RESTRICTED
MTN.GNG/NG11/16
4 December 1989

Special Distribution

Negotiating Group on Trade-Related Aspects
of Intellectual Property Rights, including
Trade in Counterfeit Goods

MEETING OF NEGOTIATING GROUP OF 30 OCTOBER-2 NOVEMBER 1989

Chairman: Ambassador Lars E. R. Anell (Sweden)

Note by the Secretariat

1. The Group adopted the agenda proposed in GATT/AIR/2859 with the inscription under "Other Business", at the request of the Chairman, of two matters concerning respectively the request by Unesco for attendance at meetings of the Group and the proposal for a secretariat paper on restrictive and anti-competitive conditions that might be attached to the use of IPRs. As agreed at its July meeting, the Group had the whole of its agenda before it but focused its discussion on item I(B). Two new papers were also introduced and discussed under item I(C). No interventions were made under agenda items I(A), I(D), I(E), I(F) and II.

I. Continuation of the negotiations as required by paragraph 4 of the TNC of 8 April 1989, taking account of paragraphs 5 and 6 and of other relevant paragraphs of that decision

(B) The provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights

2. The Group had before it four new proposals on this item, from Peru, New Zealand, Canada and Korea, circulated as documents NG11/W/45, W/46, W/47 and W/48 respectively. In addition Japan had presented to the Group in document NG11/W/17/Add.2 certain revisions to its earlier proposals on standards. After introduction and discussion of the new proposals, the Group considered in turn each of the eight areas of substantive standards on which proposals had been made.

3. Providing some general background to the thinking that lay behind the proposal of New Zealand in document NG11/W/46, the representative of New Zealand said that his delegation believed that it was important at the present stage of the negotiations for participants to give a formal indication of their current thinking; any similarities that emerged would assist the Negotiating Group in reaching a consensus. The New Zealand proposal was presented as a basis for adequate minimum standards; it did not seek to constrain countries from going further than the minimum standards. Given the limited amount of time left for negotiation, his

delegation felt that the Group should not attempt to be over-ambitious, either in the level of detail of commitments or through attempting to invent a whole new system. This was why his delegation considered it important to start with elements that existed already, including the existing international conventions which

could be a basis for standards, and the overall GATT system itself, notably its dispute settlement mechanisms. Where it was appropriate that minimum standards should be those of existing instruments, there were a number of difficulties to be taken into account in considering the means by which signatories would give effect to such minimum standards, resulting from the fact that there were different versions of existing conventions with different participation. A requirement to accede to these conventions could present special problems for some contracting parties who could nonetheless accept the minimum standards as set out in the New Zealand proposal. It suggested that one possibility would be for the agreement to contain a statement to the effect that parties should accord protection at least as adequate and effective as the standards contained in the international intellectual property conventions. Reference could be made to a particular version of each convention or perhaps to the most commonly subscribed version as had been suggested by at least one participant.

4. Continuing his introduction, the representative of New Zealand said that his delegation considered that the agreement which resulted from the TRIPS negotiations would appropriately fall within the GATT framework. This would give the agreement an appropriate trade focus and would also make available the tested and workable expertise of the GATT system. Basic GATT principles, especially those of national treatment, MFN and transparency, would apply, but since the agreement would be within the GATT framework there would be no need to restate them in full as general principles. They could however be made explicit at certain points so that their application to specific sections of the agreement was clear. Moreover, at the very least, the dispute settlement mechanism in a TRIPS agreement should be modelled on the existing GATT system and allow for a period of consultations between the parties, recourse to a panel process, and the availability of technical expertise. The dispute settlement mechanisms should also make use of the improvements to the existing GATT dispute settlement systems that were being discussed as part of the Uruguay Round. Referring to the elements of a TRIPS agreement suggested in the introductory section of the New Zealand submission, he added that these could include an undertaking by developed countries to provide technical assistance on request. He informed the Group of the intensive reviews currently underway of New Zealand legislation relating to copyright, patents, industrial designs and trademarks, and said that the submission was without prejudice to the outcome of these reviews. While the paper reflected consultations that had been carried out among intellectual property users in New Zealand, there were some gaps in the paper which corresponded to areas on which New Zealand had not yet reached a firm position; he reserved the right to modify the views expressed. The absence of a mention of trade secrets, computer programs and integrated circuits in the New Zealand paper reflected the fact that New Zealand was still working through its position in respect of these three issues. New Zealand however recognised their importance.

