Selected Provisions of the Statement of Administrative Action

Uruguay Round Trade Agreements:
Texts of Agreements, Implementing Bill,
Statement of Administrative Action,
and Required Supporting Statements,
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e. Amendments to Section 337 of the Tariff Act of 1930 and Title 28

Section 321(a) or the implementing bill amends section 337 of the Tariff Act of 1930, which authorizes the U.S. International Trade Commission (ITC) to exclude goods from the United States and enjoin activities in respect of imports that are found to infringe U.S. intellectual property rights or are otherwise found to violate that statute. Section 321(b) amends certain provisions of Title 28 of the U.S. Code concerning district court proceedings involving the same claims as those raised in the ITC proceedings or claims removed to the district court from the ITC. The amendments are necessary to ensure that U.S. procedures for dealing with alleged infringements by imported products comport with GATT "national treatment" rules.

A GATT dispute settlement panel report adopted in November 1989 found that the ITC procedures in investigations to determine whether there is a violation of section 337 are inconsistent with the national treatment rule because they treat imported goods less favorably than the procedures that district courts apply to domestic goods in infringement proceedings. In particular, the panel found that:

- section 337 imposes time limits for reaching a final determination whereas there are no time limits in district court proceedings;

- importers and producers of imported products may have to defend claims in both the ITC and in district court, possibly at the same time, whereas infringement claims against domestic goods can be heard only in district court;

- section 337 grants overly broad authority to the I.TC to issue "general exclusion" orders barring the importation of infringing products; and

- section 337 procedures, unlike those of the federal courts, do not permit counterclaims.

The amendments bring U.S. procedures into conformity with national treatment obligations under GATT 1994, while providing for the effective enforcement of intellectual property rights at the border. The Agreement on Trade-Related Aspects of Intellectual Property Rights, negotiated after the panel report was issued, recognizes that it may be necessary to treat domestic and imported products differently in order to enforce intellectual property rights in respect of imported goods. Although not directly related to the panel report, certain of the amendments included in section 321 are designed to bring ITC practice in respect of bonding requirements and the deference given arbitration agreements into closer conformity with district court practice.

(1) Time Limits

Section 321(a)(1) amends section 337(b) to eliminate the requirement that the ITC issue a final determination within a fixed period of time. Instead, the amendment provides that the ITC must complete its investigation "at the earliest practicable time." To promote rapid adjudication, the ITC must establish a "target date" for completion of an investigation within 45 days after it is initiated. These requirements parallel the procedures set out in recently revised *Rule 16 of the Federal Rules of Civil Procedure* providing district courts with various mechanisms for expediting litigation. They are also consistent with district court efforts to avoid delay, such as by establishing target dates for the completion of various stages of litigation.

(2) Parallel Proceedings

Section 321(b)(1) adds a new section in Title 28 to address the possibility that infringement proceedings may be brought against imported goods in two forums at the same time. The new section requires a district court hearing an

infringement case to stay its proceedings, at the request of a respondent in a section 337 proceeding, in respect of any claim that involves the same issues as those pending before the ITC. Such issues would include questions of patent validity, infringement, and any defenses that might be raised in both proceedings. The district court may use its discretionary authority to stay any other claims in the action before it. To avoid abuse of this provision and to encourage prompt adjudication in the district courts, any request for a stay must be made within 30 days after the defendant in a district court action is effectively served or 30 days after a party is formally named as a respondent in a ITC action, whichever is later.

When a district court dissolves its stay after the completion of ITC proceedings, subsection(b)(1) permits the ITC record to be offered as evidence in the court's proceedings. Although use of particular portions of the record would have to pass scrutiny under the Federal Rules of Evidence and Federal Rules of Civil Procedure, use of the ITC record could expedite proceedings and provide useful information to the court.

(3) Counterclaims

Subsections(a)(2) and (b)(3) of section 321 address the issue of counterclaims. Subsection(a)(2) permits a respondent in an ITC proceeding under section 337 to raise any counterclaim. The right to raise counterclaims provided by the amendment supplements language currently included in section 337(c) that permits a respondent to raise all legal and equitable defenses and does not affect a party's right to raise such defenses.

Under the amendment, after raising the counterclaim the respondent must file a notice of removal of the counterclaim with a district court of proper venue. The amendments also grant the district court original jurisdiction over compulsory counterclaims. However, ITC respondents will have to establish jurisdiction with respect to permissive counterclaims independently. Furthermore, any dismissal, termination, or withdrawal of the complainant's action in the ITC will not affect a counterclaim that has been removed to a district court pursuant to section 337(c).

Subsection (b)(3) instructs district courts to handle the counterclaims removed to them pursuant to section 337(c) just as if they had been filed as an original complaint under the Federal Rules of Civil Procedure, except that a filing fee will not be required. Sections 321(a)(2) and (b)(2) provide that counterclaims raised before the ITC and removed to the district court will relate back to the date of the original petition filed by the complaining party at ITC. These provisions will be particularly relevant with respect to the tolling of applicable statutes of limitations and the calculation of damages in infringement actions.

The ITC's proceedings will not be delayed or affected if a counterclaim is raised and removed to district court. Additionally. the ITC will review, as it has in the past, the effect of exclusions or orders under sections 337(d), (e), (f), and (g) in determining whether relief will be granted.

(4) Exclusion Orders

Subsection (a)(5) treats the circumstances in which general exclusion orders are warranted and reflects suggestions by the GATT panel on this subject. The underlying concepts do not differ significantly from the criteria for general exclusion orders that the ITC has developed through administrative practice in recent years.

(5) Other Amendments

Other amendments in section 321 relate to bonding requirements and the deference accorded to arbitration agreements and am designed to bring section 337 and ITC practice into closer conformity with district court rules and practice in respect of these matters. The amendments require the ITC to establish bonding amounts and other relevant requirements and gives the ITC the discretion to order forfeiture of the bond under terms and conditions that the ITC may prescribe. Currently, bonds are forfeited to the U.S. Treasury. In establishing the terms and conditions of the bond and whether to order forfeiture of the bond, the ITC is to be guided by practice under *Rule 65 of the Federal Rules of Civil Procedure* with respect to the forfeiture of a complainant's bond. In addition, the amendments make decisions relating to bonds subject to judicial review.

