

*PART FIVE*

*Trade-related aspects of  
intellectual property rights*

## CHAPTER 20

# Agreement on Trade-Related Aspects of Intellectual Property Rights

---

### *Summary*

*The development of international trade can be adversely affected if the standards adopted by countries to protect intellectual property rights (IPRs) vary widely from country to country. Furthermore, the lax or ineffective enforcement of such rights can encourage trade in counterfeit and pirated goods, thereby damaging the legitimate commercial interests of manufacturers who hold or have acquired those rights. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), negotiated in the Uruguay Round, therefore lays down minimum standards for the protection of intellectual property rights as well as the procedures and remedies for their enforcement. It establishes a mechanism for consultations and surveillance at the international level to ensure compliance with these standards by member countries at the national level.*

*The structure of the Agreement is built on the existing international conventions dealing with IPRs. Its provisions apply to the following intellectual property rights:*

- Patents;*
- Copyright and related rights;*
- Trademarks;*
- Industrial designs;*
- Layout-designs of integrated circuits;*
- Undisclosed information; and*
- Geographical indications.*

*In order to ensure that holders of intellectual property do not abuse the exclusive rights available to them, these rights are subject to a number of limitations and exceptions. These aim at ensuring a balance between the legitimate interests of right holders and users of intellectual property.*

*The Agreement also lays down procedures for consultations between governments when one party has reasons to believe that the licensing practices or conditions of an enterprise from another member country constitute an abuse of the Agreement or have adverse effects on competition.*

*The Agreement provides a transitional period of five years (i.e. up to 1 January 2000) for developing countries to bring their IPR legislation in conformity with the provisions of the Agreement. For least developed countries the transitional period is 11 years (up to 1 January 2006).*

*The provisions of the Agreement on plant inventions and varieties are currently being reviewed, in accordance with the relevant provisions. The Agreement further provides that all its provisions should be reviewed after a period of five years, i.e. in 2000.*

## Intellectual property rights and their implications for international trade

The objects of intellectual property are the creations of the human mind, the human intellect, thus the designation ‘intellectual property’.

They include copyright, patents and industrial designs. Copyright relates to the rights of creators of literary, scientific and artistic works. Patents give exclusive rights to inventors; however, inventions can be patented only if they are new, non-obvious and are capable of industrial applications. Industrial designs are new or original aesthetic creations determining the appearance of industrial products. These three rights are available for limited durations.

Intellectual property also includes trademarks, service marks and appellations of origin (or geographical indications). In the case of these property rights, the aspect of intellectual creation – although existent – is less prominent. However, protection is granted to trademarks and other signs to enable manufacturers to distinguish their products or services from those of others. Trademarks help manufacturers build consumer loyalty. They also assist consumers in making informed choices on the basis of the information provided by manufacturers on the quality of their products.

### Implications of IPRs for trade

Any unauthorized use of intellectual property constitutes an infringement of the right of the owner. Until about two decades ago, such infringements had implications largely for domestic trade. Furthermore, the problems they posed were considered to be mainly at the national level which – apart from affecting the interests of the owners of rights – impinged on scientific progress and cultural life.

In recent years, however, there has been increasing realization that the standards adopted by countries to protect their IPRs as well as the effectiveness with which they are enforced have implications for the development of international trade. There are many reasons for this, of which three are especially worth noting.

First, economic activity in most developed countries is increasingly becoming research- and technology-intensive. As a result, their export products – both traditional (such as chemicals, fertilizers and pharmaceuticals) and comparatively new (telecommunications equipment, computers, software) – now contain more technological and creative inputs that are subject to intellectual property rights. Manufacturers are therefore keen to ensure that wherever they market their products these rights are adequately protected, thus enabling them to recoup their R & D expenditure.

Second, with the removal of restrictions on foreign investment by a large number of developing countries, new opportunities are emerging for the manufacture in these countries of patented products under licence or within joint ventures. The willingness of industries in industrialized countries to enter into such arrangements and to make their technology available, however, depends on how far the IPR system of the host country provides them an assurance that their property rights to technology will be adequately protected and not usurped by local partners making use of reverse engineering.

Third, the technological improvements in products entering international trade have been matched by technological advances that have made reproduction and imitation simple and cheap. In countries where laws on IPRs are not strictly enforced, this has resulted, as box 46 shows, in increased production of counterfeit and pirated goods, not only for sale in domestic markets but also for export.

**Box 46*****Trade in counterfeit and pirated goods***

*Estimates of revenue foregone by industries as a result of counterfeiting, pirating and other infringement of intellectual property rights vary widely, but there is no doubt that the value involved is significant.*

*Goods are treated as counterfeit when they are offered for sale particularly under well-known trademarks which the seller has no authority to use. These are generally labour-intensive products which, because of the reputation of the brand name, can be sold at high prices. They include clothing, shoes, watches, cosmetics, leather goods, and household and sporting goods.*

*Pirated goods are those that infringe copyright and related rights. Book publishers, producers of records, discs, films, tapes and cassettes are often the victims of violation of copyright and related rights. Technological progress has greatly facilitated the art of copying. The computer software industry is the leading victim of the speed with which intellectual property can be illegally copied and distributed on an international scale.*

**WIPO conventions on IPRs**

Efforts to develop rules providing adequate protection to intellectual property rights at the international level have been made for over a century, mainly under the auspices of the World Intellectual Property Organization (WIPO) and its predecessor organizations. As a result, a number of conventions laying down international obligations to protect the rights of owners of IPRs have been adopted. Box 47 lists these conventions and indicates their coverage and main fields of application.