5. Introducing the proposal of his delegation contained in NG11/W/47, the representative of Canada said that the fundamental issue at stake in the TRIPS negotiations was whether or not GATT was going to remain effective in an increasingly interdependent world where countries and businesses were placing an increasing emphasis on human creativity as perhaps the most critical factor of production. Consequently they were beginning to place a corresponding emphasis on the application of intellectual property law to protect and encourage that creativity. The focus of the Canadian paper had been to try to build on the linkage between intellectual property, in this case standards, and the trade dimension of these issues. These links were particularly analysed in paragraphs 3-6 of the proposal. In relation to paragraph 6, he elaborated on the Canadian view that restrictions that limited the ability of private parties to conclude mutually advantageous licensing agreements could raise the cost of technology and reduce international technology flows. In this regard, it had to be borne in mind that the transfer of technology did not simply involve the transfer of the intellectual property itself, for example the licensing of a patent right, but to be effective also required the transfer of know-how and training that would enable the technology to be used. He then outlined the main features of the various parts of the Canadian proposal. In conclusion, he said that he considered that the main questions that needed to be addressed in the area of standards were: first the adequacy of standards required to reduce the trade distortions that had been identified; secondly the question as to whether or not the standards would ensure the access to and the transfer of technology that many countries considered appropriate; and thirdly the question as to whether the standards were going to be adequate to encourage the kind of innovation and creativity on a worldwide basis that was important in terms of the dissemination of goods and services that

contained a high intellectual property component.

6. Introducing the submission of his delegation contained in document NG11/W/45, the representative of Peru said that it reflected the point of view of a developing country. The objective of any multilateral negotiation was to achieve a compromise which would reflect the interests of all countries, developed and developing. Balanced negotiations, which required that unequal parties should not be treated equally, would enable wider participation in any final agreement and in particular make such an agreement attractive to developing countries. In this regard, he said that paragraph 5 of the April TNC decision should guide the Group's work, the objectives of which should be as had been spelt out in Section II of the submission. He indicated that his delegation would elaborate further on certain aspects of the submission including those relating to the grounds for the grant of compulsory licences and to safeguard provisions in the event of an imbalance in the balance of payments situation of developing countries; the latter respect had already been addressed in the GNS. Concluding, he said that the proposal was intended to ensure that the interests of all countries involved in the negotiations were taken into consideration so that a co-operative rather than a punitive system could be achieved.

7. Introducing the proposal of his country on substantive standards contained in document NG11/W/48, the representative of Korea said that the submission was based on an approach that struck a balance between the protection and the use of IPRs and between the rights and obligations of the owners of IPRs. In the course of the negotiations priority should be given to seeking the fullest participation possible in an international agreement, taking into account the divergence of interests between participants. He emphasised that in keeping with paragraph 6 of the April TNC decision, any unilateral or bilateral actions during the negotiations should be restrained in order to create a favourable atmosphere. In order to achieve the purpose of the negotiations to remove trade distortions in the field of IPRs, the general principles spelt out in section I of the submission had to be borne in mind.