Finally, subsection (a)(7) amends section 337 to clarify and amplify the list of persons who may have access to confidential information in the context of ITC investigations and the review and enforcement of ITC orders. The amendments should facilitate administration of the statute and ITC orders.

(6) Effective Date

The amendments set out in section 321 will apply only to those complaints filed under section 337 after the WTO Agreement goes into effect with respect to the United States.

f. Customs Officer Pay

Section 611 of the bill corrects a technical error in last year's "Customs Officer Pay Reform Act" (COPRA) that could severely hinder the ability of the Customs Service to enforce and implement U.S. law in connection with the Uruguay Round agreements and cope with the increased trade flows expected to be generated by those agreements. In enacting COPRA, Congress intended the Customs Service to fund all overtime and premium pay increases from the Customs User Fee Account (COPRA Account). The language used in the Act, however, had the unintended result of limiting reimbursement of Sunday and holiday COPRA premium pay costs to costs in excess of Federal Employees Pay Act (FEPA) amounts, thereby forcing the Customs Service to fund some Sunday and all holiday premium pay from its salaries and expenses (S&E) account. COPRA thus subjected Customs to an S&E shortfall of up to $ 5 million in FY '94 and up to $ 12 million in FY '95. If the shortfall were to continue, Customs would have to consider reducing up to 275 inspector positions to offset the increased costs to the S&E account. Section 611 amends *19 U.S.C. 58c*(f)(3)(A)(i)(II) to allow the COPRA Account to pay the difference between the total cost of all COPPA premium pay and the cost of the night and holiday premium pay that Customs would have incurred prior to the enactment of COPRA.

g. Merchandise Processing Fees

Section 612 of the bill provides for an increase in the current merchandise processing fee rate charged by the Customs Service for formal entries to.21 percent *ad valorem* and increases the cap on the range of such rate from.19 percent to.21 percent *ad valorem.* Notwithstanding the *ad valorem* rate, the bill also increases Oz maximum and minimum amounts of the merchandise processing fee to be collected for a formal entry from $ 400 to $ 485 and from $ 21 to $ 25, respectively, and provides authorization for the Secretary of the Treasury to adjust these maximum and minimum amounts to the extent that they exceed the expenditures for such operations. Rates for informal entries or releases would be increased from $ 5 to $ 6 for those not prepared by Customs and from $ 8 to $ 9 for those prepared by Customs. These amendments do not affect the limitations imposed on user fees for goods under the NAFTA Implementation Act. The provision will be effective on or after January 1, 1995.

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AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

A. SUMMARY OF PROVISIONS

The Agreement on Trade-Related Aspects of Intellectual Property Rights (Agreement on TRIPs) establishes comprehensive standards for the protection of intellectual property and the enforcement of intellectual property rights in WTO member countries. It requires each WTO member country to apply the substantive obligations or the world's most important intellectual property conventions, supplements those conventions with substantial additional protection, and ensures that critical enforcement procedures will be available in each member country to safeguard intellectual property rights. The Agreement requires few changes in U.S. law and regulations and does not affect U.S. law or practice relating to parallel importation of products protected by intellectual property rights.

The Agreement is organized in seven parts. Part I deals with general principles. Part II provides standards for protection for various forms of intellectual property, copyright and neighboring rights, trademarks. geographical indications, industrial designs. patents, integrated circuit layout designs, and trade secrets. Part III regulates enforcement of intellectual property rights and Part IV deals with procedures for acquiring and maintaining such rights. Finally, the Agreement provides for dispute prevention and settlement in Part V. transitional arrangements in Part VI, and institutional and final provisions in Part VII.

1. Compliance with Multilateral Conventions

Article 2 of the Agreement requires each WTO member country to give effect to the substantive obligations of the *Paris Convention for the Protection of Industrial Property* (1967). Article 9 provides that member countries must also comply with Articles I through 21 and the appendix of the *Berne Convention for the Protection of Literary and Artistic*

Works (1971). The United States is already a party to each of these conventions. The Agreement creates no rights or obligations with respect to authors' "moral rights" under Article 6*bis* of the Berne Convention.

2. National Treatment and Most-Favored-Nation Treatment

Article 3 imposes a broad national treatment obligation on each WTO member country with respect to intellectual property protection. It requires each government to give "nationals" from other member countries treatment that is no less favorable than that which it gives to its own nationals with regard to the protection of intellectual property rights. The term "national" is defined by reference to the criteria for eligibility for protection under four relevant international conventions (the Paris, Berne, and Rome Conventions and the *Treaty on Intellectual Property in Respect of Protection of Integrated Circuits*). Any person or entity that qualifies for protection under these four conventions will be entitled to protection on a national treatment basis by all WTO member countries under the Agreement on TRIPs.

The Agreement also includes a broad most-favored-nation (MFN) obligation for each WTO member country. This provision requires each country to grant to nationals of other member countries any "advantage, favor, privilege or immunity" given to nationals of any other country with regard to the protection of intellectual property. A footnote to Article 3 makes clear that both the national treatment and MFN clauses generally confer rights with respect to all "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

There are a few exceptions to the broad national treatment and MFN clauses. With respect to the rights of performers, producers of sound recordings, or broadcasting organizations, national treatment and MFN rights only cover the rights provided under the Agreement on TRIPs. Also, the Agreement permits member countries to continue to exercise exceptions to national treatment provided in certain international intellectual property agreements. Benefits from intellectual property agreements that enter into force prior to the WTO Agreement need not be extended on an MFN basis, nor do benefits from general agreements concerning judicial assistance or law enforcement. Finally, the procedural provisions of multilateral agreements negotiated under the auspices of the World Intellectual Property Organization, such as the Patent Cooperation Treaty, are exempt from these national treatment and MFN obligations.