**Background to the Uruguay Round negotiations on IPRs**

Proposals that action should be taken in GATT to control the trade in counterfeit and pirated goods were made by developed countries as early as the Tokyo Round of negotiations. When the Uruguay Round was being launched, these countries proposed that the negotiations should not only cover trade in counterfeit goods but also aim at developing minimum standards of protection for adoption by member countries. While developing countries were in general not opposed to the proposals for action on counterfeit goods, they initially resisted discussion on minimum standards. They were apprehensive that such negotiations would require them to change their policies. For development and social reasons, these policies excluded certain products from patentability or provided shorter protection periods than the 20 years for which patent protection was generally granted by developed countries for inventions relating to such products as pharmaceuticals, chemicals, fertilizers, insecticides and pesticides. They were also fearful that the adoption of minimum standards would lead to increased royalty payments for the use of patented technology under licence and thus to higher prices for the products so manufactured.

These views, however, did not prevail and pressures from developed countries ultimately resulted in the negotiations focusing to a greater extent on the establishment of substantive and uniform standards providing a higher level of protection for intellectual property rights. It is important to note in this context that the attitude of both developed and developing countries evolved as the negotiations proceeded. It was thus possible to reach a consensus on the Agreement on TRIPS which, *inter alia*, lays down minimum standards for the protection of all the main categories of intellectual property rights.

**Box 47****Intellectual property rights: instruments, subject matter, fields of application and related WIPO and other international agreements**

Types of intellectual property rights		Subject matter	Main fields of application	Major international agreements
Types of instrument				
Industrial property	Patents	New, non-obvious, industrially applicable inventions	Manufacturing	Paris Convention; Patent Cooperation Treaty; Budapest Treaty
	Utility models	Functional designs	Manufacturing	Paris Convention
	Industrial designs	Ornamental designs	Clothing, motor cars, electronics, etc.	Hague Agreement; Paris Convention; Locarno Agreement
	Trademarks	Signs or symbols to distinguish the goods and services of one enterprise from those of others	All industries	Paris Convention; Madrid Agreement (international registration); Nice Agreement; Madrid Protocol (not yet in force); Trademark Law Treaty (not yet in force)
	Geographical indications	Identification of the place of origin of goods indicative of the quality or other characteristics associated with the area	Agricultural and food industries, notably the sectors for wine and spirits	Lisbon Agreement; Madrid Agreement (false indications)
Literary and artistic property	Copyrights and neighbouring rights	Original works of authorship and related contributions from performers, producers of sound recordings, and broadcasting organizations	Printing, entertainment (audio, video, motion pictures) software, broadcasting	Berne Convention; Rome Convention; Geneva Convention; Brussels Convention; Universal Copyright Convention
<i>Sui generis</i> protection	Breeders' rights	New, stable, homogenous, distinctive varieties	Agriculture and food industry	Union for the Protection of New Varieties of Plants (UPOV)
	Integrated circuits	Original layout designs	Micro-electronics industry	Washington Treaty (not yet in force)
Trade secrets		Secret business information	All industries	

**Source:** Carlos Braga, "Trade-Related Aspects of Intellectual Property Rights: The Uruguay Round Agreement and Its Economic Implications" (World Bank conference paper, 26-27 January 1995).

**Note:** With the exception of UPOV, all treaties identified above are administered by WIPO. The Washington Treaty, not yet in force, has also been negotiated under WIPO auspices. The Rome Convention is administered jointly by WIPO, ILO and UNESCO. The Universal Copyright Convention is administered by UNESCO.

## Agreement on Trade-Related Aspects of Intellectual Property Rights

### Structure

The TRIPS Agreement builds on the main international conventions on intellectual property rights by incorporating (by reference) most of their provisions. It further provides that countries may in pursuance of these conventions guarantee higher protection than is required by the TRIPS Agreement, as long as it does not contravene the Agreement's provisions.

The main provisions of the Agreement can be divided into the following five groups:

- Basic principles and general obligations.
- Minimum standards of protection covering:
  - The subject matter protected,
  - The rights conferred,
  - Permissible exceptions to those rights, and
  - The minimum duration of protection.
- Anti-competitive practices in contractual licences.
- Domestic procedures and remedies for the enforcement of intellectual property rights.
- Transitional arrangements for the implementation of the rules at the national level.

### ***Basic principles and general obligations***

Agreement on TRIPS,  
Articles 3 and 4  
Agreement on TRIPS,  
Article 3:footnote

The Agreement reaffirms the basic principle of national treatment embodied in the various intellectual property right conventions. In particular, it states that in regard to the “availability, acquisition, scope, maintenance and enforcement” of intellectual property rights foreign nationals shall not be accorded treatment that is less favourable than that accorded by a country to its own nationals. In addition countries are required to extend MFN treatment to foreign nationals by not discriminating among them.

### ***Minimum standards, including duration of protection***

The Agreement breaks new ground by defining the main elements of protection, the rights to be conferred and the minimum term of protection for each of the following IPRs:

- Patents;
- Copyright and related rights;
- Trademarks;
- Industrial designs;
- Layout-designs of integrated circuits;
- Undisclosed information, including trade secrets.
- Geographical indications, including appellation of origin.

Agreement on TRIPS,  
Section 8 (Article 40)

The Agreement also has a section on the control of anti-competitive practices in contractual licences.

### ***Patents***

Agreement on TRIPS,  
Article 27

*Definition and coverage.* Patents provide property rights to inventions.<sup>25</sup> The Agreement provides that for an invention to be registered as a patent:

- It must be new;
- It must involve an inventive step; and
- It must be capable of industrial application.

The Agreement further stipulates that countries shall grant patents for inventions in *all fields of technology* and for both:

- Products, and
- Processes, including those used in manufacturing products.

<sup>25</sup> An ‘invention’ may be defined as a novel idea which permits in practice the solution of a specific problem in a field of technology.

