

TRIPS AGREEMENT: ENFORCEMENT PROVISIONS FOR INTELLECTUAL PROPERTY PROTECTION

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I. INTRODUCTION

The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs Agreement) was not an entirely new development in international economic law. In many respects, the TRIPs Agreement is built upon the legal base provided by earlier WIPO-administered conventions, such as Paris Convention and Berne Convention. Indeed, the TRIPs Agreement itself requires compliance with the Paris and Berne conventions. The relationship between the TRIPs Agreement and the other WIPO conventions is clarified by Article 2.2, which maintains that nothing in the arrangement shall derogate from existing obligations that Members have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Washington Treaty. In relation to patents, Article 2.1 explicitly requires Members to comply with Articles 1-12 and 19 of the Paris Convention (1967), which set out the basic standards and principles of protection. But, two main flaws were perceived in the Paris and Berne conventions: first, the absence of detailed rules on enforcement of intellectual property rights (IPR) before national judicial and administrative authorities, and, second, the absence of a binding and effective mechanism to settle disputes between states. These Conventions also suffered from the reluctance of some countries to become signatories when they did not consider this to be in their national interest. From 1970s onwards, the developed countries attempted to revise and strengthen the WIPO intellectual property conventions in order to introduce effective enforcement mechanisms capable of combating international piracy and counterfeiting of intellectual property.¹ Ultimately, it was in 1986 that Uruguay Round negotiations begun which led to the adoption of TRIPs Agreement. The TRIPs Agreement updates and revises conventions administered by WIPO. Further, its novelty lay in the fact that for the first time in international law there was an obligation to provide minimum standards of intellectual

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¹ T.P. Stewart (ed.), *THE GATT URUGUAY ROUND : A NEGOTIATING HISTORY* (1986-1992), (Netherlands, 1993).

property protection of a real and binding character. In particular the transparency arrangements, enforcement mechanisms and linkage to the dispute settlement procedure of the WTO added much to the arrangements that already existed under WIPO.

It was considered important that designing laws for intellectual property rights must address two important aspects: first, law must not only grant rights but disseminate the information regarding these rights, and second, owners of the rights must have appropriate forums and remedies to enforce them. If there are no means of enforcement then these rights do not possess much value. The improved technology has increased the cases of infringement. Thus, an efficient legal system must ensure proper enforcement, so that right owners may take action against those who infringe their rights, prevent further infringement, recoup losses which have occurred and petition the authorities to confiscate the counterfeits. The higher standards of IPRs set out in terms of scope, duration, including penal provisions are not sufficient if these provisions can be easily circumvented by poor enforcement. Furthermore, it is also in the interest of the rule of law and respect for social order that laws, once enacted, should be enforced.² All countries interested in providing strong and secure intellectual property rights with the objective of encouraging innovation and creativity must improve the enforcement of these IPRs.

The most comprehensive multilateral agreement on intellectual property is TRIPs Agreement. The Uruguay Round of multilateral trade negotiations was held under the framework of the General Agreement on Tariffs and Trade (GATT). The result of these negotiations was the adoption of the World Trade Organization (WTO) Agreement and the TRIPs Agreement. WTO began its work on January 1, 1995 and TRIPs Agreement, which is binding on all WTO members, entered into force on January 1, 1995. For the first time in international intellectual property law, TRIPs Agreement introduced obligatory standards and extensive procedures on enforcement of IPRs by its member countries. The TRIPs Agreement mainly addresses to three areas:

- (i) Minimum protection standards;
- (ii) Dispute resolution; and
- (iii) Enforcement provision.

² *Green Paper of European Commission*, 1998 available at <<http://europe.eu.int>>.

To achieve effective international enforcement of intellectual property rights was a key driving force behind the developed countries initiative for TRIPs Agreement capable of overcoming the shortfalls of the earlier WIPO conventions.³ Enforcement refers to the procedures set out in the Agreement that provide for action against any act of infringement of IPRs covered by the TRIPs Agreement.

The provisions of the TRIPs Agreement on enforcement have two basic objectives. First, they seek to ensure that effective means of enforcement are available to those who possess intellectual property rights. Second, they endeavour to ensure that enforcement procedures are applied in such a manner that they do not become barriers to legitimate trade, and there are safeguards against the abuse of their application.⁴ TRIPs Agreement requires that enforcement procedures shall be fair and equitable, not complicated or costly, or entail unreasonable delays. Decisions shall be based only on evidence in respect of which parties were offered the opportunity to be heard, and furthermore decisions must have opportunity for review. Furthermore, as judicial procedures take a fair amount of time, so the authorities should be empowered to provide provisional relieves to stop infringements immediately. It recognizes importance of border enforcement procedures to prevent release of infringing imports into free circulation. It also requires each member to designate a competent authority, which could be administrative or judicial, where the right holders can file an application for custom's action. Finally, TRIPs Agreement set forth the provisions for criminal procedures to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale.