3. Copyright and Related Rights

After defining the relationship between the Agreement on TRIPs and the Berne Convention, the Agreement reiterates the basic principle of copyright protection -- that protection extends only to expression and not to ideas, methods of operation, or mathematical concepts. This principle is embodied in section 102(b) of the U.S. Copyright Act *(17 U.S.C. 101 et. seq.*).

Article 10 of the Agreement confirms that all types of computer programs are "literary works" under the Berne Convention and requires each WTO country to protect them as such. It also requires copyright protection for compilations of data or other materials that are original by reason of their selection or arrangement.

Article II of the Agreement requires member countries to provide exclusive rental rights (the right to authorize or to prohibit commercial rental to the public of originals or copies of a work) with respect to at least computer programs and cinematographic works. WTO countries need not provide rental rights in respect of cinematographic works unless rental has led to widespread copying having a materially detrimental effect on the author's exclusive right of reproduction of the work.

Article 12 of the Agreement provides minimum standards of protection or copyrighted works. The term of protection for many works is the life of the author plus 50 years, but whenever the term of protection is not linked to the life of a person, Article 12 requires that the term be a minimum of fifty years (except for works of applied art or photographs).

Article 9.2 of the Berne Convention now bans the imposition of limitations on, or exceptions to, the reproduction right except when such limits or exceptions do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder. Article 13 of the Agreement on TRIPs widens the scope of this provision to all exclusive rights in copyright and related rights, thus narrowly circumscribing the limitations and exceptions that WTO member countries may impose. This approach is consistent with section 107 of Copyright Act *(17 U.S.C. 107)* relating to fair use or copyrighted works.

Article 14 requires member countries to provide sound recording producers a fifty-year term of protection and the right to authorize or prohibit the direct or indirect reproduction and commercial rental of their sound recordings.

However, a WTO member country that on April 15, 1994, had a system of payment of equitable remuneration to compensate for rental of recordings is permitted to keep that system (only Japan and Switzerland qualify under this exception).

With respect to performers, the Agreement requires WTO countries to make it possible for performers to prevent unauthorized fixation, broadcast or reproduction of their live performances. Broadcasting organizations are to be accorded similar rights, although member countries have the option of providing protection consistent with the Rome Convention or providing owners of copyright in works broadcasted the right to prevent the same acts. The Agreement also makes Article 18 of the Berne Convention regarding the protection of existing works explicitly applicable to sound recordings.

4. Trademarks

Article 16 of the Agreement on TRIPs sets out certain basic rights that member countries must grant to the holders of a "trademark," as defined in paragraph one of Article 15. For example, the use of identical marks on identical goods and services will be presumed to create a likelihood of confusion and thus to be improper. Additionally, Article 16 requires each member country to apply the provisions of Article 6*bis* of the Paris Convention, concerning the protection of well-known trademarks, to service marks. This Article also clarifies the standard for determining whether a trademark is "well-known."

Article 18 of the Agreement requires that the initial registration or a trademark must be for a term of not less than seven years and that the registration of a trademark must be renewable indefinitely.

Article 19 applies when a member country requires use of a trademark to maintain its registration. It provides that a trademark can be canceled for non-use only after an uninterrupted period of at least three years of non-use. However, countries must permit a trademark owner to establish the existence of circumstances beyond his control which led to the non-use of the trademark. Valid reasons for non-use, as set forth in Article 19, include import restrictions on or other government requirements for goods or services protected by the trademark. Use of a trademark by another person is recognized as use of the trademark for the purpose of maintaining a registration, if such use is controlled by the trademark owner.

Article 20 safeguards the role of a trademark as an indication of the source of the trademarked product or service by prohibiting imposition of special requirements, such as use with another trademark, that could impair this role. Member countries may, however, require the firm or person producing the goods or services to include its trademark along with, but not linked to, the trademark distinguishing the goods or services at issue.

5. Geographical Indications

Articles 22 through 24 provide for the protection of geographical indications for goods. Article 22 requires member countries to provide interested parties a means to prevent the use of product descriptions that mislead the public regarding the geographic origin of a good or that constitute "an act of unfair competition" under Article 10*bis* of the Paris Convention. In addition, member countries must either refuse or invalidate the registration of a trademark that contains a false indication of geographic origin of the product that misleads the public. This Article also prohibits the use of a geographical indication which, although correctly reflecting the origin of the good, nonetheless falsely represents to the public that the good originates in another geographic location.

Article 23 provides additional protection for geographical indications for wines and spirits. A geographical indication for wines or spirits which does not originate in the location indicated may not be used or registered even though the true geographical origin is indicated on the product. "Homonymous geographical indications" remain protected to the extent that they do not falsely represent to the public that a good originates in another geographic location.

Article 24 specifies limited exceptions to Articles 22 and 23. First, if a trademark, which contains a geographical indication identifying wines or spirits, was used in a continuous manner with regard to the same or related goods or services for ten years before April 15. 1994, or in good faith before that date, the prohibition set forth in Article 23 is inapplicable. Secondly, a member country does not have to prevent continued and similar use of a geographical indication used on or in connection with goods or services that was applied for or registered in good faith, or where rights have been acquired through good faith use, before the application of these provisions in that member country, or before the geographical indication is protected in its country of origin. These two provisions permit flexibility in expanding product lines covered by the affected trademark without jeopardizing rights in the trademark. Lastly, member

countries may continue to use pre-existing grape varietal names for products of the vine, regardless of whether such names are geographical indications of another member country, provided that as of the date the WTO Agreement enters into force, the grape variety in question existed in the country permitting continued use. The principle underlying this provision also applies to the use of a person's own name or the name of his predecessor in business, except where the name is used in such a manner as to mislead the public.