Furthermore, patents are to be granted without discrimination as to place of invention and whether products are imported or locally produced. The only products or processes which countries are permitted to exclude from patentability are:

- Diagnostic, therapeutic and surgical methods for the treatment of humans or animals;
- Plant and animal inventions other than micro-organisms;
- Essentially biological processes for the production of plants and animals other than non-biological and microbiological processes.

However, where a country excludes plant and animal inventions and plant varieties from patentability, it is expected to protect them under an effective *sui generis* system. (The Latin term *sui generis* means 'of its own kind'.) It is generally considered that this provision aims at encouraging countries to use the *sui generis* system provided by the UPOV<sup>26</sup> Convention on the Protection of New Varieties of Plants (described in box 48).

#### **Box 48**

##### ***Convention for the Protection of New Varieties of Plants***

*The objective of the UPOV Convention is to ensure that the member States acknowledge the achievements of breeders of plant varieties, by making available to them exclusive property rights on the basis of a set of uniform and clearly defined principles. To be eligible for protection, varieties have to be:*

- Distinct from existing commonly known varieties;*
- Sufficiently homogenous;*
- Stable; and*
- New in the sense that they must not have been commercialized.*

*Like all intellectual property rights, the rights of plant breeders are granted for a limited period of time, at the end of which the varieties protected by them pass into public domain. Authorization from the holder of the right is not required for the use of the protected variety in research, including its use in breeding other new varieties.*

*Note: The convention is administered by the International Union for the Protection of New Varieties of Plants (UPOV). The 1991 revision of the Convention entered into force on 24 April 1998.*

Agreement on TRIPS,  
Article 27:3(b)

The Agreement provides for a review in 1999 of the option to exclude from patentability certain plant and animal inventions. Work related to the review process has been initiated by the Council for TRIPS.

Agreement on TRIPS,  
Article 28

*Rights of patent holders.* Patents give patent owners exclusive property rights; these allow them to prevent others from using the inventions covered. Manufacturers wishing to use patented inventions must obtain licences or authorizations from the patent owners, who normally will require them to pay royalties.

The Agreement clarifies these exclusive rights of patent owners. In particular, it states that where the subject of a patent is a product, third persons can make, sell or import that product only with the consent of the patent owner. Where a process is patented, third parties cannot use the process without the patent owner's consent; neither can they, without this consent, sell or import products directly obtained with the patented process.

<sup>26</sup> International Union for the Protection of New Varieties of Plants.

Furthermore, the Agreement provides that in civil proceedings for infringement of the patent on a manufacturing process, an infringing product shall be presumed to have been produced by using the patented process if it is identical to that produced by the patented process. In such cases, as it is generally difficult for the patent owner to gather evidence to establish that the process has actually been used, the burden of proof shall be on the defendant, i.e. he or she will have to establish that the product has been manufactured with a process different from that covered by the patent.

Agreement on TRIPS,  
Article 31

*Compulsory licensing.* What happens if a patent owner refuses to license the use of the patented invention by demanding unreasonable terms? The law in many countries provides that where the patented product is not available or is available at exorbitant prices, the government may on grounds of public interest authorize an interested manufacturer to use the patent against payment to the patent holder of an adequate royalty. However, the Agreement lays down strict conditions for such licensing to ensure that compulsory licences are issued only in exceptional situations and on an objective basis. In particular, it provides that compulsory licences may be granted only when the interested manufacturer has failed in his or her efforts to obtain the authorization on reasonable terms and conditions. Box 49 lists some of the other conditions which must be fulfilled before governments can intervene and license a manufacturer to use patented technology.

Agreement on TRIPS,  
Article 29

*Disclosure of information.* Although patent owners have exclusive property rights over their inventions, they cannot withhold technical information on these inventions. The legislation of most countries require applicants for patents to disclose such information on the products or processes to be patented as will enable technically qualified persons to understand and use it for further research or for industrial application after the expiry of the terms of the patents. Such information can be obtained by any interested person from the patent office, after paying the necessary charges.

#### **Box 49**

##### ***Conditions prescribed in the Agreement on TRIPS for the compulsory licensing of patents***

*(Agreement on TRIPS, Article 31)*

*As a general rule, a compulsory licence for the use of a patented technology may be granted by the government of the country where the patent is registered if the interested user (which can be the government itself or a company or private individual) has been unsuccessful in obtaining the licence from the patent holder on reasonable commercial terms. In national emergencies, other circumstances of extreme urgency and in cases of public non-commercial use, this condition does not have to be met. However, the patent holder has to be informed about the use.*

*The grant of such compulsory licence shall further be subject to the following conditions:*

- Such licence shall be granted for supply predominantly to the domestic market.*
- It shall be terminated if and when the circumstances which led to it cease to exist.*
- In the case of semi-conductor technology, the licence shall only be for public non-commercial use or to remedy adjudicated anti-competitive practices.*
- The grant of such a licence shall be for non-exclusive use.*
- The patent owner shall be paid adequate remuneration, taking into account the economic value of the licence.*
- The patent holder shall have a right to appeal against the decision to grant compulsory licence or any decision relating to the remuneration provided.*

These provisions for public disclosure of information balance two objectives of governments in giving patent rights. By giving exclusive rights, governments provide inventors an incentive for research and a reward for their inventive work. The exclusive rights also enable manufacturers to recoup, and profit from, their investment on research and development. At the same time, by requiring inventors to make a public disclosure of information on their inventions, governments seek to ensure that these inventions are used for the benefit of the community at large and for further technological R & D. While such information cannot be employed for commercial purposes by others until the expiry of the patent, it is open to any university, research or business organization to use it for further research. They may even apply for a secondary patent on the basis of the earlier patented invention. The Agreement clarifies this by stating that the legislation of member countries “shall require that an applicant for a patent shall disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art”.