The TRIPs Agreement requires that specified enforcement procedures be available to permit effective action against any act of infringement of IPRs covered by the Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. The procedure must be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide safeguards against their abuse. Thus, the Agreement attempts to ensure the rights of intellectual

³ J. Worthy, *Intellectual Property Protection After GATT*, EUROPEAN INTELLECTUAL PROPERTY REVIEW, 1997 at 197.

⁴ A. Otten, and H. Wager, *Compliance with TRIPs: The emerging World View*, VANDERBILT JOURNAL OF TRANSNATIONAL LAW, 1996, 391-413 at 403.

property holders while still maintaining checks and balances in order to prevent the abuse of their application. Thus, TRIPs Agreement introduced obligatory standards and extensive procedures on enforcement of IPRs by its member countries, which was necessary because there were conflicting provisions in different countries and many countries were reluctant to commit additional resources for the enforcement of IPR.

Articles 9,10, 10bis and 10ter of the Paris Convention contain provisions on seizure of counterfeit trademark goods at the border and inside the country. But these provisions were weakened by the exceptions contained in Article 9 (5), which give the option to replace the border measures with domestic ones, and Article 9 (6), which permit both types of measures to be replaced by those available to nationals under domestic laws. Similarly, Article 16 of the Berne Convention though provide for the seizure of infringing copies of a copyrighted work, but allows this in accordance with the legislation of each country. Now, all members of WTO are required to change the existing procedures of their enforcement obligations and make close scrutiny of their judicial and administrative systems, under the TRIPs Review and Dispute Settlement Procedures. This will be a step forward though still away from uniform enforcement of IPRs. Part III of TRIPs Agreement will be a base for any further improvement in any fora on enforcement of IPRs. In general the existing systems on the enforcement of IPRs were having following deficiencies⁵:

- (i) inability of the right holders to enforce IPRs in various countries around the world;
- (ii) slow pace of enforcement proceedings and the inability to obtain evidence;
- (iii) delays in bringing a case to trial and obtaining a final judgment.
- (iv) difficulties in obtaining rapid ex parte injunctions;
- (v) inadequate damage awards and criminal sanctions; and
- (vi) lack of enforcement at borders to prevent importation of infringing goods.

⁵ Michael Kirk, GENERAL OBLIGATIONS, CIVIL AND ADMINISTRATIVE PROCEDURES AND REMEDIES, AND PROVISIONAL MEASURES AGAINST INFRINGEMENT OF IPRs (WIPO, 1997) at 107-17; and Daniel Gervais, THE TRIPS AGREEMENT, DRAFTING HISTORY AND ANALYSIS (London, 1998).

Part III (Articles 41–61) lays down procedures for the enforcement of IPRs by each member country.⁶ This article is intended to explain how far Part III of TRIPs Agreement provides remedies against the above-mentioned deficiencies

II. REMEDIES FOR INFRINGEMENT OF IPRS UNDER TRIPS AGREEMENT

The failure of the Paris and Berne Conventions was largely attributed to the absence of effective mechanisms to enforce WIPO administered treaties.⁷ Developed countries articulated the concerns of corporate interests by insisting that the TRIPs Agreement must contain enforcement provisions within the overall framework of GATT. Despite the opposition of developing countries, which suggested that enforcement should take account of the limits of administrative and resource capabilities in each country, the final text of TRIPs Agreement reflects developed country proposals that the Agreement should provide for civil, criminal and administrative enforcement, together with remedies in the form of damages, injunctions and seizure of infringing goods. Most countries were having laws relating to IPRs even prior to TRIPs Agreement, though their standards were generally lower than laws laid down under TRIPs Agreement. There were provisions for remedies to right holders in case of infringement of their rights. However, there were considerable differences in provisions between common law and civil law jurisdictions. Countries following common law system⁸ were largely in compliance with the enforcement obligations of TRIPs Agreement. However, they have to strengthen their laws and procedures on border enforcement. On the other hand, South East Asian and Latin American countries may have to amend their laws and procedures to implement provisions such as preventive measures, evidentiary requirements and border measures.⁹

Article 41 sets out general obligations of WTO members with regard

⁶ Kirk, *ibid.*

⁷ E. Henderson, *TRIPs and the Third World: The Example of Pharmaceutical Patents in India*, EUROPEAN INTELLECTUAL PROPERTY REVIEW, 1997, 651-663 at 652.

⁸ Common Law can be defined as the unwritten law of custom and practice developed by courts. This is found in countries following Anglo-Saxon legal tradition, as opposed to the continental tradition of codified law or civil law.