Articles 23 and 24 provide for further negotiations on this subject. The Council on TRIPs, established under Article IV of the WTO Agreement, will oversee negotiations on a multilateral system of notification and registration of geographical indications for wines. Member countries will also negotiate on increased protection for individual geographical indications for wines and spirits. In these negotiations, the United States will seek improved protection for names of U.S. spirits that meet the definition of a geographical indication.

6. Industrial Designs

Articles 25 and 26 of the Agreement require each member country to provide protection for independently created industrial designs that are new or original and that meet the other conditions specified. Designs that are functional may be excluded from protection. The owner of a protected design must be given the right to prevent others from making or selling, for a commercial purpose, articles that copy or substantially copy the protected design. In addition, each government must provide a term of protection of at least ten years. Article 25 explicitly requires governments to provide protection for textile designs, either under an industrial design law or through copyright, to ensure that right owners can obtain protection without delay and unreasonable cost. Protection currently available under U.S. patent and copyright law meets the requirements of these articles.

7. Patents

a. Scope of Patentable Technology

Article 27 requires each WTO country to make patents available for inventions in all fields of technology, provided that the inventions are new, involve an inventive step (i.e., are not obvious) and are capable of industrial application (i.e., are useful). Governments will no longer be able to discriminate in respect to the enjoyment of patent rights based on the area of technology, place of invention, or whether the product is imported or locally made. Member countries may exclude particular inventions from patentability only in a few, narrowly defined cases.

WTO countries must make patent protection available for essentially all fields of technology, including pharmaceuticals, micro-organisms, and non-biological and microbiological processes. While they may deny patent protection for plants, they must provide for the protection of plant varieties either by patents or by an effective *sui generis* system or a combination of these two forms of protection. The United States provides both patent protection and plant breeder's rights. Those member countries that choose to implement a *sui generis* system of protection for plant varieties may adopt a system consistent with the *International Convention for the Protection of New Varieties of Plants* (UPOV Convention). The Agreement on TRIPs calls for the level of protection provided to plants and animals to be reviewed four years after the date of entry into force of the WTO Agreement. At that lime, the United States will seek improved patent protection for plants and animals.

Special provisions apply to WTO member countries that do not already provide product patent protection for pharmaceutical and agricultural chemical products on the date the WTO Agreement enters into force. Each such country must immediately provide an interim system that permits patent applications for these products to be filed. When the application is examined, novelty will be determined as of the date of that filing. If a product is the subject of an application under this interim system, the country in question must provide exclusive marketing rights for a period of five years after the product receives marketing approval, or until a patent is granted or rejected, whichever period is shorter. To qualify for market exclusivity, the product must also be patented in another WTO member country and approved for marketing there.

b. Scope of Patent Rights

Article 28 specifies that a patent must include the right to exclude others from making, using, offering for sale, selling, or importing the product. The Agreement permits limited exceptions to the exclusive rights conferred by a patent if certain conditions are met. United States law contains some such exceptions, such as those set out in section 271(e) of the Patent Act *(35 U.S.C. 271*(e)).

The Agreement on TRIPs puts stringent conditions on use of a patented invention without the authorization of the right holder. This includes situations involving use of the invention by the government or use by a third party authorized by the government under a "compulsory" license. These conditions, including special conditions applicable to semiconductor technology, will also apply to compulsory licensing of rights protecting integrated circuit layout designs. Many foreign countries will be required to eliminate provisions that now subject patents to compulsory licenses if the patented invention is not produced locally.

c. Term of Protection

Article 33 requires that the term of protection available for a patent must be at least 20 years from the filing of the application. This provision permits member countries to provide for extensions of patent terms to yield patent terms that extend beyond twenty years measured from the filing date.

d. Burden of Proof

A final provision in the Agreement's patent section addresses the allocation of the burden of proof with regard to enforcement of patents covering processes. The Provision requires each member country to provide its judicial authorities with the power to order a party accused of infringing a patented process to prove that its product, if identical to the product that would stem from exercise of a patented process, was produced using a different process. The provision should facilitate the ability of a process patent holder to establish infringement.

8. Protection for Integrated Circuit Layout Designs

Articles 35 through 38 of the Agreement provide for the protection of semiconductor integrated circuit layout designs at a level fully consistent with the U.S. Semiconductor Chip Projection Act *(17 U.S.C. 901. et seq.*). They include provisions for the protection of a product incorporating a protected layout design and require innocent infringers to pay a reasonable royalty for the sell-off of stock on hand or on order when they receive notice that they are dealing with infringing designs. Article 37 makes the limitations on compulsory licenses in Article 31 applicable to layout designs. These conditions permit compulsory licensing or semiconductor technology only for public non-commercial use or to remedy an anti-competitive practice. Article 38 provides for a minimum ten-year term of protection.

9. Protection of Undisclosed Information

Article 39 requires each member country to provide protection to the holders of undisclosed information (trade secrets) provided the information is secret, has commercial value, and has been subject to reasonable steps to keep it secret. The Agreement lists some acts that constitute misappropriation of a trade secret and provides that acquisition of undisclosed information by a third party would in some cases constitute misappropriation.

Article 39 also requires member countries to protect against unfair commercial use of the information they require companies to submit to obtain marketing approval of chemical or pharmaceutical products that utilize new chemical compounds.

10. Control of Anti-Competitive Practices in Contractual Licenses

Article 40 Permits member countries to adopt appropriate measures to prevent or control licensing practices or conditions that may in particular cases constitute an abuse or intellectual property rights having an adverse effect on competition in the relevant market. The Article also authorizes consultations regarding allegations of anticompetitive activity in particular cases.

11. Enforcement Procedures

Part III of the Agreement establishes extensive requirements to ensure that intellectual property rights will be effectively enforced both at and inside each member country's borders. Section I requires each government to provide fair and transparent enforcement procedures, including by providing intellectual property right holders access to effective judicial procedures for the enforcement of intellectual property rights. If a country provides for administrative enforcement proceedings that result in a civil remedy, Article 49 requires that those procedures conform to principles equivalent in substance to the rules set out in Section 2 for judicial procedures.