Agreement on TRIPS,  
Articles 9-14

### *Copyright and related rights*

The subject matter of copyright protection includes works in the literary, scientific and artistic domain, whatever the mode or form of expression. For a work to enjoy copyright protection, however, it must be an original creation. The idea in the work does not need to be new but the form, be it literary, artistic or scientific, in which it is expressed must be the original creation of the author.

*Rights comprised in copyright.* Owners of copyright in a protected work have a right to exclude others from using it without their authorization. The rights of copyright owners are therefore often described as exclusive rights to authorize others to use the protected work. Authorization from copyright owners is usually required in the following situations:

- Reproduction rights: copying and reproducing the work;
- Performing rights: performing the work in public (e.g. play or concert);
- Recording rights: making a sound recording of the work (e.g. phonograms or sound recordings in the technical language of copyright law);
- Motion picture rights: making a motion picture (often called cinematographic work in technical language);
- Broadcasting rights: broadcasting the work by radio or television;
- Translation and adaptation rights: translating and adapting the work.

In addition to these exclusive rights of an economic character, copyright laws provide original authors moral rights. These rights enable authors, even after they have transferred their economic rights, to claim authorship of the work and to object to any distortion or other derogatory action in relation to the work which would be prejudicial to their reputation or honour.

*Related rights.* Literary and artistic works are created in order to be disseminated among the public. This cannot always be done by the authors themselves, for it often requires intermediaries who use their professional skills to give the works appropriate forms of presentation to make them accessible to a wide public.

In addition to protecting the rights of authors of works, it is therefore also necessary to protect the rights of:

- Performing artists in relation to their performance;
- Producers of phonograms in relation to their phonograms; and
- Broadcasting organizations in relation to their radio and television programmes.

These related rights of performing artists, record producers and broadcasters are also called neighbouring rights because they have developed in parallel to copyright and the exercise of these rights is often linked with the exercise of copyright. Copyright laws frequently deal also with neighbouring rights.

*Provisions of the TRIPS Agreement.* The main provisions on copyright and neighbouring rights are contained in the Berne Convention. The TRIPS Agreement clarifies and adds to the Convention's provisions on:

- Computer programmes and databases;
- Rental rights to computer programmes, sound recordings and films;
- Rights of performers and producers of phonograms; and
- Rights of broadcasting organizations.

Box 50 summarizes the Agreement's provisions.

### **Box 50**

#### **Copyright provisions in the Agreement on TRIPS**

**Computer programmes (Article 10).** *The Agreement provides that computer programmes should be considered literary works and protected under national copyright laws.*

**Rental rights (Article 11).** *The Agreement requires countries to provide authors of computer programmes, sound recordings and cinematographic films "the right to authorize or to prohibit the commercial rental" of their copyright works. A member country "shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works ... materially impairing the exclusive right of reproduction conferred on ... authors".*

#### **Protection of performers, producers of phonograms (sound recordings) and broadcasting organizations.**

**Performers (Article 14).** *The Agreement provides that performers shall have, "in respect of a fixation of their performance on a phonogram", the right to prevent the reproduction of such fixation. They shall also have a right to prevent "broadcasting by wireless means and the communication to the public of their live performance" without their authorization.*

**Producers.** *Phonogram producers shall have the right to authorize or prohibit the direct or indirect reproduction of their phonograms.*

**Broadcasting organizations.** *These organizations shall have the right to prohibit the following acts from being carried out without their authorization:*

- Fixation;
- Reproduction of fixations;
- Rebroadcasting by wireless or communication on television of their broadcasts.

*See box 52 for provisions on periods of duration.*

### **Trademarks**

A trademark is a sign which serves to distinguish the goods or services of an industrial or commercial enterprise from those of other enterprises. Such a sign may consist of one or more distinctive words, letters, names, numerals, figurative elements and combination of colours. Such a sign may combine any of the above-mentioned elements. As the basic purpose of a trademark is to distinguish, the laws of most countries provide that any mark to be protected must be distinctive.

*Purpose served by trademarks.* Trademarks serve a twofold purpose. They help their owners sell and promote their products by stimulating brand loyalty. They serve consumers by assisting them in making a choice among several possibilities and by encouraging trademark owners to maintain or improve the quality of the products sold under their trademarks.

Although in some countries and in some situations the right to the exclusive exploitation of a trademark may be obtained by its extended use in commerce and without registration, it is generally necessary for effective protection that a trademark is registered in a government office (usually the office which grants patents). Applicants wishing to register a trademark are required to state the nature of the goods in respect of which a mark is to be registered. The rationale for this rule is that registrants of trademarks should be able to use the signs in question only for the goods so stated. However, in practice, the prevention of the use of trademarks for other goods or services is contingent on the likelihood of the consumer confusing them with registered marks. This is tested on the basis of the similarity of the goods or the reputation of the mark.

*International rules on the use of trademarks.* International rules on trademarks are contained in the Paris Convention. The Agreement on TRIPS complements these rules in the following areas:

- ❑ Definition of ‘trademark’.
- ❑ Exclusive rights of trademark owners.
- ❑ Prohibition of the imposition of special requirements for the use of trademarks.
- ❑ Licensing and assignment of trademarks.
- ❑ Cancellation of trademarks.

Agreement on TRIPS,  
Article 15

*Definition of ‘trademark’.* The Agreement provides that signs or combinations of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings can be registered as trademarks. These include names, letters, numbers, figurative elements or combinations of colours. A country may provide that a mark that has been in use for a period is eligible for registration.