8. The representative of Japan said that the paper submitted by his delegation in document NG11/W/17/Add.2 was intended to add precision to certain aspects of Japan's earlier proposal on standards. In respect of semi-conductor integrated circuit layout rights, he said that Japan was not satisfied with the recently negotiated Washington Treaty and that the proposal in the new document was aimed at remedying one of the defects in that Treaty. Stressing the importance that Japan attached to the TRIPS negotiations and its desire to accelerate the negotiating process, he said that Japan was prepared to amend relevant laws and regulations in order to implement a TRIPS agreement; this was shown by the Japanese proposal on border enforcement contained in document NG11/W/43/Add.1. Responding to a question about the relation between the Japanese proposal on integrated circuits and the Washington Treaty, he said there was no legal relationship; the proposal did not aim to amend the Washington Treaty which Japan had not signed and under which it therefore had no obligations. The aim was to construct a new agreement in this field as one of the results of the TRIPS negotiations.

9. A participant said that he was prepared to engage in an exercise in the Negotiating Group aimed at the negotiation of improved standards for the protection of IPRs, provided that it was recognised that there was no automatic link between the protection of IPRs and international trade and that any such improved standards would be passed on to WIPO with the objective of incorporating them into existing international instruments. In order to deal with problems arising where the protection of intellectual property affected international trade, a general provision could be incorporated into the General Agreement itself through the amendment procedure. He suggested that this could, for example, be based on the text of paragraph 7 of the Canadian proposal (NG11/W/47), incorporating a cross-reference to the WIPO standards that would require contracting parties to bring all laws, regulations, procedures and practices of their intellectual property regimes into conformity with those standards. In the event of a dispute, it would be first for WIPO to determine if the standards for the protection of intellectual property had not been respected. If there were such a finding from WIPO, a contracting party would then be able to invoke in GATT the new GATT provision if it felt that the non-respect of the WIPO standards was having an adverse trade effect. There would be no automatic presumption of such

an adverse effect; the burden of proof that there were such effects on trade and that they were causing injury would be on the complainant. The normal procedures and remedies of the GATT dispute settlement system would apply as would the various general principles contained in the General Agreement, such as mfn, non-discrimination, national treatment, special and differential treatment, transparency and safeguards. In his view, application of the safeguards principle could resolve most of the problems that had been referred to in the discussions. He also reaffirmed his views on the application of other principles including reciprocity, globality, the need to prevent monopoly action on the part of patent holders and the need for developing countries to have access to technology. Support for or interest in these suggestions was expressed by a number of participants.

10. The new papers presented to the Group were welcomed as important contributions to the work on standards. In the discussion a number of participants identified points where their views were consonant with or different from those presented in the new papers. In explaining their views, some of these participants referred to positions that they had previously presented to the Group whether in writing or orally.

11. While recognising the effort made in the Canadian paper and to some extent in the New Zealand paper to establish the trade-relatedness of the standards proposed, some participants were concerned that these proposals reflected a tendency to assume an automatic link between trade and the protection of IPRs. The representative of Brazil referred in this context to the analysis of this matter that his delegation had presented in document NG11/W/30. Some other participants welcomed the analysis in the Canadian paper of the link between intellectual property standards and international trade, which they considered to be convincing.

12. Some participants welcomed the recognition in the Canadian paper of the need to take into account the interests of the public at large, to prevent the excessive protection of intellectual property and to facilitate the transfer of technology. However, they considered that there might be need for these concepts to be given greater operational expression in the specific proposals. In the discussion a number of participants reaffirmed their views about the relationship between the protection of intellectual property on the one hand and the promotion of the public interest and the transfer of technology on the other hand. The need for paragraph 5 of the TNC decision to be given concrete expression in each area of the Group's work rather than discussed as an abstract set of concepts was emphasised. Some participants also reaffirmed their views on the issues of restrictive or anti-competitive practices related to the use of IPRs, globality, and transitional arrangements. Some participants expressed concern about the risk of conflict with existing international obligations, especially those in WIPO, if a parallel exercise to negotiate and establish standards in the GATT framework were to be pursued. In their view, if it was thought desirable to build on existing international conventions, as suggested in certain of the proposals, the appropriate forum for such activity would be that administering those conventions. In this connection, paragraph 3 of the Punta decision and paragraph 8 of the TNC decision should be fully taken into account.