⁹ Daniel Geravis, *THE TRIPS AGREEMENT, DRAFTING HISTORY AND ANALYSIS* (London, 1998).

to the domestic enforcement of IPRs. These obligations have been discussed below.

- (i) WTO members have to ensure that: 'enforcement procedures are available under their national laws so as to permit effective action against any act of infringement of Intellectual property rights, including expeditious remedies to prevent infringements and remedies that constitute a deterrent to further infringements'¹⁰.
- (ii) Further, members will not meet their obligations by simply providing required procedure of Part III; their further obligation is that these procedures must permit effective action against any act of infringement and that the remedies provided should be expeditious and constitutes a deterrent to prevent further infringement.¹¹ This has been called as 'performance requirement' of Part III of TRIPs Agreement.¹²
- (iii) Members are required to set up effective national enforcement measures for right holders, with certain minimum obligations including fair and equitable procedures that are not unnecessarily complicated or costly and should not entail unreasonable time – limits or unwarranted delays.¹³ Fair and equitable procedures include 'fairness and equity to both parties to a civil dispute. Defendant must be protected by adequate written notice regarding claims against him. Both parties be allowed independent legal counsels, must be permitted to substantiate their claims with all relevant evidence, must not be burdened unnecessarily with mandatory personal appearances and must be permitted to keep information confidential, except if this is not permitted under the constitution itself'.
- (iv) Procedures for enforcement should not be unnecessarily complicated or costly, not entail unreasonable time – limits or

¹⁰ TRIPs Agreement, Article 41.1.

¹¹ *Ibid.*

¹² Hannu Wager, *Enforcement of Intellectual property Rights Under the TRIPS Agreement*, paper presented in WIPO National Seminar in Pakistan, 1996.

¹³ TRIPs Agreement, Article 41.2.

unwarranted delays.¹⁴ The higher costs of litigation may lead to the encouragement of alternative disputes resolution, particularly in countries where lawsuits on infringement are very expensive.¹⁵

- (v) The procedures which are laid down should ensure that decisions are based only on the merits of the case, preferably in writing and reasoned, and based only on evidence on which parties have had the opportunity of being heard and rendered to both parties without undue delay.¹⁶
- (vi) The aggrieved party has a right of review by a judicial authority of final administrative decisions and of at least the legal aspects of initial judicial decisions.¹⁷ Such reviews are also necessary with respect to the grant of compulsory licenses and the revocation of patents (Articles 31, 32), administrative decisions regarding the acquisition of IPRs.¹⁸

However, Article 41.5 of the TRIPs Agreement undermines the enforcement provisions. This Article was included at the suggestion of India¹⁹ to take account of the capacities of developing and least developing countries.²⁰ However, it is made clear that 'this part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of members to enforce their laws in general. Nothing in this part creates any obligation with respect to the distribution of resources as between the enforcement of intellectual property rights and the enforcement of law in general.'

The judgment on the use of these powers given to judicial or other authorities or on the remedies awarded by authorities, following all other procedures laid down in Part III, is left to member country. Only when a

¹⁴ *Ibid.*

¹⁵ Michael Kirk, ISSUES CONCERNING THE IMPLEMENTATION OF TRIPS AGREEMENT (WIPO, 1997) at 107-17

¹⁶ TRIPs Agreement, Article 41.3.

¹⁷ *Id.*, Article 41.4.

¹⁸ *Id.*, Article 62.

¹⁹ GATT Doc.No. MTN./GNG/NG11/w/40. 5 September 1989.

²⁰ F. Worldridge, TRIPS AND ENFORCEMENT (London, 1997).

member country does not give judicial or other authorities, the powers laid down in Part III, that it can be questioned under the WTO dispute Settlement Procedures. However, it would be difficult to win a TRIPs dispute based on allegations of such use not being expeditious or deterring, because Article 41.5 makes clear that Part III of TRIPs Agreement does not create any obligation for a member country to put in place a judicial system for the enforcement of IPRs distinct from the enforcement of law, in general. Thus, standards of deterrence and expeditiousness differ from country to country and no efforts for uniform standards were made in TRIPs Agreement.

Some countries have instituted special courts to try intellectual property cases, but there is much in favour or against such special courts.²¹ The arguments in support stress that judicial authorities in developing countries may not have extensive knowledge of intellectual property laws and special requirements for their enforcement. So it is necessary, that Judges for special courts must be intensively trained. This special knowledge and experience of Judges will result in coherent and consistent judgments, which will result in greater legal security for IPR holder. On the other hand, the arguments against special courts are that they will put burden of additional resources. Furthermore, all Intellectual Property cases will have to be tried by few special courts and this may cause problem in large countries where the number of special courts will be lower than the regular courts. Judges will also not get the benefit of hearing other civil and criminal matters in order to apply common principles to all cases. Considering these problems, the TRIPs Agreement allowed each country to decide whether to establish special courts or not, on the basis of its circumstances and needs.

