94-72 A

CRS Report for Congress

Enforcement of Intellectual Property Rights Under the NAFTA

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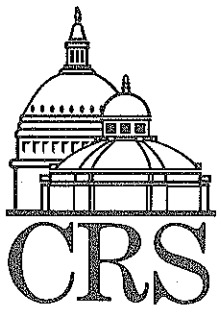
January 25, 1994



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ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS UNDER THE NAFTA

SUMMARY

The NAFTA represents the first multilateral agreement to incorporate broad intellectual property standards in a trade-based agreement. At the insistence of the United States, those standards encompass both minimum substantive rights and enforcement procedures. This report summarizes and analyzes the special intellectual property enforcement provisions contained in articles 1714-1718 of the NAFTA.

The enforcement standards and procedures cover administrative and judicial procedures, civil and criminal penalties and procedures, and customs regulation. In general, the enforcement provisions are intended to ensure expeditious remedies to prevent infringement and to deter future infringement. The procedures must be fair and equitable, not unnecessarily complicated or costly, and must not entail unreasonable time-limits or unwarranted delays. The enforcement procedures must also be applied to avoid the creation of barriers to legitimate trade and to safeguard against their abuse.

The minimum due process standards bridge the gaps between a common law system of jurisprudence (the United States and Canada) and a civil code system (Mexico). The procedures may be either judicial or administrative in nature, but the same due process standards apply. Parties have a right of judicial review of final administrative decisions and ordinarily have the right of appellate review of initial judicial decisions.

The judicial authorities must have a combination of procedural and remedial powers at their disposal, including authority to: order cessation of an infringement; stop importation of infringing or counterfeit goods; order payment of damages and other compensation (complainant's expenses and attorney's fees); and order the production of evidence.

The courts must have authority to grant provisional relief to stop infringement, prevent the entry of allegedly infringing goods into commerce, and preserve relevant evidence. Provisional measures such as temporary restraining orders must be available in *ex parte* proceedings where delay is likely to cause irreparable harm or where there is a demonstrable risk that evidence of infringement might be destroyed.

Criminal penalties and procedures must be available at least in the case of willful trademark counterfeiting or copyright piracy on a commercial scale. Article 1718 of the NAFTA establishes minimum border enforcement procedures to assure effective and adequate enforcement of intellectual property rights. The strongest border enforcement measures must be available to protect against trademark counterfeiting and copyright piracy. The NAFTA is silent, however, on the matter of parallel importation (that is, importation of lawfully made goods of which the rights holder does not consent to their distribution in the country where importation is sought).

ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS UNDER THE NAFTA

The recent entry into force of the North American Free Trade Agreement ("NAFTA") represents the first multilateral agreement to incorporate broad intellectual property ("IP") standards in a trade-based agreement. The United States initiated the effort to create intellectual property standards in trade-related agreements when it insisted that the Uruguay Round of the General Agreement on Tariffs and Trade ("GATT") include possible IP standards on the agenda for discussion. That idea came to fruition first in the NAFTA, although negotiation on this Agreement only started in 1991. Following acceptance of the NAFTA by the United States Congress, the United States also reached an agreement with its GATT trading partners about the content of the Uruguay Round. The GATT Agreement must be considered by the Congress and will come into force only if accepted by the United States Congress and legislative bodies of other countries whose jurisprudence, like ours, requires legislative approval.

From the inception of the effort to incorporate IP standards in a trade-based agreement, the United States has been equally concerned with achieving both an appropriate level of substantive rights and with enforcement of those rights. The existing intellectual property conventions have made great strides in establishing effective substantive rights in most fields of intellectual property. These rights-based conventions have not, however, generally attempted to establish norms about enforcement of those rights. Given that enforcement of rights is heavily procedural and given the wide divergences in procedure in the jurisprudence of various countries, it was not considered practical, until recent years, to attempt to regulate enforcement in a rights-based convention.[1]

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[1] Under pressure from the GATT negotiation process, the World Intellectual Property Organization ("WIPO"), headquartered in Geneva, Switzerland, a few years ago began a work program relating to a possible dispute settlement treaty. (WIPO administers most of the intellectual property rights conventions.) The proposal is to create a new dispute settlement treaty to which members of the rights-based conventions could adhere. In addition, the proposed Protocol to the Berne Convention contains special enforcement provisions relating to copyright subject matter. Both proposals (dispute settlement treaty; Berne Protocol) remain under discussion. Progress has been delayed by uncertainty over the fate of the Uruguay Round of the GATT and the relationship of dispute settlement in the GATT to any new dispute settlement treaty. The recent conclusion of the Uruguay Round should spur the pace of discussion under the aegis of WIPO, although resolution of the potential conflict between the GATT and WIPO approaches may be difficult to achieve.