Section 2, concerning judicial procedures, requires each member country to provide for preliminary and final injunctive relief, measures to preserve evidence, civil damages, and other remedies in intellectual property enforcement proceedings. The Section also includes safeguards to protect parties from abuse of litigation procedures.

Section 3 requires member countries to establish effective procedures allowing trademark and copyright owners to obtain seizures of counterfeit and pirated goods at the border, subject to certain safeguards. For example, to protect legitimate importers, Article 55 provides that actions concerning whether goods detained at the border are infringing must be initiated within ten working days in most cases and 20 working days in appropriate cases. Such actions may be initiated by the customs authorities or any party other than the defendant in the action. Bonding requirements and improved availability of information on customs actions are important elements of this section.

Section 4 permits member countries to establish border enforcement procedures for rights other than trademark and copyright, subject to certain additional safeguards. For example, if a member country implements the border enforcement provisions of the Agreement with respect to patents, integrated circuits, trade secrets, or industrial designs, any allegedly infringing products being detained by customs authorities must be released upon payment of a bond after a specified period of time. The Section also permits customs officials to take action on their own initiative to prevent the importation of infringing goods.

Under Section 5, WTO member governments must provide criminal sanctions to address willful copyright piracy and trademark counterfeiting on a commercial scale. Criminal sanctions may also be provided to address infringement of other intellectual property rights, particularly when the infringement is willful and done on a commercial scale.

12. Acquisition and Maintenance of Intellectual Property Rights and Related Inter-Parties Procedures

Article 62 permits member countries to require compliance with reasonable procedures and formalities as a condition of acquiring or maintaining rights in patents, trademarks, industrial designs, geographical indications, and semiconductor mask works. With respect to intellectual property rights that are subject to registration, such as patents and trademarks, member countries must ensure that their procedures permit the grant of the right within a reasonable period of time. This rule is meant to avoid unwarranted curtailment of the term of protection. Finally, governments must provide for judicial review of final administrative decisions regarding the grant of intellectual property rights, with some minor exceptions.

13. Transparency and Dispute Settlement

Article 63 requires member countries to publish, or at least make publicly available in a national language, all laws, regulations, final judicial decisions, and administrative rulings of general application that pertain to the availability, scope, acquisition, enforcement, or prevention of the abuse of intellectual property rights. They must also publish any agreements they enter into with other WTO governments.

Article 64 makes clear that disputes arising under the Agreement on TRIPs are to be settled under the terms of the WTO Dispute Settlement Understanding. However, governments may not initiate cases against other WTO countries alleging "non-violation," nullification, or impairment of benefits under the Agreement during the first five years after the WTO Agreement goes into effect. During the five-year period, the TRIPs Council may make recommendations to the WTO Ministerial Conference concerning the appropriate scope and procedures for addressing such complaints. Approval of the recommendations or any decision to extend the five-year moratorium on bringing such cases must be made by consensus.

14. Transitional Arrangements

Article 65 and 66 define when member countries have to meet the obligations of the Agreement on TRIPs. All member countries are given a "grace period" of one year after the entry into force of the WTO Agreement before having to apply any provisions of the Agreement on TRIPs. Any developing country, and some countries that are in the process of changing from centrally-planned to market economies, must implement the national treatment and MFN provisions after the one-year grace period but may delay implementation of all other substantive TRIPs provisions for four years after that date. An additional five-year period is available for developing countries to extend product patent protection to technologies that were not formerly eligible for protection. Least-developed country members must apply the national treatment and MFN provisions after the general one-year grace period but may delay implementation of all other TRIPs provisions for ten years from that date. The TRIPs Council may grant such countries further extensions under certain circumstances. Use of any of the transitional provisions is subject to a standstill requirement, *i.e.,* any changes made during the relevant transition period cannot result in a lesser degree of consistency with the Agreement.

15. Institutional Arrangements and Final Provisions

Article IV of the WTO Agreement establishes a Council for TRIPs to oversee the functioning of the Agreement on TRIPs. The Agreement on TRIPs provides that the Council will monitor the operation of the Agreement including compliance matters. Article 69 provides for cooperation to eliminate trade in goods that infringe intellectual property rights, for the establishment of contact points, and for information exchanges and customs cooperation in regard to trade in counterfeit trademark and pirated copyright goods.

The TRIPs Council will review the implementation of the Agreement five years after the WTO Agreement enters into force and every two years thereafter. The Council may recommend, by consensus, that the WTO Ministerial Conference amend the Agreement to adjust to higher levels of protection of intellectual property rights already in force among all member countries.

The "final provisions" on application of the Agreement provide that no member country will have any obligations in regard to acts that occurred before that country had to apply the Agreement, but the government will be bound in respect of all subject matter existing on that date. Member countries are not required to restore protection to subject matter that has fallen into the public domain. A reservations clause bars any reservations to the Agreement unless all other member countries consent. Finally, a general security exceptions clause permits a member country to withhold information or take action for national security reasons, or to comply with obligations under the United Nations Charter for the maintenance of international peace and security.

B. ACTION REQUIRED OR APPROPRIATE TO IMPLEMENT THE AGREEMENT

1. Implementing Bill

Title V of the implementing bill makes changes in federal law with respect to:

- rental rights in computer programs;

- protection against the unauthorized fixation in a sound recording or music video of a live performance or the communication to the public of the sounds of a live performance;

- restoration of copyright protection to works already in existence and not protected by federal copyright in the United States, but that are subject to neighboring rights or copyright protection in the WTO member country that is the source of the work;

- the definition of "abandonment" under the trademark law;

- registrability under the trademark law of a misleading geographic indication identifying wines or spirits;

- treatment of inventive activity occurring in WTO member countries for purposes of establishing the date of invention under U.S. patent law;

- the definition of infringing activity under a patent relating to offers for sale and importation of a patented good;

- the term of protection of a patent; and

- establishment of a provisional patent application system and a right of internal priority for patent applications filed originally in the United States, as well as enabling a patent applicant to extend the term of patents that are delayed by interference proceedings, secrecy orders, and successful appeals to the Board or Patent Appeals or lnterferences or a federal court.