Agreement on TRIPS,  
Article 16

*Exclusive rights.* The owners of registered trademarks have exclusive rights to prevent third parties from using on identical or similar goods signs that are similar to those in respect of which the trademark is registered where such use would cause confusion. When an identical trademark is used on goods and services that are identical, “a likelihood of confusion shall be presumed.”

Agreement on TRIPS,  
Article 20

*Special requirements.* The Agreement urges countries not to impose on the use of trademarks special requirements which, for example, would be detrimental to their capacity “to distinguish the goods or services of one undertaking from those of other undertakings.” It also obliges countries to discontinue the practice of permitting the use of foreign trademarks only if these are combined with another trademark, such as one of a national origin.

Agreement on TRIPS,  
Article 21

*Licensing and assignment of trademarks.* The Agreement leaves member countries free to determine the “conditions on the licensing and assignment of trademarks”. However, it states that the owners should not be compelled to grant licences for the use of trademarks. Moreover, owners “shall have the right to assign a trademark with or without the transfer of the business to which the trademark belongs.”

Agreement on TRIPS,  
Article 19

*Cancellation of trademarks.* The protection granted to the proprietor of a registered mark is based on the assumption that he or she will use it in commerce. The laws of most countries provide for cancellation of the mark if it is not used over a certain period. The laws of most countries provide for the cancellation of marks that are not being used as the number of marks being filed

for registration every year is rising at spectacular rates. In fact, the proliferation of marks and their increasing use in commerce has led to a real dearth of symbols or trademarks available for adoption and use by new applicants. Human ingenuity in evolving new signs, by combining letters, numbers or pictures, is after all not without limits.

The TRIPS Agreement lays down certain guidelines which registration authorities are expected to follow in cancelling trademarks because of non-use. It provides that a registered trademark can be cancelled “only after an uninterrupted period of at least three years of non-use”. In taking such decisions, adequate weight should be given to the circumstances beyond the control of the foreign trademark owner, such as import restrictions imposed by governments on the import of products carrying a trademark. Moreover, use, for example by licensees, should be recognized as use by the owner of the mark.

Agreement on TRIPS,  
Articles 25-26

### *Industrial designs*

Not all countries currently protect industrial designs, which cover the ornamental features of products including shapes, lines, motifs and colours. Industrial designs are protected mainly in consumer articles, of which textiles, leather and leather products, and motor cars are examples.

Agreement on TRIPS,  
Article 25

The TRIPS Agreement imposes an obligation on its member countries to protect industrial designs that are:

- New, or
- Original.

The designs thus need to be either novel or original to qualify for protection.<sup>27</sup> The owner of the protected design has exclusive right to its use and can prevent third parties who have not obtained his or her consent from “making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design”.

Agreement on TRIPS,  
Article 25

The Agreement has a special provision to take into account the short life cycle and the sheer number of new designs in the textile sector. It provides that “any cost, examination or publication” must not “unreasonably impair the opportunity to seek or obtain such protection.”

Agreement on TRIPS,  
Articles 22-24  
Agreement on TRIPS,  
Article 22

### *Geographical indications*

Geographical indications aim at informing the consumer that a good has the quality, reputation or other characteristic “essentially attributable to its geographical origin”. The Agreement provides that member countries should adopt “legal means” to prevent “the use of any means in the designation or presentation that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good”.

The most common example of how geographical indications can mislead the public is provided by ‘Champagne’ which is not a trademark but a region in France. In principle it is not permissible to call wine produced elsewhere (in Argentina or the United States, for example) ‘Champagne’ even though the producing country may regard the wine as comparable to French champagne.

<sup>27</sup> In the Uruguay Round negotiations, some countries had proposed that property rights for industrial designs should be granted only if they were “new and original”. The application of such a cumulative principle was not, however, favoured by a number of countries, which felt that the application of the principle would make it difficult to obtain protection for industrial designs.

Since the Agreement does not lay down the method by which these indications should be protected, there are wide variations in the way laws deal with them. While some countries have specific geographical indication laws, others use trademark law, consumer protection law, marketing law, common law or a combination of these.

The products to which these laws apply in developed countries are predominantly wines and spirits. There are however a few exceptions. United States law for instance prevents the application of the geographical indication 'Idaho' to potatoes and onions, and 'Real California cheese' to cheese not produced in the region.

Agreement on TRIPS,  
Article 23

The Agreement has special provisions aiming at acceptance of greater discipline by countries in the use of geographical indications on wine and spirits. In particular, it provides that interested parties must adopt legal means to prevent the incorrect use of a geographical indication on products not originating in the place so indicated. This applies even when the public is not being misled.

#### **Other intellectual property rights**

The provisions of the Agreement on layout-designs of integrated circuits and undisclosed information are briefly noted in box 51.

#### **Box 51**

##### **Other intellectual property rights**

*(Agreement on TRIPS, Articles 35-39)*

*Layout-designs of integrated circuits (Articles 35 to 38). Except when it provides otherwise, the Agreement requires countries to protect the layout-designs of integrated circuits in accordance with the Treaty on Intellectual Property in Respect of Integrated Circuits, adopted in Washington in 1989. Additional provisions stipulate, inter alia, that importing or selling articles incorporating a protected integrated circuit without authorization from the right holder shall be considered unlawful. However, acquisition of an article by persons who do not know that it incorporates an unlawfully reproduced layout-design does not constitute an unlawful act. "Innocent infringers" may sell or dispose of stock acquired before they became aware that the use of the layout-design is unlawful; however, they shall be liable to pay the right holder a reasonable royalty. Another provision of the Agreement prohibits compulsory licensing of the protected right except in cases of public non-commercial use or to remedy practices determined by a judicial or administrative process to be anti-competition.*