13. Commenting on the proposal presented by Peru, a participant said that certain aspects of that paper concerned the legislation of the Andean pact which was at present being reviewed. The Andean legislation on this matter had been drawn up in the light of the experience that the protection of IPRs had mainly served the interests of transnational companies and had had undesirable effects on developing countries. The purpose of the Andean legislation was to ensure that IPR protection promoted the social, economic and technological development of the Andean countries. The appropriateness of this approach was recognised by paragraph 5 of the TNC decision which was relevant to all the issues before the Group. He welcomed the paper submitted by Peru and elaborated on some of the suggestions in it. In relation to compulsory licensing (Section III, paragraph 1.5), he believed that a mechanism to provide for adjustments according to different social systems and for the setting of suitable compensation could be established. For example the authority competent to grant patents could be required to set the amount of compensation in a rapid, fair and balanced manner, and provision could be made for the patent owner to have recourse to a judicial body in the event that he was not satisfied. It was also important to specify conditions to be met by the recipient of a compulsory licence. He should not be entitled to assign the licence or rights derived from it without the prior authorisation of the patentee and should have an obligation to exploit the patent adequately and in a way that did not give rise to the practices that had

led to the grant of the compulsory licence in the first place. In regard to copyright, integrated circuits, computer software and biotechnology, he believed that the proposal could be developed bearing in mind paragraph 3 of the Punta Declaration and paragraph 8 of the TNC Decision and taking into account the work of other international organisations in these areas. He considered that accession to the Berne Convention and to the Washington Treaty should be encouraged. In his view, biotechnological developments did not meet the requirements of patentability; the isolation of a gene of an animal species or plant variety was not an invention but a discovery of a pre-existing phenomenon. He was concerned that the protection of biotechnological developments could generate a conflict of interest within companies which at the same time produced for example pesticides and discovered plant varieties resistant to those pesticides. The patenting of biotechnological inventions could help such companies to maintain a dominant position and make more difficult the exchange of species between developed and developing countries. In regard to restrictive business practices, which in his view gave rise to barriers to trade and therefore fell clearly within the scope of the Punta Declaration, he advocated the establishment of an open-ended indicative list of different RBPs, with the aim of ensuring the elimination of restrictive practices curtailing the development of developing countries and causing distortions or impediments to their international trade. In conclusion, he expressed his support for the view that it should be left to WIPO to deal with questions of compliance with the different intellectual property conventions; GATT should determine whether any such non-compliance led to barriers to legitimate trade.

14. A participant said that, in order to take account of paragraph 8 of the TNC decision, the work of the Group could only be of a complementary nature to that in other international organisations and should be concentrated on the trade impact of intellectual property rights; matters related to the protection of property rights as such should consequently continue to be discussed in the competent fora, especially in WIPO. A positive way of carrying out such negotiations in the Group would include, inter alia: (a) reaffirming the principles, standards and guidelines already established by relevant international instruments dealing with intellectual property rights; (b) discussing mechanisms to avoid excessive protection and rigid enforcement rules constituting obstacles to trade; for this purpose, the control of restrictive business practices and anti-competitve conditions was an issue of primary importance, together with the establishment of a set of duties and obligations of IPR holders to balance their rights; (c) discussing means to assure developing countries' access to modern technology in a way conducive to their greater technological development and consequent improvement in their competitiveness in international trade; and (d) allowing developing countries to pursue social, economic and technological development objectives; in this context, developing countries should continue to have the right to freely establish national systems for the protection of intellectual property rights in accordance with internal needs.

15. Reaffirming that this was a matter to be dealt with at the end of the negotiations, some participants expressed concern that certain proposals assumed that the results of the TRIPS negotiations would be implemented in the GATT framework. In their view, commitments on standards were not suitable for implementation in the GATT framework.