The Berne Convention[2] in the copyright field, for example, simply provides that infringing copies shall be liable to seizure in any country where the work enjoys protection.[3] Each member country must, or course, be in a position to give effect to the rights and obligations of the Berne Convention under its domestic law.[4] Otherwise, the Berne Convention is essentially silent about enforcement of the important rights that it safeguards.

In the NAFTA, the United States, Canada, and Mexico have agreed to quite detailed provisions related to enforcement of intellectual property rights. These enforcement provisions cover administrative and judicial procedures, civil and criminal penalties and procedures, and customs regulation.

This report summarizes and analyzes the intellectual property enforcement provisions of Articles 1714-1718 of the NAFTA.

I. GENERAL ENFORCEMENT PROVISIONS OF NAFTA RELATING TO INTELLECTUAL PROPERTY

Article 1714 of the NAFTA establishes general procedures relating to enforcement of intellectual property rights. Each country must include in their domestic laws the enforcement procedures of Articles 1714 through 1718 in order to provide effective protection against infringement of the rights covered by Chapter 17 of the NAFTA. In summary, these procedures must ensure expeditious remedies to prevent infringement and remedies to deter future infringements.[5] The enforcement procedures must be fair and equitable, not unnecessarily complicated or costly, and must not entail unreasonable time-limits or unwarranted delays.[6] The procedures must be applied to avoid the creation of barriers to legitimate trade and to safeguard against abuse of procedures.[7]

The enforcement procedures can be invoked on petition of the right holder, which is defined to include not only the owner of an intellectual property right that has allegedly been infringed, but also federations and associations that represent individual rights holders.[8]

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[2] Berne Convention for the Protection of Literary and Artistic Works, last revised at Paris in 1971 (Hereafter, "Berne Convention").

[3] Article 16 of the Berne Convention.

[4] Article 36 of the Berne Convention.

[5] NAFTA, Art. 1714(1).

[6] NAFTA, Art. 1714(2).

[7] NAFTA, Art. 1714(1).

[8] NAFTA, Art. 1714(6).

The NAFTA establishes minimum due process standards. This is a signal achievement, given the need to reconcile the major jurisprudential differences between common law (the United States and Canada) and civil code (Mexico) systems. The procedures may be either judicial or administrative in nature. Decisions on the merits should preferably be stated in writing and include the reasons for the outcome. The decision must be available to the parties without undue delay and must be based only on the evidence on which the parties were given an opportunity to be heard.[9]

Although the initial proceedings may be either administrative or judicial, the parties in a proceeding shall have a right of judicial review of final administrative decisions and, subject to domestic jurisprudential rules concerning the significance of a case, shall have the right to appellate court review of the legal aspects of an initial judicial decision.[10] There is, however, no obligation for appellate court review of an acquittal in a criminal infringement case.[11]

Finally, there is no obligation to establish a separate judicial system to enforce the intellectual property rights of the NAFTA. The obligations of Articles 1714 through 1718 can be met under a country's usual judicial system for enforcement of laws in general.[12]

II. SPECIFIC PROCEDURES AND REMEDIES FOR CIVIL JUDICIAL AND ADMINISTRATIVE ENFORCEMENT

Article 1715 sets out minimum civil procedures and remedies that must be available to a right holder in a NAFTA country in order to enforce intellectual property rights.

All parties to a civil proceeding are entitled to substantiate their claims and present relevant evidence. The procedures must not be overly burdensome relating to mandatory personal appearances, and must include a means to identify and protect confidential information. Parties are allowed to arrange for independent legal counsel. Defendants must be given written notice of the basis of any infringement claim; the notice must be timely in relation to remedies that might be invoked against the defendant and must give sufficient detail to enable the defendant to respond.[13]

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[9] NAFTA, Art. 1714(3).