III. EVIDENCE AND ITS APPRECIATION BY JUDICIAL AUTHORITIES UNDER TRIPS AGREEMENT

One more reason for the ineffective enforcement of IPR is the inability of right holders to obtain the relevant evidence that may be in the possession of the infringer either due to lack of discovery proceedings, or due to the lack of extensive powers given to judicial authorities.

²¹ P. Chiyasok, *THE THAI EXPERIENCE ON THE IMPLEMENTATION OF THE TRIPS AGREEMENT*, (WIPO, 1997) at 103-5.

Article 43 is designed to facilitate the production of evidence. It lays down that judicial authorities are to be given the power to order the opposing party to produce evidence in its control when the complainant has presented reasonably available evidence sufficient to support its claim and has specified the evidence relevant to the substantiation of its claim which lies in the controls of the opposing party and that is 'specified' by the petitioner. Where such evidence is not produced within a reasonable period and without any good reason, then judicial authorities shall have the right to make preliminary and final decision based on the evidence presented after giving both the parties an opportunity to be heard. However, these articles are not equivalent to discovery proceedings in the US Courts, because there, not only the petitioner has to produce sufficient evidence but also to identify the relevant evidence.

Article 47 of the TRIPs Agreement gives an option to member countries to provide that judicial authorities shall have the authority to order the infringer to inform the right holder of the identity of third parties involved in the production and distribution of infringing goods and services and about their channels of distribution. However, this will not be necessary in cases where such measures would be disproportionate to the seriousness of the infringement. This measure is referred as *Norwich Pharmacal Order*. On the principle of this order, the defendant or third parties (such as Custom Officers or others) could be directed to inform the right holder about the details of the movement of infringing goods available from the records in order to trace the source of infringing activity.²² This provision was also made optional because during the TRIPs negotiations it was felt that such a provision would be a violation of the right of defendant against self-incrimination and in many countries violation of the constitution itself.²³ However, India allows its courts to have this authority.

The practical utility of *Norwich Pharmacal Order* is questionable to right holders, firstly because this provision applies only if infringement has been reasonably established. This is so because word used in Article 47 is 'infringer' and not 'Opposing party' or 'defendant'. Secondly, the

²² International Chamber of Commerce, ENFORCEMENT MEASURES AGAINST COUNTERFEITING AND PIRACY: AN INTERNATIONAL SURVEY (Counterfeit Intelligence Bureau, October, 1998).

²³ Australia, Japan, Korea and Thailand do not allow courts to have this authority while Germany, India, Colombia and Peru allow.

manufacturers and distributors of most pirated and counterfeit goods can change location. So, *Anton Piller* type of orders are considered better because the suspected premises can be raided and evidence seized without prior warning.

IV. TRIAL AND JUDGEMENT UNDER TRIPS AGREEMENT

One more reason of inefficiency in existing laws is delay in obtaining justice in cases of infringement, so the primary goal of Part III of TRIPS Agreement was remedying the problems of delays. Article 41.1 provides a general requirement of expeditious remedies. Remedy shall be considered expeditious if they do not cause unwarranted delays. Where no specific time limits have been set under TRIPs Agreement, the reasonableness of time taken for bringing a case to trial and reaching a final decision will have to be judged by national authorities and measured under Article 41.5 against the yardstick used in all cases of time taken by national courts in other civil or criminal cases.

Provisional remedies such as preliminary injunctions could act as effective and expeditious deterrents. In cases where preliminary injunctions are difficult to obtain because of complexity of case, it is necessary that the courts should have the authority to order expedited trial under a tight timetable. In addition to preliminary remedies, the holding of out-of-turn hearings, denying adjournments, setting time limits and *ex parte* injunctions pending a full inter parties hearings can obtain expeditious civil remedies in cases of infringements. The Courts of many countries allow reviews at every stage of case, which results in delaying final decisions, so it must be ensured that these procedures are not misused. Some developing countries has not only instituted special courts but has made appeals from this court to lie with a special division in the Supreme Court.²⁴

V. OBTAINING PRELIMINARY INJUNCTIONS UNDER TRIPS AGREEMENT

Preliminary remedies are important in cases of infringement as most cases may end up after obtaining these and only a few cases come up for full trial. The inability of right holders to obtain expeditious preliminary injunctions

²⁴ Vichail Ariyanumtaka, *The Enforcement of Intellectual Property Rights and the Role of the Central Intellectual Property and International Trade Court in Thailand*, 56/57 INTELLECTUAL PROPERTY IN ASIA AND THE PACIFIC, 1998 at 31-9.

either due to constitutional prohibitions or otherwise was also a subject of negotiations in Part III of TRIPs Agreement.