Other areas of U.S. intellectual property law are unaffected by the Agreement on TRIPs. For example, the Agreement does not require any change in current U.S. law or practice with respect to parallel importation of goods that are the subject of intellectual property rights.

a. Rental Rights in Computer Programs

Article 11 of the Agreement requires member countries to provide exclusive "rental rights" (the right for authors or their successors in title to authorize or prohibit commercial rental to the public of originals or copies of their copyrighted works) in respect of at least computer programs and cinematographic works. Federal law provides rental rights for computer programs but those rights currently are subject to a "sunset" provision in the Computer Software Rental Amendments Act of 1990 *(17 U.S.C. 109* note). Section 511 of the implementing bill eliminates the sunset

provision so that authors of computer programs and their successors in title will enjoy rental rights on a permanent basis.

Article 11 also provides that member countries need not provide rental rights in respect of cinematographic works unless rental has led to widespread copying that is having a material effect on the author's exclusive right of reproduction of the work. Because the rental of motion pictures has not caused a widespread problem of copying in the United States, the bill does not provide for rental rights in respect of motion pictures.

b. Booting Sound Records and Music Videos

Article 14 of the Agreement requires WTO members to make it possible for performers to prevent the unauthorized fixation in a sound recording of their performances and to prevent the reproduction of such recordings. Various state statutes and judicial decisions presently provide criminal sanctions and civil remedies for "bootleg" recordings or reproduction of such recordings. However, these laws and decisions are not entirely uniform and may not provide the necessary basis for border enforcement against bootleg sound recordings. Sections 512 and 513 of the bill implement Article 14 of the Agreement by creating new federal civil and criminal remedies against bootlegging. These remedies will supplement, rather than preempt, state laws and judicial decisions on this subject.

Section 512 amends Title 17 of the U.S. Code to provide that bootleggers are subject to civil remedies under the Copyright Act. In addition, section 513 makes bootlegging "knowingly and for purposes of commercial advantage or private gain" a crime. It is intended that neither civil nor criminal liability will arise in cases where First Amendment principles are implicated, such as where small portions of an unauthorized fixation are used without permission in a news broadcast or for other purposes of comment or criticism.

The United States has led efforts to combat the rise in piracy of sound recordings in countries around the world. The new federal remedies will ensure that performers enjoy a high and uniform level of protection in the United States as well, and will aid efforts by the Customs Service to combat bootleg sound recordings.

c. Restoration of Copyright

Article 9 of the Agreement requires WTO countries to comply with the requirements of Article 18 of the *Berne Convention for the Protection of Literary and Artistic Works* (1971). In addition, Article 14 of the Agreement explicitly extends this requirement to sound recordings. Before the United Stales adhered to the Berne Convention in 1989, Congress determined that the United States was in compliance with Article 18 of the Convention but called for further study concerning whether to restore copyright protection to works from Berne Union member countries that had fallen into the public domain in the United States.

Since 1989, Congress, the Administration, the private sector, and the academic community have debated various approaches to restoring copyright protection to certain works in the public domain. The North American Free Trade Agreement Implementation Act (Pub. L. Law 103-182) took a first step by adding a new section 104A to the Copyright Act, which authorized the restoration of copyright protection to certain Mexican and Canadian motion pictures and works included in those films.

Section 514 of the implementing bill replaces the current version of section 104A and restores protection to virtually all copyrighted works, including sound recordings, from members of the WTO or the Berne Union that are not in the public domain in their source country through the expiration of term but are not protected under copyright law in the United States. Section 514 also provides for restoring copyright to works from countries that are not WTO or Berne Union members if they provide reciprocal treatment for U.S. works. The Administration will work to ensure that other countries provide protection for U.S. works, including sound recordings, that are not in the U.S. public domain through the expiration of their term in the United States, but are in the public domain in such countries.

Section 514 provides protection to works from eligible countries if the works are not protected by copyright in the United States because:

- the copyright owner failed to comply with one or more of the formalities required by U.S. copyright law, for instance by publishing the work without a proper copyright notice, failing to renew the copyright, or by failing to comply with the manufacturing clause or *ad interim* provisions of the copyright law;

- the work is a sound recording fixed prior to February 15, 1972, and was not entitled to copyright protection; or

- the work is from a country with which the United States did not have copyright relations at the time of the work's publication.

The bill uses the term "restoration" without distinguishing between those copyrights actually "restored" by the bill and those that have never before enjoyed copyright protection in the United States. Protection is provided in both cases.

In general, copyright will be restored on the date when the TRIPs Agreement's obligations take effect for the United States, which means that the owners of restored copyrights may seek remedies against any infringements occurring on or after that date. However, section 514 includes special provisions that will apply when a "reliance party" in the United States has commenced and continued to engage in exploitation of a restored work or has acquired one or more copies or phonorecords of a restored work. The term "reliance party" also includes a person who is a successor, assignee, or licensee of another reliance party who has sold or otherwise disposed of a derivative work based upon a restored work. It further includes a person who has acquired "significant assets" of a predecessor reliance party. Reliance parties will have a 12-month grace period, after filing of constructive or receipt of actual notice that has been served by a copyright owner to enforce the restored copyright, during which the reliance party may exploit the work in any manner except for reproduction.

(1) Copyright Restoration

Under subsection (a) of amended section 104A, copyrights in restored works will arise automatically on the date of restoration as defined in subsection (h)(2) of amended section 104A. No special steps other than those set out elsewhere in Title 17 will need to be taken to make a restored copyright fully enforceable against parties other than "reliance parties." Owners of restored copyrights will also be permitted to file for registration of the copyright simultaneously with the filing of a notice of intent to enforce a restored copyright. The notice and other formal requirements in subsection (c) through (e) of amended section 104A will apply *only* when restored copyrights are being enforced against "reliance parties."