[10] NAFTA, Art. 1714(4).

[11] *Id.*

[12] NAFTA, Art. 1714(5).

[13] NAFTA, Art. 1715(1).

The judicial authorities must have a combination of procedural and remedial powers at their disposal. These powers are very familiar to the United States common law system. In summary, the court must have the authority to: order cessation of an infringement; stop importation; order payment of damages; order remuneration of the right holder's expenses, including attorney's fees; order the production of evidence (subject to protection of confidential information); deal with refusals by a party to allow access to relevant evidence without good reason; and deal with rights holders who abuse the procedures.[14]

The power to enjoin an infringement is ordinarily one of the remedies under intellectual property laws. The NAFTA also requires that the judicial authority have the power to halt importation of infringing goods at least immediately after the customs service clears the goods for distribution.[15] The authority to assess damages must exist where the infringer knew or had reasonable grounds to know he, she, or it was engaged in infringing activity.[16] Also, with respect to copyrighted works and sound recordings, a NAFTA country may authorize recovery of profits or payment of pre-established damages even in cases of innocent infringement, that is, where a person is unaware of the infringement and had no reason to know of the infringement.[17] Liability for innocent or unconscious infringement is well-settled under United States copyright law, although innocence is usually a mitigating factor in assessing the amount of damages.[18]

There is no obligation to bar importation of infringing goods in the case of items acquired or ordered by a person before the person knew or had reason to know that the items were infringing.[19] To protect against abuse of these strong enforcement measures (for example, in seeking to bar importation of allegedly infringing goods), the party who initiates an enforcement proceeding, and then abuses the process, must pay adequate compensation to any party

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[14] NAFTA, Art. 1715(2).

[15] NAFTA, Art. 1715(2)(c).

[16] NAFTA, Art. 1715(2)(d).

[17] NAFTA, Art. 1715(4).

[18] Under United States law, statutory damages are ordinarily available from $500 to $20,000, in the discretion of the court, for each work infringed. The Copyright Act, Title 17 U.S.C. section 504(c)(1). If the defendant can prove he, she, or it was an innocent infringer, the court may reduce the award of statutory damages to $200 for each work infringed. 17 U.S.C. section 504(c)(2). The court cannot award any statutory damages if the innocent infringer is an employee or agent of a nonprofit educational institution, library, or archives who believed section 107 (fair use exemption) excused the infringement, or a public broadcaster employee who believed section 118 justified the use. *Id.*

[19] NAFTA, Art. 1715(3).

wrongfully enjoined.[20]Adequate compensation may include reimbursement of attorney's fees, as well as the expenses related to the proceeding.[21]

The provisions with respect to discovery are especially noteworthy. While the rules of civil procedure in the United States allow broad discovery rights, discovery is less available in Canada or Mexico. The judicial authorities of a NAFTA country must have the power to order an opposing party to produce evidence (subject to considerations of confidentiality) where one party has evidence in support of its claims and further evidence to substantiate the claim is within the control of the opposing party.[22] If a party in a proceeding refuses access to evidence without good reason, or significantly impedes a proceeding, the court must be empowered to make preliminary and final determinations in the proceeding nevertheless on the basis of the evidence presented, including the complaint or allegations presented by the party denied access to further evidence.[23]

With respect to seizure and destruction of infringing goods, the courts must be empowered to order their disposal outside the channels of commerce (unless this power is contrary to existing constitutional requirements) and to order destruction of infringing goods, without compensation in either case.[24] With respect to the articles or implements used to commit an infringement (for example, videocassette recorders; computer tapes or discs; and audio recording equipment), the court must be empowered to order their disposal outside of the channels of commerce if the predominant use of the article was to create infringing goods.[25] The method of disposal must minimize the risk of future infringement, and the infringer shall not be compensated for the articles seized.[26] In ordering seizure and destruction (or disposal), the court shall take account of the seriousness of the infringement, the other remedies available, and the interests of other persons.[27] As a rule, the simple removal of an unlawful trademark from counterfeit goods does not justify release of the goods into commerce.[28]

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[20] NAFTA, Art. 1715(2)(f).

[21] *Id.*

[22] NAFTA, Art. 1715(2)(a).

[23] NAFTA, Art. 1715(2)(b).

[24] NAFTA, Art. 1715(5)(a).