*Undisclosed information (Article 39). The TRIPS Agreement carries provisions which, for the first time in public international law, explicitly require undisclosed information – trade secrets or know-how – to benefit from protection. The protection applies to information that is secret, that has commercial value because it is secret, and that has been subject to reasonable steps to keep it secret. The Agreement does not demand that undisclosed information should be treated as a form of property, but it does stipulate that a person lawfully in control of such information must have the possibility of preventing it from being disclosed to, acquired by, or used by others without his or her consent in a manner contrary to honest commercial practices. Furthermore, the Agreement has provisions on undisclosed test data and other data whose submission is required by governments "as a condition of approving the marketing of pharmaceutical or of agricultural chemical products". Member governments must protect such data against unfair commercial use.*

#### **Duration of intellectual property rights**

Intellectual property rights (other than trademarks, geographical indications and undisclosed information) are limited in duration. Currently, the minimum

periods of protection vary from country to country. The Agreement establishes minimum regulatory periods for the different property rights. These are set out in box 52.

### **Box 52**

#### **Minimum periods of protection for intellectual property rights**

*(Agreement on TRIPS, various Articles)*

*Patents* 20 years from the date of filing of the application for a patent (Article 33).

*Copyright* Life of the author plus 50 years.

*Cinematographic work:* 50 years after the work has been made available to the public or, if not made available, after the making of such work.

*Photographic work or works of applied art:* 25 years after the making of the work.

*Performers and producers of phonograms:* 50 years from the end of the calendar year in which the fixation (phonogram) was made or the performance took place (Article 14:5).

*Broadcasting:* 20 years from the end of the calendar year in which the broadcast took place (Article 14:5).

*Trademarks* 7 years from initial registration and each renewal of registration; registration is renewable indefinitely (Article 18).

*Industrial designs* At least 10 years (Article 26:3).

*Layout-designs of integrated circuits* 10 years from the date of registration or, where registration is not required, 10 years from the date of first exploitation (Article 38:2 and 3).

*IPR owners lose their rights when the duration of protection expires. From then on patents, copyright, industrial designs and other property rights can be exploited by any member of the public without having to obtain authorization from any right holder.*

### **Restrictive practices**

To ensure that improved and increased protection of IPRs does not adversely affect the transfer of technology on reasonable commercial terms, the Agreement provides that countries may adopt appropriate measures, including legislation, to prevent intellectual property holders from:

- Abusing their rights,
- Adopting practices that unreasonably restrain trade or adversely affect the transfer of technology.

### **Enforcement provisions**

One feature of the TRIPS Agreement which distinguishes it from the WIPO conventions is the emphasis it lays on enforcement by its member countries of its standards and rules. Towards this end, the Agreement prescribes the institutional mechanism, procedures and remedies that countries should adopt:

- To enable IPR holders to obtain redress under civil law;
- For the prosecution of counterfeiters and pirates under criminal law;

- For providing provisional relief; and
- To prevent release by customs authorities of counterfeit, pirated and other goods that infringe IPRs.

### *Civil remedies*

The Agreement states that national courts shall be able “to order prompt and effective provisional measures” to preserve evidence in regard to alleged infringement of intellectual property rights, and to prevent an infringement from occurring, *inter alia*, by preventing the entry of imported goods into the channels of commerce in their jurisdiction. Where infringement of IPRs has been established, the courts shall have the authority to order the infringer to pay to the right holder damages to compensate for the injury. In addition, in order to create an effective deterrent, the courts are authorized to order the destruction of the infringing goods so that they do not enter commercial channels.

Agreement on TRIPS,  
Article 61

### *Criminal proceedings*

The Agreement further calls on countries to see that, where there is “wilful trademark counterfeiting or copyright piracy on a commercial scale”, the infringer is prosecuted under criminal law and imprisoned or fined to an extent sufficient to provide a deterrent.

Agreement on TRIPS,  
Article 50

### *Provisional measures*

Since in both civil and criminal proceedings, the judicial procedures may take a fair amount of time, the Agreement provides that judicial authorities must have the authority to order prompt and effective provisional measures. Such measures should be taken:

- To prevent infringement from occurring, and
- To prevent infringing goods from entering commercial channels.

Agreement on TRIPS,  
Article 51

### *Prevention of release of infringing goods by customs authorities*

Member countries are further required to adopt procedures under which holders of intellectual property who have grounds for suspecting that:

- Counterfeit goods infringing on their trademarks, or
- Pirated goods infringing on their copyright

are likely to be imported could request Customs not to release the goods. Countries have the option to prescribe procedures for the suspension of release from Customs of products that infringe on patents and other IPRs.

Agreement on TRIPS,  
Articles 65-66

### *Transitional periods*

The national legislation of a number of countries, particularly developing and least developed countries, do not at present conform to the provisions of the TRIPS Agreement described above. For instance, in the area of patents, while the Agreement requires that as a rule patents should be given for inventions in all fields of technology, some countries exclude from patentability chemicals, food and food products. The duration for which patents are granted for inventions relating to fertilizers, insecticides and pharmaceuticals is also much shorter in some countries than the 20 years provided for by the Agreement. Furthermore, in regard to pharmaceuticals, some countries grant protection only to processes and not to products. In the area of copyright, many countries do not treat computer programmes as eligible for protection. A number of countries do not provide protection for industrial designs.

To enable industry and trade in these countries to prepare themselves for the changes required by the Agreement on TRIPS, member countries have been given the following transitional periods within which to bring their national legislation and regulations in conformity with the provisions of the Agreement:

- ❑ Developed countries: one year, i.e. up to 1 January 1996. This period has already expired.
- ❑ Developing countries: five years, i.e. up to 1 January 2000.
- ❑ Transition economies: five years, i.e. up to 1 January 2000, if they are facing problems in reforming their intellectual property law.
- ❑ Least developed countries: 11 years, i.e. up to 1 January 2006.