Restored copyrights will last for the term that they would have enjoyed had they arisen and remained in force under the Copyright Act. Thus, for example:

- a French short story that was first published without copyright notice in 1935 will be treated as if it had both been published with a proper notice and properly renewed, meaning that its restored copyright will expire on December 31, 2010 (75 years after the U.S. copyright would have come into existence);

- a Chinese play from 1983 will be protected until December 31st of the fiftieth year after the year in which its author dies; or

- a Mexican sound recording first published in Mexico in 1965 will be protected until December 31, 2040.

This provision is intended to deal only with duration and does not encompass reversion or termination rights under chapters 2 and 3 of the Copyright Act.

Motion pictures and certain works included in motion pictures produced in Mexico and Canada for which copyrights were restored under the NAFTA Implementation Act will continue to enjoy copyright protection, but such protection will be governed by the new section 104A substituted by the implementing bill. Similarly, other works from NAFTA countries that are in the public domain in the United States, including motion pictures for which no NAFTA restoration was sought, will be subject to copyright restoration under the new section 104A.

(2) Ownership of a Restored Copyright

Subsection (b) of amended section 104A provides that a restored copyright is owned, in the first instance, by its author or initial right holder, as determined by the law of the restored work's "source country." This means that in certain instances it will be necessary to refer to foreign law to identify the initial owner of the restored copyright. There can be only one source country for any particular work. In the case of sound recordings, compilations, and other fixations that are "works" under U.S. law, but are protected by "neighboring rights" under some foreign laws, subsection (b) grants rights to the initial beneficiary of such "neighboring rights" regimes.

If the author or initial right holder at any time assigned, licensed, or otherwise alienated or disposed of an exclusive or non-exclusive interest in the copyright, that disposition is to be given effect according to the terms of the agreement, taking into account the expectations of the parties and relevant laws (including those concerning copyright, neighboring rights, contracts, descent and distribution, estates, and conflicts of law). For example, a U.S. company may have

obtained rights in an underlying literary or musical work for exploitation in a motion picture "throughout the world" at a time when the underlying work was in the public domain in the United States but protected in the source country. Such a transfer would be given effect in the United States, depending on the terms of the contract as a whole.

(3) Enforcement Against "Reliance Parties"

Subsection (c) of amended section 104A provides that any owner of any exclusive interest in a restored copyright may file in the Copyright Office or serve on a reliance party a notice of intent to enforce that copyright against "reliance parties." It also makes clear that no statement or claim made in any such notice will enjoy any presumption as to its truthfulness. This provision is intended to avoid any implication that "reliance parties" (or others) face an augmented burden in contesting claims made in such notices.

The concept of "reliance party" is intended to grant, for a limited time, to persons having acted in good faith reliance on the public domain status of the now-restored work, the ability to exploit such works in most manners. It applies to two classes of persons:

(1) those who acted in a certain manner prior to the date of enactment of the bill (or, for restored works from source countries not in the Berne Union or WTO until after the WTO Agreement becomes effective with respect to the United States, the date of adherence or proclamation) and

(2) those who bought or otherwise acquired an interest in restored works (or derivative works created before the date of enactment that are based on a restored work) from someone having the status of a reliance party.

The first class consists of persons who either (a) engaged in acts with respect to a particular restored work, prior to the date of enactment of the Uruguay Round Agreements Act, that would have been infringing had it been copyrighted at the time (i.e., acts such as reproduction, public performance, or creation of a derivative work) *and* continued such acts after restoration, or (b) made or acquired one or more copies of a particular restored work prior to the date of enactment. Acquisition of works incorporating a material portion of a restored work are also encompassed by this provision.

The other class comprises persons who at any time either (a) bought or otherwise acquired an interest in a derivative work based upon a restored work from someone having the status of reliance party with respect to such derivative work or (b) bought or otherwise acquired "significant assets" -- including multiple copyrights, or a back list, imprints, or tangible inventory -- from someone having the status of a reliance party.

While sometimes not technically a "reliance party," immunity from liability on like grounds is intended to be available to related parties who might otherwise be liable under doctrines such as *respondeat superior,* contributory infringement or vicarious liability, including, but not limited to, parent organizations, subsidiaries, officers, directors, shareholders, employees, agents and the like.

(4) Remedies

Subsection (d)(1) of amended section 104A provides that persons other than "reliance parties" accused of infringing restored copyrights are subject -- beginning on the date of restoration -- to full liability for acts occurring on and after that date. A restored copyright is meant to be indistinguishable from any other copyright and the holder of a restored copyright is to have exactly the same rights and remedies as any other copyright holder, except in respect to "reliance parties."

Pursuant to subsection (d)(2) or amended section 104A, no remedy may be invoked against a "reliance party" until:

- the Copyright Office has published in the Federal Register a list identifying the particular restored copyright, or

- the owner of the restored copyright serves actual notice upon the "reliance party."

Notice filed with the Copyright Office will be effective against any "reliance party," whereas actual notice will be effective with respect to the specific reliance party notified, and other reliance parties who know both of the fact of service and the contents of the notice. The Copyright Office will publish regulations that govern the filing of such notices, no later than 90 days before the TRIPs Agreement takes effect for the United States.

Any actual notice must, at a minimum, comply with the applicable provisions of subsection (e)(2) of amended section 104A, discussed below, and must be served -- whether in person or by mail -- in a manner that comports with due process. That is, "the means employed must be such as one desirous of actually informing the party might

reasonably adopt to accomplish it." *Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306, 315 (1950).* The contents of actual and constructive notices will differ in important respects because subsection (e) requires that actual notice identify the particular use to which the owner of the restored copyright objects and the work in which the restored work is used.