[25] NAFTA, Art. 1715(5)(b).

[26] *Id.*

[27] NAFTA, Art. 1715(5).

[28] *Id.*

Where a NAFTA country's law allows the ordering of a civil remedy on the merits of a case as a result of administrative procedures, those procedures shall conform in principle and in substance to the judicial procedures set out in Article 1715.[29]

Governmental authorities and officials shall be exempt from liability in enforcing intellectual property rights if their actions are taken or intended in good faith.[30] If a NAFTA government is sued for infringement of an intellectual property right, the remedies against the government may be limited to payment of adequate remuneration.[31]

III. PROVISIONAL MEASURES

Expedited relief is an important characteristic of effective and adequate intellectual property protection. The ability to enjoin the infringement as soon as possible deters other infringers, and deprives the infringer of time to dispose of infringing goods and articles. Also, assessment of damages may not fully compensate the rights holder: damages may be difficult to quantify, or the infringer may lack the resources to pay. The IP enforcement provisions of the NAFTA therefore include so-called "provisional measures," that is, judicial authority to order prompt and effective relief to prevent infringement, to prevent entry of allegedly infringing goods into commerce, and to preserve relevant evidence.[32]

An applicant for provisional measures must provide sufficient evidence to establish who is the rights holder, and to persuade the court that the infringement is imminent and that any delay in relief is likely to cause irreparable harm or risk destruction of the evidence of the infringement.[33] These are the general standards for issuance of temporary restraining orders TRO under the jurisprudence of the United States. This relief is commonly available in United States courts, especially in cases of copyright and related rights, and trademark infringement.

The courts shall be empowered to require the rights holder to post a bond (or give equivalent assurance) to protect the rights of the defendant and to prevent abuse of the provisional relief procedure.[34] They must also have

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[29] NAFTA, Art. 1715(8).

[30] NAFTA, Art. 1715(6).

[31] NAFTA, Art. 1715(7).

[32] NAFTA, Art. 1716(1).

[33] NAFTA, Art. 1716(2).

[34] *Id.*

authority to require that applicants for provisional measures supply the information necessary to identify the relevant goods.[35]

In one of the most important enforcement measures, the courts must be empowered to order provisional measures in *ex parte* proceedings (i.e., one party appears initially), especially where delay is likely to cause irreparable harm or there is a demonstrable risk evidence of infringement might be destroyed.[36] *Ex parte* proceedings, while providing extraordinary relief, are a necessary enforcement technique in dealing with fairly large scale, commercial piracies. The temporary restraining order and the order to seize infringing goods and articles are powerful weapons in controlling commercial piracy. The court is much less likely to issue these orders *ex parte* in dealing with lesser infringements.

To protect the due process rights of the defendant, these *ex parte* procedures shall provide for notice to the defendant without delay and no later than immediately after execution of the initial orders[37] (TRO and seizure order, typically). Within a reasonable period after receiving notice of the orders, the defendant must have the right to be heard, and the court must consider whether to modify, revoke, or confirm the provisional orders.[38] The NAFTA even regulates the period of time the provisional orders may remain in force without taking steps to render a decision on the merits. That period is 20 working days or 31 calendar days, whichever is longer unless a different reasonable period is determined by the judicial authority ordering the provisional measures.[39] On petition of the defendant, the court shall revoke its orders or otherwise cease to apply them if the plaintiff fails to press for a decision on the merits within a reasonable period of time, in accordance with domestic law, and absent such a standard in domestic law, within the time period set by Article 1716(6)(b) of the NAFTA.

In cases where there is a finding of no infringement or where the provisional measures are revoked or lapse due to an act or omission of the plaintiff, the court shall have authority to assess appropriate compensation by the plaintiff to the defendant.[40]

As in the case of ordinary civil remedies, if domestic law allows issuance of provisional orders as a result of administrative procedures, those procedures

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[35] NAFTA, Art. 1716(3).

[36] NAFTA, Art. 1716(4).

[37] NAFTA, Art. 1716(5)(a).

[38] NAFTA, Art. 1716(5)(b).

[39] NAFTA, Art. 1716(6).