Article 44 invests judicial authorities with the power to grant injunctions, namely the power to order a party to desist from an infringement and block the importation of products infringing intellectual property. Under Article 44.1 judicial authorities have the power to order a party to desist from an infringement and to prevent imports of the infringing goods. This power is not as far-reaching as proposals put forward by the United States and European Communities during TRIPs negotiation. Article 44.1.2 does not oblige Members to grant injunctions if the protected subject matter is protected by the person who, at the time of acquisition, believed in good faith that trade with the subject matter would not result in an infringement. This good faith provision was included despite the fact that the US and Japan had strongly opposed a similar provision in the Washington Treaty.²⁵

VI. DAMAGE AWARDS UNDER TRIPS AGREEMENT

Lack of adequate criminal sanctions and inadequate damages not only encourage infringers, but also frustrate Intellectual Property right holders. Generally, the right holders are not awarded even the recovery of full costs of prosecuting infringement. TRIPs Agreement provides some provisions as it felt that such laxity in enforcement encourage infringement.

Articles 45 provides that Courts should have the authority to order infringers to pay the right holder damages, where such infringement was willful or where there was reasonable grounds to know such activity to be infringing. Damages awarded must be adequate to compensate for the injury caused by infringement. Article 45.2 allows that in addition to damages courts must also order expenses, which may include attorney's fees and expenses incurred in private investigation. In appropriate cases, courts may be authorized to order recovery of profits or payment of pre-established damages even in cases of innocent infringement, i.e. where the infringer did not know nor had reasonable grounds to know that he was engaging in infringing activity.

²⁵ T. Dreier, *TRIPs and the Enforcement of Intellectual Property Rights* in F. K. Beier and G. Schreier (eds.), *From GATT to TRIPs: The Agreement on Trade Related Aspects Of Intellectual Property Rights*, 18 *INTERNATIONAL REVIEW OF INDUSTRIAL PROPERTY AND COPYRIGHT LAW* (Special edition) (1996), 248-328 at 262.

However, TRIPS provision does not make clear as to which cases are appropriate. Furthermore, this is a permissive clause and not an obligatory provision.

The TRIPs Agreement, however, did not provide level of damages due to diversity between different legal systems, different historical antecedents and differing traditions.²⁶ The US allows for triple damages to right holder who proves willful infringement.²⁷ The basic principles followed in the US are laid down in *Panduit Corp. v Stahlin Bros. Fibre Works, Inc.* This judgment has tilted the balance in favour of the patentee. The Court held that: 'the reasonable royalty after infringement cannot be treated as the equivalent of ordinary royalty settled among truly willing intellectual property right's owners and licensees. That view would constitute a pretense that the infringement never happened. It would also make infringement a handy means for competitors to impose a 'compulsory license' upon every patent owner.'

Article 46 requires that Courts must be empowered to order that infringing goods and equipments used to make these infringing goods should be destroyed or disposed of outside the channels of commerce without any compensation to the infringer. However, the court must take into account the proportionality of the seriousness of the offence and the remedies ordered as well as the interests of third parties.

Article 47 requires that Members countries may provide that the judicial authorities shall have the authority, 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.

Article 48 provides for the indemnification of the defendant. It allows that if enforcement measures are found to have been abused, the judicial authorities have the power to order the party at whose requests measure were taken to provide adequate compensation for the injury suffered, including appropriate attorney's fees. Public authorities and officials are, however, exempt from liability if action has been taken in good faith.²⁸

²⁶ R.R. Rader, *Practical Cases in Industrial Property Litigation*, WIPO Seminar on Intellectual Property Litigation, 1997, WIPO/IP/RIG/97/5.

²⁷ Adelman, Martin J. Randall R.Rader, John R.Thomas and Harold C. Wegner, *CASES AND MATERIALS ON PATENT LAW* (Minnesota, 1998).

²⁸ TRIPs Agreement, Article 48.2.

Article 49 provides that any civil remedy that is ordered as a result of administrative procedures on the merits of the case must conform to principles equivalent in substance to section 2, Part III, of the TRIPs Agreement, relating to enforcement of intellectual property rights.

VII. TRIPS PROVISIONAL MEASURES TO PREVENT INFRINGEMENT

Section 3 and Article 50 lay down provisional measures, which the WTO Members are obliged to ensure. They provide that: The Judicial authorities shall have the authority to order prompt and effective provisional measures to prevent infringement from occurring by stopping the distribution for sale or importation of infringing goods and by preserving evidence of the alleged infringement;²⁹ to adopt provisional measures where there is a demonstrable risk of evidence being destroyed³⁰ to require reasonably available evidence in order to satisfy that the applicant is the right holder.³¹

Article 50 also carefully balances the interests of the right holder and that of alleged infringer. Article 50.4 calls for prompt notice to the affected parties of an *inaudita altera parte* action and the right of review by the defendant. Article 50.6 allows revocation or cessation of provisional orders within a reasonable period. Article 50.7 provides for compensation, in case of wrongful claims of infringement or threat of infringement to defendants. Various countries ensure this by requiring an initial security deposit covering the value of the alleged infringing goods.