#### *'Mail-box' obligations*

In addition, developing countries that at present provide patent protection to processes and not to products in a given area of technology, for example in the pharmaceutical and agricultural chemical sectors, can delay up to 1 January 2005 the application of the obligation to protect products.

Agreement on TRIPS,  
Article 65.4

This flexibility available to developing countries is subject to an important condition. The country concerned must have established from the date the Agreement came into force (i.e. on 1 January 1995) a mechanism (the 'mail-box') for receiving applications for patents from domestic and foreign inventors. These applications need not be examined for patentability until the country starts applying product patent protection in the pharmaceutical and agricultural chemical sectors, i.e. at the end of the 10-year transition period (1 January 2005).

Agreement on TRIPS,  
Article 70.8

Most new pharmaceutical and agricultural chemical products may, however, be sold only after the producing company has been able to obtain authorization from the regulatory authorities to market them. Such authorization is generally granted after the regulatory authorities have satisfied themselves, on the basis of results of tests carried out by the company requesting authorization, that the product will not have harmful effects on human and animal health, plant life and the environment. The Agreement provides that if the regulatory authorities grant marketing authorization to the producers which have filed applications for patenting a pharmaceutical or agricultural chemical product under the 'mail-box' arrangement, they must give these producers the exclusive right to market that product for a period of five years, or until the patent is granted, whichever is shorter.

Agreement on TRIPS,  
Article 70.9

#### *Stand-still provision*

During the transition periods, member countries are required not to take any measures that will result in a lower level of protection to IPRs than that already existing in their territories. This is referred to as the 'stand-still' or the 'non-backsliding' clause. All countries are under an obligation to apply MFN and national treatment rules from 1 January 1996.

Agreement on TRIPS,  
Article 65.5

## **Business implications**

The TRIPS Agreement will, to a large extent, have a harmonizing effect on standards for the protection of intellectual property rights throughout the world. With the exception of obligations in regard to pharmaceutical and agricultural chemical products, harmonization can be expected by 2000 when

the transition period for the implementation of the Agreement by both developing and transition economies comes to an end. The emphasis of the Agreement on enforcement will result in stricter application at the national level of intellectual property rights both in domestic markets and at the border.

## **Challenges**

For the business person from developing and transition economies, the Agreement offers both challenges and advantages. The challenges arise from the three factors discussed below.

### ***Obligations to change IPR systems***

First, the Agreement will require significant changes in the IPR regimes of many developing countries. Modifications will be required in the large number of countries which provide terms of patent protection that are shorter than the 20 years set out in the Agreement, allow exceptions to the 20-year term or stipulate another duration. Computer programs must be protected under copyright as literary works. A large number of developing Members (and two developed Members) did not have any type of protection for computer software in April 1994 and a few countries provided protection through legal instruments other than copyright law.

Despite these difficulties, it is expected that a large number of developing countries will have modified their laws to bring them in conformity with the provisions of the Agreement by 1 January 2000, when the transition period provided to them for the implementation of the Agreement comes to an end.

They have, however, up to 1 January 2005 to implement provisions on the patenting of pharmaceuticals and agricultural chemical products. Most developing countries have by now established, as required by the Agreement, a 'mail box' for receiving applications for patents in these product sectors.

It will be necessary for the business community to prepare itself for these changes.

### ***Difficulties in using reverse engineering***

Second, stronger protection will make it more difficult for industries in developing countries to use through reverse engineering and other means the technology developed by foreign companies and for which the latter hold patent rights. In the past, reverse engineering had been an important source of technology particularly for SMEs. With the implementation of the Agreement, companies with registered patent rights can be expected to be more vigilant about ensuring that their patented technology is not used without payment of royalty.

### ***Issues relating to 'traditional knowledge'***

Third, recent years have witnessed phenomenal progress in research in biotechnology and genetic engineering. In some cases, the resulting inventions are based on the generic resources available only in the tropics, i.e. mainly in developing countries.

Some environmental groups have complained that although company research into genetic resources has drawn on the traditional knowledge of indigenous or local communities, these communities do not benefit from the patents on the resulting inventions. For centuries, parts of plants (roots, barks, leaves, flowers and fruits) have been used in developing countries to relieve pain and treat infections and other complaints. They have also been used as insecticides and

herbicides. Local knowledge of these varied uses, while it is not recorded in any book or document, is part of the communal heritage. This knowledge of the food-giving capacities of plants as well as their life-support qualities is passed on from mouth to mouth and from one generation to another.

The issue of acknowledging and rewarding the contribution of indigenous and local communities whose traditional knowledge is used in patented inventions is being discussed at the international level. The Food and Agriculture Organization of the United Nations (FAO), for instance, has developed the concept of farmers' rights, i.e. "rights arising from the past, present and future contribution of farmers in conserving, improving and making available plant genetic resources." The Convention on Biological Diversity addresses the question of how countries where genetic resources are located can participate in biotechnological research activities and share, on mutually agreed terms, in the fruit of such research.

It is important to note that although the TRIPS Agreement is silent on the question of the participation of countries and communities in the benefits arising from research into the genetic resources originating in their territories, there is nothing in the Agreement that blocks such countries from entering into contractual arrangements requiring companies to pay them fees for research and royalties from any resulting patented invention.

### **The advantages**

The challenges which the factors and developments described above pose to the business community have to be weighed against the favourable impact which IPR rules could have on:

- The encouragement of creativity and innovation;
- The transfer of technology on commercial terms to business enterprises in developing countries;
- The protection of consumers by controlling the trade in counterfeit goods; and
- Both the export and the import trade.

These aspects are taken up in greater detail in the paragraphs that follow.