[40] NAFTA, Art. 1716(7).

shall conform in principle and in substance to the judicial procedures of Article 1716.[41]

IV. CRIMINAL PROCEDURES AND PENALTIES

Criminal penalties for infringement of intellectual property rights and vigorous enforcement of the penalties constitute the most effective weapon against large-scale piracies, especially in the fields of copyright and trademark. Some piratical activities are so profitable that unscrupulous persons are not deterred by the strongest civil remedies. These persons regard civil remedies simply as a cost of doing business, if they are caught. Frequently, if held liable as an infringer in one locality, they simply move the "piracy business" to another location and continue their infringing activity. Strong criminal penalties are therefore necessary to check certain forms of piracy. The United States is one of only a few countries that impose significant criminal penalties for infringement of intellectual property rights.[42]

The NAFTA makes important progress in requiring a Party to apply criminal procedure and penalties at least in the case of willful trademark counterfeiting or copyright piracy on a commercial scale.[43] These criminal penalties shall include imprisonment, monetary fines, or both, sufficient to deter infringement in comparison with other crimes of corresponding gravity.[44] A Party may provide criminal penalties for infringement other than copyright and trademark violations, if the infringement is willful and on a commercial scale.[45]

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[41] NAFTA, Art. 1716(8).

[42] The penalties of United States law for criminal infringement of copyright (which can apply only if the infringement is both willful and for commercial gain) may range up to a maximum fine of $250,000 for an individual offender and $500,000 for a guilty organization; up to five years in jail for certain large-scale first offenders and up to ten years in jail for second and subsequent large-scale offenders; or both the fine and jail term. Title 18 U.S.C., section 2319. The penalties for knowingly trafficking in counterfeit trademark goods are even stronger than the penalties for criminal copyright infringement. For the first offense, an individual can be fined up to $250,000 or imprisoned for five years, or both; an organization can be fined up to $1,000,000. For subsequent offenses, an individual can be fined up to $1,000,000 and imprisoned 15 years, or both; an organization can be fined up to $5,000,000. Title 18 U.S.C., section 2320.

[43] NAFTA, Art. 1717(1).

[44] *Id.*

[45] NAFTA, Art. 1717(3).

The courts shall be empowered, in appropriate cases, to order the seizure, forfeiture and destruction of infringing goods and of the materials and articles the predominant use of which has been to commit criminal infringement.[46]

This commitment to invoke criminal penalties should have a salutarious effect in controlling piracy of sound recordings, motion pictures, and computer software and trademark counterfeiting in Mexico.[47]

V. CUSTOMS (OR BORDER) ENFORCEMENT

It is not surprising that provisions relating to border enforcement should be a cornerstone of a trade-based agreement affecting intellectual property. Importation restrictions and tariffs are the hallmarks of a protectionist trade policy. Negative import controls and regulations must be addressed in a free trade agreement to assure free circulation of legitimate goods and access to markets. Positive customs procedures (that is, those that are appropriate and necessary to curtail piracy) are naturally also addressed in an agreement dealing with enforcement of intellectual property rights. Article 1718 of the NAFTA establishes a commitment to effective and adequate enforcement of the intellectual property rights covered by Chapter 17 of the NAFTA.

Again, like the criminal provisions, the strongest border enforcement measures in the field of intellectual property must be available to protect against trademark counterfeiting and copyright piracy. Each NAFTA country shall adopt customs procedures to enable a rights holder who has valid grounds for suspecting imminent importation of counterfeit trademark goods or pirated copyright goods to present the competent authorities (administrative or judicial) with a written complaint for customs to prevent release of the infringing goods for distribution within that country.[48] There is no obligation to provide this relief in the case of goods in transit.[49]

A NAFTA country may adopt the same procedures with respect to other kinds of infringing goods than copyright and trademark violations, provided the procedural requirements of Article 1718 are met.[50] Similarly, a country may

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[46] NAFTA, Art. 1717(2).

[47] The commitment should also lead to more vigorous enforcement of the criminal laws against large-scale counterfeiting and piracy in the United States and Canada, but the law enforcement authorities of these countries have been generally more vigilant about protecting intellectual property rights than the authorities of Mexico.

[48] NAFTA, Art. 1718(1).