Ex parte orders are useful where the infringer, upon notice, can shift or destroy the infringing goods and other evidence from the premises. Most Common Law countries already issue *Anton Piller* orders of search and seizure and *Minerva injunctions* to prevent the defendant from removing or disposing of his assets.³²

VIII. TRIPS PROVISIONS FOR CRIMINAL SANCTIONS

Criminal proceedings are more expeditious and effective deterrents than civil proceedings. An immediate raid on the premises or immediate

²⁹ *Id.*, 50.1.

³⁰ *Id.*, 50.2.

³¹ *Id.*, 50.3.

³² Dennis Campbell and Susan Colter, INTERNATIONAL INTELLECTUAL PROPERTY LAW: GLOBAL JURISDICTIONS (U.K., 1996).

arrest of infringer has a dramatic effect to deter infringement, however, the higher standard of proof in criminal cases and lack of preliminary remedies make the civil proceedings a preferred option. In criminal remedies, the burden is on the government to prosecute infringer and obtain orders for the destruction of infringing goods; while in civil remedies this burden is on the right holder. Civil proceedings are preferred because the right holder has control over the whole process, while in criminal proceedings the right holder is dependent on the goodwill and efficiency of police and prosecution. Furthermore, fines are paid to the government and not to the right holder. Criminal remedies are thus preferred over civil remedies only where civil proceedings are lengthy, or awards are very low, or stoppage of further infringement is more important than damages or where the infringer is not known.

The TRIPs Agreement provide for criminal procedures and penalties as a deterrent, which includes imprisonment and/or fines. The general observation is that the profits obtained from infringing, counterfeiting and piracy are so high that the awards of damages to right holders become relatively small, and furthermore, finding and destroying of infringing goods and equipments is very difficult. This state of affairs asks for criminal sanctions. But criminal remedies can be enforced only in case of willful counterfeiting and piracy on a commercial scale. The courts, though have the powers to impose imprisonment, they mostly order only fines.

Under Article 61 Members are required to provide criminal proceedings and penalties in cases of willful trademark counterfeiting of copying piracy on a commercial scale, with remedies including fines and imprisonment sufficient to act as a deterrent, together with the availability of remedies including seizure, forfeiture and destruction of infringing goods.

IX. PREVENTION OF IMPORTATION OF INFRINGING GOODS

Border Measures under TRIPs Agreement

It is true that infringement of Intellectual Property Rights can be stopped more easily at the source itself. To stop infringing goods at the border itself and the prevention of its entry into normal channels of commerce are strong and effective border measure. Trade in counterfeit goods is not confined only to luxury goods but is also taking place in every branded goods. It is high on products relating to sound and video

recordings, computer software and hardware and other products relating to information technology. Trade in counterfeit and pirated goods is maximum where the cost of manufacture of such goods is low in relation to its price and there is high demand of such pirated goods because of price sensitive consumers.³³ With technological improvements it has become easier to access to copyright material over internet from anywhere in the world.

The TRIPs Agreement reflects the view that the preferred method of combating counterfeiting and piracy³⁴ is to prevent the infringing activity at its source.³⁵ Thus a significant element of the TRIPs Agreement is the role it envisages for customs authorities as agencies to counter intellectual property infringement. However, border measures are useful in circumstances where infringing goods originate from jurisdictions which are either outside the ambit of TRIPs Agreement or from non-WTO countries, or least developed countries availing transition periods or from WTO members with poor internal enforcement mechanisms.

The TRIPs Agreement imposes the minimum obligations of instituting border measures only for trademarks and copyrights. To detect infringing goods at the border relating to other IPRs has been considered difficult. Furthermore, detecting products containing components that infringe patent or design rights will put a heavy burden on customs authorities. However, some countries had border measures for all IPRs. However, WTO members were cautious of the fact that the measures and procedures to promote effective and adequate protection of IPRs may become barriers to legitimate trade. This caution clearly shadows the provisions relating to border measures as provided in Section 4 of Part III and by Articles 51 to 60 of the Agreement. The TRIPs Agreement defines that counterfeit trade mark goods refer to any goods, including packaging, on which a trademark identical, or essentially similar, to one validly registered in the country of importation in respect of such goods, has been fixed without the authorization of the right holder. This

³³ European Commission, COMBATING COUNTERFEITING AND PIRACY IN THE SINGLE MARKET, Green Paper (1998).