16. Responding to comments and questions on his country's proposal, the representative of New Zealand said that in order to have an agreement with as many participants as possible his delegation had adopted the approach of seeking an agreement with slightly less stringent standards rather than an agreement with higher levels of protection but with only a limited membership. If New Zealand was to participate, the provisions must be reasonable and achievable for New Zealand. Hence, many of the standards suggested in the paper reflected current New Zealand legislation. Responding to the view that the paper tended to assume an automatic link between intellectual property and trade, he said that the paper was a distillation of what New Zealand considered to be the essential trade-related intellectual property rights on the basis of the considerable attention given to the question of the relationship between IPRs and trade during the first two and a half years' work of the Negotiating Group.

17. The following records the comments made on the individual paragraphs of the New Zealand proposal and the responses provided by New Zealand to questions asked in respect of them:

Page 1, third paragraph Providing clarifications, the representative of New Zealand said that, while it would be preferable if all signatories could have the same obligations in respect of the principal international intellectual property conventions, for example by a common reference to the latest revisions of those conventions or to the most commonly subscribed versions, it seemed to his delegation that, in order to establish the necessary common minimum standards for a TRIPS agreement, an identical pattern of adherence to the various conventions may not be required. His delegation also believed that it would be possible for signatories to undertake a commitment to follow the evolution of standards in the relevant conventions; this would be a way of avoiding transferring to the GATT the responsibility for amendment and further development of these conventions.

Page 2, fourth paragraph,(a). Responding to a question as to why non-discrimination, safeguards and special and differential treatment were not mentioned, the representative of New Zealand said that the specific GATT principles mentioned were examples. Safeguards were one of the common GATT principles and disciplines to which reference was made. On the question of special and differential treatment for developing countries, he drew attention to the penultimate paragraph on page 2 which was intended to recognise the needs of developing countries.

Page 2, fifth paragraph. The representative of New Zealand said that his delegation envisaged specific transitional provisions in the agreement, which would be appropriate for participants which would have difficulties with meeting all the obligations initially. A longer transition period for more sensitive areas might be possible. If there were suggestions for other areas of flexibility, in transitional arrangements, it would be useful for these to be made by those participants which felt they would need them. In the New Zealand view, there should be a basic common minimum level of obligations from which there should be no permanent waiver available.

Copyright, first paragraph. Responding to questions about possible conflict of obligations under different copyright conventions, the representative of New Zealand said that the rights in accordance with which literary and artistic works should be protected would have to include those conferred by the Berne Convention. In the event of two different levels of obligation in different conventions, the higher level should prevail.

Neighbouring rights. Responding to questions on why the rights of performers and broadcasting organisations were not covered, the representative of New Zealand said that at the present time New Zealand had doubts as to whether the Rome Convention could be considered a "trade-related" convention. His delegation, however, was still considering this matter and might agree later that the matters covered by the Rome Convention could be part of minimum standards on neighbouring rights.

Patentable subject matter. The representative of New Zealand said that the list of exclusions was not intended to be exhaustive. It reflected what New Zealand believed were those areas which were clearly unpatentable subject matter. There might be some additional limited exceptions which might be provided for.

Conditions for patentability. The representative of New Zealand said that the proposal did not specify whether novelty should be local or universal. His delegation recognised that both had advantages.

Patents: term of protection. The representative of New Zealand said that the proposed term of protection of 16 years reflected the period currently provided in New Zealand legislation. New Zealand envisaged the period as starting from the time the application was accepted and filed. As to the meaning of the term "prescribed reasons", he said that there may be situations where it would be appropriate to grant an extension of term, for example where the grant of a patent had been significantly delayed for reasons

outside the control of the applicant.