[49] *Id.*

[50] *Id.*

adopt corresponding enforcement procedures with respect to release of infringing goods for export.[51]

To minimize the enforcement burden on governments and to assure the rights of defendants, a NAFTA country shall require the person petitioning for customs enforcement to provide sufficient evidence to establish a prima facie case for infringement, and to supply a detailed description of the infringing goods.[52] The competent authorities have an obligation to inform the petitioner-complainant within a reasonable period of time whether or not they accept the complaint.[53]If they accept the complaint, the authorities must inform the petitioner of the time period during which enforcement action will take place.[54] The authorities shall be empowered to require that the complainant post a bond (or give equivalent assurances) sufficient to compensate the defendant for any damage if no infringement is found, to protect the government authorities, and to prevent abuse of the procedures.[55] The amount of the bond shall not, however, unreasonably deter recourse by rights holders to the enforcement procedures.[56]

As another safeguard for defendant's rights, the customs administration shall promptly notify the importer, as well as the complainant, when it holds up the release of goods pursuant to an appropriate infringement complaint.[57] The customs administration shall lift the hold on the goods if, within ten working days after the complainant receives notice of the holding action, customs has not been informed that either the complainant has initiated proceedings leading to a decision on the merits or that the competent authority has issued a provisional order.[58] Customs may, however, extend the holding action another ten working days in appropriate cases.[59]

With respect to certain kinds of allegedly infringing goods, the owner of the goods must have the right to obtain their release from customs by posting a security bond sufficient to compensate the rights holder, if infringement is

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[51] *Id.*

[52] NAFTA, Art. 1718(2).

[53] *Id.*

[54] *Id.*

[55] NAFTA, Art. 1718(3).

[56] *Id.*

[57] NAFTA, Art. 1718(5).

[58] NAFTA, Art. 1718(6).

[59] *Id.*

found. The right of the owner of the goods to post a bond applies to industrial designs, patents, integrated circuits or trade secret property rights.[60] The right to post a bond is triggered if customs holds up the release of the goods on the basis of a decision other than by a court or other independent authority, the period set by Article 1718(6)-(8)(essentially 10 working days) expires without issuance of a provisional order, and there has been compliance with all other conditions for importation.[61] It is noteworthy that release of allegedly infringing copyright or trademark goods cannot be obtained by posting a security bond. This differentiated treatment reflects the vulnerability of copyrights and trademarks to commercial piracy and the high probability that a court will issue provisional orders because the existence of the right and its infringement are comparatively easy to prove. By contrast, patents and industrial designs may be hard to vindicate because a high percentage of issued patents are not upheld.

Once a proceeding leading to a decision on the merits is initiated, the defendant is entitled to a review of the enforcement action, with a right to be heard.[62] A decision shall be made within a reasonable time period to modify, revoke, or confirm the enforcement action.[63] If, however, the goods are detained under a provisional judicial measure, then Article 1716(6) governs. This means that the review of the enforcement action must take place within a reasonable period as determined by judicial authority, if domestic law so provides, or within 20 working days or 31 calendar days, whichever period is longer.[64]

The competent authorities must be empowered to order a complainant to pay appropriate compensation to the importer, consignee, and owner of the goods for any injury caused by wrongful detention of goods if the goods are ultimately released pursuant to Article 1718(6)(complainant has neither initiated a proceeding on the merits nor has the competent authority issued a provisional order within 10 days of notice of detention).[65]

The competent authorities must give the rights holder sufficient opportunity to inspect the detained goods in order to substantiate its claims.[66]

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[60] NAFTA, Art. 1718(4).

[61] *Id.*

[62] NAFTA, Art. 1718(7).

[63] *Id.*

[64] NAFTA, Art. 1718(8).

[65] NAFTA, Art. 1718(9).

[66] NAFTA, Art. 1718(10).

The importer must be given an equivalent opportunity to inspect the detained goods.[67]

Where applicable, the confidential nature of information must be protected, while allowing inspection of the allegedly infringing goods.[68]

In cases where the competent authorities make a positive determination on the merits, a NAFTA country may empower the authorities to inform the rights holder of the names and addresses of the consignor, importer, and consignee, and of the quality of goods.[69]

Where the competent authorities are empowered to act on their own initiative to detain goods based on a *prima facie* case for infringement, 1) the authorities may seek information from the rights holder at any time to assist them; 2) the importer and the rights holder shall be notified promptly of the detention; 3) the importer may lodge an appeal subject to Article 1718(6)-(8)(essentially the rights holder has 10 working days to initiate a proceeding or obtain provisional relief); and 4) the government officials shall only be exempt from liability if their actions are taken or intended in good faith.[70]