³⁴ Footnote 14 to Article 51 of the TRIPs Agreement defines 'counterfeit' goods as those involving copying of trademarks, whereas 'pirated' goods are those that infringe a copyright or related right.

³⁵ *Supra* note 4 at 405.

definition covers both goods and packaging for such goods. Further, under this definition infringing trademark must be identical or similar to the registered trademark; such registration should be currently valid; and the registration should be in respect of goods identical to those imported.

Thus, the standard of this definition is narrower than the rights conferred by a trademark given in Article 16 of TRIPs Agreement, wherein the owner of a registered trademark can prevent third parties not having his consent, from using confusingly similar signs for goods that are identical or even just similar to those in respect of which the trademark is registered. Thus, only in the case of the use of an identical sign for identical goods, that a likelihood of confusion is presumed under Article 16. Border measures are available only under the presumption of likelihood of confusion and not otherwise. However, the term “*identical sign*” used in Article 16 has been stretched to include that “*which cannot be distinguished in its essential aspects from such a trademark*” for the purpose of benefiting from border measures. Thus, in all other cases of likelihood of confusion, the right holder can seek remedies in civil or criminal proceedings, as he will not be able to stop the consignment at the border. Similarly, ‘pirated copyright goods’ as defined under TRIPs Agreement means ‘*unauthorized copies made directly or indirectly in the country of production from articles on which copyright or a related right subsists in the country of importation*’. Thus, copyright owners, performers, producers of sound recordings and broadcasting organizations can avail border measures.

Border measures in TRIPs Agreement are only obligatory for importation of infringing goods and not for exportation of such goods. However, WTO members may institute such measures on exportation too.³⁶ It is not clear whether goods-in-transit are also subjected to border measures. TRIPs, Articles 52 to 60 balance the interests of right holders with the need to ensure that unnecessary obstacles are not created on legitimate trade.

Under Article 51, Members are obliged to set up administrative and judicial procedures to be taken up by the customs officials for the suspension of release into domestic circulation of counterfeit and pirated goods at national borders. In order to oblige custom officials to take action, the right holders must submit written evidence of infringement. Members may also setup equivalent measures to detain goods for export.

³⁶ *Ibid.*

Article 52 places the burden on the right holder to make an application for suspension of infringing imported goods by providing sufficient prima facie evidence of infringement and detailed description of goods to make them recognizable by the customs authorities. Custom authorities, will then inform the applicant within a reasonable period, indicating the period for which action will be taken.³⁷

The TRIPs Agreement also pays considerable attention to ensuring that civil actions are not used as a means of harassing legitimate trade.³⁸ Article 53 allows the requirement of a security deposit or other securities to protect the defendant and the customs authorities to prevent any abuse. In some countries, in addition to security deposit, the applicant has to deposit the likely costs of government and provide storage, space and such other facilities as may be required by the custom authorities. In India, authorities take suo moto action and there is no need of security deposit.

Both the importer and applicant must be given prompt notification if customs authorities decide to suspend the release of goods into the market.³⁹ If the applicant does not obtain preliminary relief or does not initiate any action for hearing the case on merits within 10 days then suspended goods are released.⁴⁰ In other cases, the importer will have an opportunity, within a reasonable period of time, of being heard for revocation or modification of the order. Article 56 lays down that where importer is injured by wrongful detention, the applicant can be ordered to pay him any appropriate compensation. If it is the customs authorities that have suo moto caused such injury, they can be sued for defamation or wrongful confinement and damages. Article 57 gives the right of inspection and information to both the applicant and the importer to substantiate or rebut claims of infringement. Article 57 allows competent authorities to inform the right holder of the names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question. This would clearly assist the right holder in its further investigation of those involved in the counterfeiting and piracy of

³⁷ Will Robinson, *The Role of Customs Authorities in the Enforcement of Patent and Trademark Rights*, paper presented in WIPO – EPO Seminar, 1997.

³⁸ *Supra* note 4 at 406.

³⁹ TRIPs Agreement, Article 54.

⁴⁰ *Id.*, Article 55.

goods and would assist the right holder in bringing any civil action in such a case.⁴¹

Article 58 sets out procedure for *ex officio* action by the customs authorities, where *suo moto* initiatives are permitted. Members may permit the competent authorities to act upon their own initiative in suspending the release of goods where they have *prima facie* evidence that an intellectual property right is being infringed, subject to the opportunity for the importer to appeal, with public authorities and officials exempt from liability where action was taken in good faith. Article 59 requires competent authorities, i.e. the customs or the courts to be empowered to dispose of or destroy infringing goods, so that they do not enter into channels of commerce. Under this article, sale of goods after removing the offending trademark is permitted, as this would be in an altered state. A *de minimis* principle applies whereby members may exclude from these provisions small quantities of goods of a non-commercial nature contained in traveler's personal luggage or sent in small consignment.⁴²

X. THE EFFECTIVE ENFORCEMENT IN DEVELOPING COUNTRIES

The developing countries have to comply the provisions of the TRIPs Agreement on two levels: First, implementation and second, enforcement.