The "reliance party" must cease reproducing a work in which a restored copyright subsists, and cease preparing new derivative works that reproduce significant elements of a work in which a restored copyright subsists, on the date the Copyright Office publishes the title or description of the work in the *Federal Register* or the "reliance party" receives actual notice. For 12 months thereafter, however, a "reliance party" may sell off previously manufactured stock, publicly perform or publicly display the work, or authorize others to conduct these activities. The grace period will also provide an opportunity for the parties to reach a licensing agreement to permit continued use of the work. In the absence of an agreement, the reliance party must cease using the work at the end of the grace period.

Subsection (d)(3) of amended section 104A sets out additional provisions that apply to the continued exploitation, by reliance parties, of derivative works based upon restored works, where the derivative work was created prior to the date of enactment of the bill (or, for restored works from source countries not in the Berne Union or WTO until after the WTO Agreement becomes effective with respect to the United States, the date of adherence or proclamation). Such a derivative work may continue to be exploited by a relevant reliance party if the reliance party pays the owner of the restored copyright reasonable compensation. Such compensation is due in respect of any infringing conduct for which the reliance party would be liable in the absence of the provisions of subsection (d)(3).

Although it is likely that the owner of the restored copyright and the reliance party will agree on the amount of compensation to be paid, should they fail to do so, the amount of compensation would be determined by an action in federal district court, or if the parties agree, through mediation, or binding arbitration. A judge, arbitrator or mediator should set such compensation to reflect, among other things, (a) harm to the actual or potential market for or value of the restored work and (b) the relative contributions of expression of the authors of the restored work and the derivative work. In some cases, the harm to the actual or potential market of the restored work will exceed the revenue generated by the exploitation of the derivative work. Subsection (d)(3) is not intended to limit compensation due to the owner of a restored copyright in such cases.

Section 412 of the Copyright Act generally restricts the award of statutory damages and attorney's fees to copyright holders who registered their copyrights before the infringement began. Under subsection (d)(4) of amended section 104A, in the case of reliance parties, infringement will be deemed to have commenced prior to registration, so that statutory damages and attorney's fees will not be available, when activities that would have been infringing prior to the date of restoration had the restored work then been subject to copyright, were commenced prior to the date of restoration.

Remedies are available against "reliance parties" when the owner of the restored copyright has either filed constructive notice or served actual notice under subsection (d)(2) of amended section 104A. In considering whether an injunction should issue in respect of an infringement of a restored copyright, it is expected that a court would apply all of the traditional canons of equity. *See Campbell v. Acuff-Rose Music, 114 S. Ct. 1164, 1171 n.10 (1994).*

(5) Notices of Intent

Subsection (e) of amended section 104A establishes rules concerning notices of intent to enforce a restored copyright against reliance parties. First, in order to permit clear identification of the work subject to restored copyright and the owner of that right, subsection (e) specifies the minimum information that must be included in such a notice. All notices must identify the title of the restorable work in a manner that minimizes uncertainty as to the identity of the copyright that is intended to be enforced. Thus, an owner must provide English translations of foreign-language titles and alternative titles by which the work might be known of which the owner is aware. For a work, such as a photograph, that is unlikely to be known by any title it might have, the owner must describe the work to the extent necessary for its identification.

In addition, the notice must be signed by the owner of the restored copyright or his agent. An agent's signature is effective only if the owner has created the agency in writing prior to the time the agent signs the notice. Actual notice served on a "reliance party" must identify the allegedly infringing use but no such requirement exists for constructive notice filed with the Copyright Office.

The filing of a notice of intent to enforce a restored copyright shall not prejudice the ability of a person to seek at any time a judicial determination that a particular work was never in the public domain in the United States.

Subsection (e)(1) specifies certain information that must be included in constructive notices and also requires the Copyright Office to publish lists of restored copyrights that have been the subject of filings in the Copyright Office. The lists will be published quarterly and cumulated on an annual basis for two years after the relevant date of restoration for a particular country. The Administration expects that the initial 24-month period will be the relevant date of restoration for most countries, since more than 100 countries are Members of the Berne Union and many countries will be original members of the WTO when that Agreement enters into force. For countries that become "eligible countries" through adherence or proclamation, there will be a separate 24-month period for filing notices under subsection (e)(1) and the Copyright Office will publish lists of notices as specified above. The Copyright Office will keep at least one complete list of all notices published in its Public Information Office.

Subsection (e)(3) provides that a notice will be void as to a particular restored work if it contains any knowingly false statements or claims with respect to that work. Thus, any notice listing multiple titles, one or more of which the purported owner does not in fact own or for which the copyright has not been restored, will be void in respect of such work and "reliance parties" may continue all uses until a proper notice is made.

(6) Immunity from Liability

Subsection (f)(1) of amended section 104A provides that when a party has warranted that a work containing (or based on) a restorable work does not infringe a copyright, and the warranty was made prior to January 1, 1995, that party will not be liable for breach of warranty when the breach is due solely to later restoration of the copyright. Subsection (f)(2) provides that neither the remedy of specific performance nor damages shall be available for a reliance party's failure to perform an obligation undertaken before January 1, 1995 when such performance has become infringing by virtue of restoration of a copyright under this Act.

(7) Other Provisions

Subsection (g) of amended 104A permits the President to proclaim a foreign country that is neither a member of the WTO nor of the Berne Union an "eligible country" for purposes of section 104A when that country makes restoration of copyrights available to U.S. works on substantially the same basis as that provided in the United States.

(8) Amendment to Section 109(a)

Section 514 also amends section 109(a) of the Copyright Act by adding a provision clarifying that the sale or other disposition of copies or phonorecords manufactured before the date a copyright is restored under amended section 104A, or in the case of a reliance party before publication or service of notice under 104A(e), will be authorized for purposes of direct or indirect commercial advantage only during the 12-month post-restoration grace period provided in section 104A(d).