The competent administrative authority shall be empowered, subject to judicial review, to order destruction or disposal of infringing goods in accordance with the principles of Article 1717(5)(disposal outside channels of commerce or destruction if constitutionally permissible, without compensation to importer).[71] The NAFTA is silent about the authority of administrative agencies to dispose of the articles or implements predominantly used to engage in the infringement. Ordinarily, these articles or implements would not be imported, but, if they are, the decision to order disposal would be made by the courts.[72] Since the articles may be used for non-infringing purposes, it is difficult to make a decision on the merits at the administrative level, and therefore the NAFTA does not require such administrative authority.

With respect to counterfeit goods (primarily copyright and trademark subject matter), the competent authorities shall not allow re-export of infringing

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[67] *Id.*

[68] *Id.*

[69] *Id.*

[70] NAFTA, Art. 1718(11).

[71] NAFTA, Art. 1718(12).

[72] Recall that in cases of criminal infringement, the penalties must include judicial authority to order seizure, forfeiture and destruction of any materials and implements used predominantly in the commission of the criminal offense. NAFTA, Art. 1717(2).

goods in an unaltered state or subject them to a different customs procedure other than in exceptional circumstances.[73]

Small quantities of goods of a non-commercial nature contained in the personal luggage of a traveller may be excluded from the customs enforcement procedures of Article 1718.[74] Similarly, a government does not have to apply Article 1718 to small consignments that are not repetitive.[75] These exclusions reflect respect for the privacy interest of individual travellers, and also the concept that these effective but expensive procedures shall be applied where significant quantities of infringing goods are implicated.

Pursuant to Annex 1718.14, Mexico must comply with the enforcement procedures of Article 1718 as soon as possible and no later than three years after signature of the NAFTA (that is, by December 17, 1995). This Annex confirms that the customs enforcement procedures of the NAFTA are based primarily on United States-Canadian procedures. It is Mexico that must make adjustments to comply by 1995.

IV. CONCLUSION

The enforcement procedures of the NAFTA constitute the most detailed procedures of this kind in any multilateral agreement dealing with intellectual property rights. They cover administrative and judicial procedures, civil and criminal penalties and procedures, and customs enforcement actions. Articles 1714-1718 of the NAFTA represent a major achievement in effective and adequate enforcement of intellectual property rights. They also impose appropriate due process constraints and facilitate free circulation of legitimate goods. When these provisions are fully implemented,[76] the North American free trade zone will allow free circulation of legitimate goods while providing an effective barrier of protection against importation of pirated and counterfeit goods.

While the NAFTA enforcement provisions clearly represent a major achievement, some interests in the United States believe the provisions fall short of fully effective protection in two ways. First, the commitment to effective border enforcement is applicable at least immediately after customs clearance of the goods;[77] border enforcement would be more effective if the

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[73] NAFTA, Art. 1718(12).

[74] NAFTA, Art. 1718(13).

[75] *Id.*

[76] As noted, Mexico has a dispensation until December 17, 1995 to fully implement the border enforcement procedures.

[77] NAFTA, Art. 1715(2)(c).

Agreement required direct stoppage of infringing imports.[78] Second, the NAFTA is silent on the issue of parallel importation (lawfully made goods which are not authorized for distribution in the country where importation is sought). This silence means there is no commitment to protect against parallel importation, but the individual governments are free to adopt such measures. (The United States accords protection against parallel importation in the copyright field, but trademark owners are not assured of protection against gray-market goods.) Many American rights holders favor protection against parallel importation, but the interest of consumers in acquiring quality goods at the lowest price constitutes an argument for allowing free circulation of gray-market goods.

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[78] In many cases, customs authorities will act directly to detain allegedly infringing goods or act immediately upon presentation of a *prima facie* infringement case by the rights holders. The NAFTA gives a country, however, the ability to wait until the goods are initially released by customs. In these situations, the rights holder, assuming it knows of the infringing goods, will have to act immediately in order to get the authorities to suspend release of the infringing goods before they are marketed within that country, at which point it will be more difficult to halt distribution of the infringing goods.