once judicial proceedings on the merits of a case have been initiated, the judicial authority may continue the suspension of the release of goods in accordance with a provisional judicial measure. In that case, the provisions on provisional measures in Article 50 shall be applied.

The applicant may be required 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.

Inspection and Information

The competent authorities must be able to give the right holder sufficient opportunity to have any goods detained by the customs authorities inspected in order to substantiate his claims. Where goods have been found infringing as a result of a decision on the merits, the Agreement allows Members to establish a procedure which enables the right holder to be informed of the names and addresses of other persons involved in the distribution of the infringing goods.

Remedies

In regard to remedies, 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. The principles contained in Article 46 on civil remedies, such as the need for proportionality, apply also to border measures. In regard to counterfeit trademark goods, the authorities may not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedures, other than in exceptional circumstances.

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

Criminal Procedures

The fifth and final section in the enforcement part of the TRIPS Agreement deals with criminal procedures. Provision must be made for these to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. The Agreement leaves it to Members to decide whether to provide for criminal procedures and penalties to be applied in other cases of infringement of IPR, in particular where they are committed wilfully and on a commercial scale. While in some countries only trademark counterfeiting and copyright piracy are treated as criminal behaviour, other countries apply criminal procedures to nearly all forms of intellectual property infringements.

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. Criminal remedies in appropriate cases must also include seizure, forfeiture
and destruction of the infringing goods and of materials and instruments used to produce them.

**Cooperation between Customs, other Agencies and Private Sector**

Effective implementation of the provisions on enforcement will require goods cooperation between all agencies that have responsibilities in the area of enforcement. Effective action against counterfeiting and piracy may require the combination of both inland and border measures. In some countries special inter agency committees have been set up to coordinate this work. The Agreement is silent on what kind of inland agencies are needed for detecting criminal infringement. However, as mentioned earlier, a number of countries have recently established special enforcement units, such as special police units, devoted entirely to such work.

Customs and other enforcement agencies may lack sufficient expertise in the identification of counterfeit and pirated goods, and in the way the infringers operate. In this respect, cooperation with the private sector may be helpful. Business associations active in the relevant fields are often capable and willing to provide their expertise to assist in this work. Article 47 and 57 foresee cooperation between authorities and right holders by providing the option to WTO Members of authorizing the relevant authorities to order the infringer to provide information to the right holder on other persons involved in the production and distribution of the infringing goods. These provisions are aimed at assisting right holders to track down the source of infringing goods.

As regards international cooperation, reference should also be made to Article 69 of the Agreement, which requires WTO Members to cooperate with each other with a view to eliminating international trade in goods infringing IPR. In this regard, they have committed themselves to establish contact points in their national administrations and be ready to exchange information with each other on trade in infringing goods. In particular, they must promote the exchange of information and cooperation between customs authorities with regards to trade in counterfeit and pirated goods. Cooperation within this framework will also facilitate customs' work in fighting against counterfeiting and piracy.