### ***Encouraging creative and innovative work***

More effective protection of IPRs such as copyright, patents and industrial designs will, by rewarding intellectual work, encourage innovative and creative work in developing countries. As has been noted, the rules on patents, for instance, seek to maintain a balance between the need to protect the rights of patent holders and the need of industries and society as a whole to benefit from new and improved knowledge. The Agreement calls on its member countries to enforce strictly the provisions requiring patent applicants to disclose the technical information that will enable technically qualified persons to reconstruct the inventions. Access to such information will make it possible for the industrial sector, particularly in the more advanced and other countries with a sufficient number of technically qualified persons, to utilize it for further research and to develop processes or products that differ from those patented. This stimulation of the inventive process will certainly benefit the country as a whole.<sup>28</sup>

<sup>28</sup> *The Outcome of the Uruguay Round: An Initial Assessment* (United Nations publication, Sales No. E.94.II.D.28), pp. 196 - 203.

### ***Transfer of technology on commercial terms***

Increased protection of IPRs will greatly facilitate attempts by companies in developing countries to enter into joint ventures and other collaboration arrangements for the transfer of technology on commercial terms. There is increasing evidence to show that IPR protection in host countries is an important factor in decisions of companies in developed countries to invest in developing countries. It certainly plays a major role in investment decisions in the chemical and pharmaceutical industries. Recent studies indicate that it is also a significant variable in other industries,<sup>29</sup> particularly those manufacturing products that are imitation prone (e.g. electronic and computer products).

Increased protection to IPRs will encourage foreign partners in joint ventures to undertake greater research and development work in the host developing country. At present most research work is undertaken in their own countries. Such a development will enable local partners to influence to a greater extent both the content and the priorities of research work.

On balance, therefore, it can be argued that, over the medium and long term, IP protection as envisaged in the Agreement will have positive effects on the growth of the inventive process in developing countries. In the short term, however, as some studies show, improved protection may force industries in certain sectors such as pharmaceuticals and chemicals to pay higher prices for acquiring patented technology.<sup>30</sup>

### ***Impact on the trade in counterfeit goods***

The emphasis of the Agreement on the enforcement of its provisions is also expected to help bring under control production of, and trade in, counterfeit and pirated goods. In the coming years the WTO consultation and dispute settlement mechanism will put increasing pressure to bear on countries with a significant output of such goods to improve the enforcement of their trademark and copyright laws. It is also in the long-term interest of domestic industries and consumers to see that these laws are enforced.

The occurrence of counterfeiting is frequently due to the fact that small enterprises are not fully aware of the legal implications of using trademarks without authorization from their owners. There is some evidence to show that pirates and counterfeiters are often able to switch to legitimate activities once the legal environment changes.<sup>31</sup>

Counterfeiting also adversely affects the export interests of small domestic producers who produce under licence for manufacturers in outside countries. In recent years, a number of manufacturers marketing products under their brand names have had either the product itself or parts of it produced by SMEs in developing countries to take advantage of lower production costs. These manufacturers are more willing, as the case cited in box 53 indicates, to enter into such arrangements with countries where IPRs are effectively protected.

### ***Relevance to the export and import trade***

Business enterprises will have to bear in mind the provisions of the TRIPS Agreement in planning their sales strategies for foreign markets. In particular, it will be necessary for them to examine whether the processes they use in manufacturing the product or any of its inputs are subject to a patent or other

29 Carlos Braga, "Trade-Related Aspects of Intellectual Property Rights: The Uruguay Round Agreement and Its Economic Implications" (World Bank conference paper, 26-27 January 1995).

30 *The Outcome of the Uruguay Round...*, pp. 196 - 203.

31 *Ibid*, p. 48.

**Box 53*****Importance of the enforcement of IPRs to production under licence: a cautionary tale***

*A large importer of carpets in a developed country (country A) was importing carpets from small manufacturers in a least developed country (country B) which had long traditions of such artisanal work. The ornamental design and motifs were provided by the importer. In order to prevent use of the design by other producers, the importing firm had registered the industrial design as an intellectual property both in its country and in the country of production. After having spent a considerable amount on advertisement and publicity, the importing firm was able in a few years to develop a market for carpets manufactured according to its design.*

*This led other small manufacturers in country B to produce carpets with an identical design for export to country A. The importer in country A tried to get the IPR authorities in country B to stop production and export by these manufacturers in view of its exclusive right to the use of the protected industrial design. However, because of the lax enforcement of IPRs in country B, no action was taken. The importer therefore decided to terminate the arrangement and shift production to another country which had a reputation for enforcing its intellectual property law.*

IPR in the target export market. Likewise, where the product offered for sale in a foreign market bears a trademark, it will be necessary to ensure that a similar mark is not in use or registered in that market. If their trademarks are considered 'confusingly similar' to other trademarks, exporting enterprises may expose themselves to legal suits for infringement of property rights.

These considerations should also be kept in mind by enterprises in placing their import orders. It will be necessary, particularly in regard to products that are widely counterfeited or pirated, for importers to satisfy those concerned that, where the foreign supplier claims that the product to be imported is produced under a licence, it has the necessary authorization to do so. Otherwise, the importer will risk facing a suit for damages from the trademark owner and the possibility of the goods being confiscated by Customs on arrival.

**Summing up**

In sum, if trade-related IPR friction is to be avoided, it is necessary for all business enterprises engaged in foreign trade not only to familiarize themselves with the system set up by the Agreement but to be fully aware of the obligations it imposes and the rights it creates in their favour. They should also undertake through their associations studies of the practical problems of selling in foreign markets and those arising from the application of the TRIPS Agreement. Briefing governments on the findings of such studies will enable government representatives to negotiate, during the reviews provided for by the Agreement, modifications to its provisions to meet some of the concerns of the business community.