Implementation, namely the adoption of appropriate legislation to bring national judicial and administrative procedures into conformity with the TRIPs Agreement has been less problematic for developing countries than practical enforcement. The reason is that many developing countries amended their intellectual property laws prior to the TRIPs Agreement in response to pressure exerted by the United States bilaterally under Section 301 of the Trade Act of 1984.⁴³ But there is a sharp distinction between the adoption of these policies and their enforcement.⁴⁴

⁴¹ M. Blakeney, *TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A CONCISE GUIDE TO THE TRIPs AGREEMENT* (London, 1996) at 137.

⁴² TRIPs Agreement, Article 60.

⁴³ M.P. Ryan, *KNOWLEDGE DIPLOMACY: GLOBAL COMPETITION AND THE POLITICS OF INTELLECTUAL PROPERTY* (Washington, DC, 1998) at 144.

⁴⁴ S.K. SELL, *POWER AND IDEAS: THE NORTH-SOUTH POLITICS OF INTELLECTUAL PROPERTY AND ANTITRUST* (New York, 1998) at 188.

Effective enforcement may take years to achieve as it put an unexpectedly high costs on developing countries that are required to improve their judicial, administrative and enforcing procedures, which include border measures, civil actions and criminal proceedings. They also need expertise across a wide range of professions from the judiciary, customs officials and local police force and other officers.⁴⁵ An absence of legal expertise within the court system and an absence of technical expertise among local enforcement officers can cause long delays in handing down judgments relating to enforcement measures.⁴⁶

One more area in which developing countries are encountering particular difficulties is in relation to border measures. The developing countries have to secure their borders against unlawful importation of infringing goods in the face of difficult terrain, long coastlines, desert of jungle borders. Corruption among government officials who look after infringements is also a problem.⁴⁷

In the face of the perceived limitations of government sector TRIPs enforcement activities in developing countries, one recent trend has been the emergence of private enforcement agencies such as Enforcers of Intellectual Property Rights in India Ltd, which advertises its services as an India-wide network of private agents who engage in infringement investigation, litigation support and multi-jurisdictional actions.⁴⁸ Such organizations that offer their services to local or multinational companies are likely to grow in future.

Article 67 of the TRIPs Agreement requires that developed countries provide technical and financial assistance to enable developing and least developed countries to enhance their enforcement capabilities. Such technical assistance is essential for developing countries to reform their

⁴⁵ T.P Trainer, *TRIPs: Are We There Yet?* COPYRIGHT WORLD, June-July, 2000, 15-17 at 16.

⁴⁶ D.A. Daniel, *Intellectual property in South America and TRIPs Compliance*, PATENT WORLD, December, 1999, 16-18 at 18.

⁴⁷ M.F. Tasar, *Intellectual Property Laws in the Global Marketplace: Enforcement in Developing Countries –Is there an effective way?* PATENT WORLD, December, 2000, 29-33 at 31.

⁴⁸ The website of Enforcers of Intellectual Property Rights (India) Ltd can be found at <[http:// www.antipiracy-india.com](http://www.antipiracy-india.com)>.

intellectual property systems. Without this assistance, many developing countries would lack the financial resources, expertise and administrative capacity to achieve effective enforcement. It has been rightly said that the help of government officials and global corporate from developed countries is crucial in assisting legislative, administrative and enforcement bodies in the developing world.⁴⁹

XI. CONCLUSION

The procedure laid down by TRIPs Agreement on enforcement of IPRs balances the interests of the right holders as well as of wrongfully accused, so as not to cause any obstacles to legitimate trade. TRIPs Agreement emphasize that IPRs are private rights, so right holders must take action for their enforcement. Thus, the governments with limited resources are not burdened. However, it must have to be taken into account that after TRIPs Agreement new technologies have made infringement easier and difficult to detect and electronic commerce particularly, need more discipline. This requires that enforcement provisions need revision in some spheres and at least the existing provisions must be closely monitored. Particularly developing countries that want to encourage domestic innovation and creativity must have strong and effective enforcement of intellectual property laws. Their inventors, authors and performers will be discouraged if they find that their rights are routinely violated. So if the government of such countries begins to strengthen the enforcement of intellectual property laws, the right holders and other stakeholders will support the government's policy.

⁴⁹ S.K. Verma, *TRIPs – Development and Transfer of Technology*, 27 INTERNATIONAL JOURNAL OF INDUSTRIAL PROPERTY AND COPYRIGHT LAW, 1996, 331-364 at 359.