Patents: rights conferred. Responding to requests for clarification of the difference in wording between the first and second sentences, the representative of New Zealand said that the difference reflected New Zealand's view on the emphasis that should be accorded to the positive effects flowing to the holder of a patent. A participant had doubts as to whether a patent should really be considered to entitle a patentee to make, sell, use or exercise the protected invention.

Patents: compulsory licensing. Responding to a question, the representative of New Zealand said that the list of circumstances in which compulsory licences might be given was not intended to be absolutely exhaustive but to convey the conditions that New Zealand thought appropriate for compulsory licensing. Referring to the provision for compulsory licensing in the event of an adjudicated anti-competitive practice, a participant expressed the view that it would be preferable to declare such practices illegal and agreements containing them null and void, rather than to rely on compulsory licensing after the event. In response, the representative of New Zealand said that his delegation believed that it was not possible to list the situations which were to be considered as anti-competitive practices since that could only be decided by a court on a case by case basis. Many practices could be shown to be pro or anti-competitive depending on the case. Responding to a question as to how "adequate compensation" would be determined and who would determine this, the representative of New Zealand said that the final decision would be that of a judicial body.

Trademarks: definition. Responding to questions, the representative of New Zealand said that his delegation did not believe that colour alone could constitute a mark. It did however accept that colour could be considered when determining whether a mark existed. Sub-paragraph (d) referred to the situation where there was already an identical trademark belonging to another party, whether or not it had been registered.

Protection of well-known marks. Providing clarification on what was meant by "well-known marks", the representative of New Zealand said that his delegation believed that where a mark was widely known, whether within the country or internationally, such a mark should be protected to prevent any confusion or misunderstanding arising. The representative of India recalled the views that his delegation had presented on the protection of well-known trademarks in paragraphs 39-40 of NG11/W/37. He added that the question as to whether well-known marks should be protected in relation to different classes of products than those for which they had been registered should be left to each country to decide. Further his delegation believed that domestically owned and foreign owned well-known marks should be protected equally.

Trademarks: term of protection. Some participants sought clarification of the term that New Zealand had in mind and also what provision it envisaged for renewal of trademark rights. In response the representative of New Zealand said that his delegation believed that there should be a specific term on registration, together with the right of renewal. A participant expressed support for the New Zealand approach to this question.

Trademarks: use requirements for maintenance of protection. Responding to a question, the representative of New Zealand said that his delegation did envisage that there could be justifiable grounds for non-use. Hence the use of the term "may".

18. Responding to questions and comments on the Canadian proposal, the representative of Canada replied to an inquiry about the extent to which the proposal reflected existing legislation in Canada. He said that, while the proposal was generally consistent with Canadian legislation, each intellectual property statute in Canada would have to be amended to adopt the suggested standards. Some 20 to 25 specific changes would have to be made, including those necessary to adopt the Paris and Berne Conventions in their latest revisions, significant

changes to the Canadian Patent Act and the elaboration and adoption of legislation to protect intellectual property in respect of integrated circuits.

19. The following are the specific commments made by participants and replies given by Canada to questions on the individual paragraphs of the Canadian proposal.

Paragraph 6. Responding to a question in relation to this paragraph and also paragraph 16 about the specific mechanisms for the transfer and use of technology envisaged, the representative of Canada said that in the view of his delegation an adequate system of protection of intellectual property was one of the conditions for ensuring the efficient transfer of technology. In relation to the last sentence of paragraph 6, some participants asked to what extent did Canada envisage addressing anti-competitive practices in the Group. The representative of Canada said that he was not convinced that there was a need to develop competition policy in the Group. All countries had the right to take measures against anti-competitive practices including those related to the abuse of intellectual property rights.

Paragraph 9. Responding to questions about why Canada wished to deal with matters covered by existing intellectual property conventions, the representative of Canada said that his delegation believed it important that all contracting parties should adhere to the substantive obligations of the Paris and Berne Conventions, including those contracting parties that were presently not members of those conventions, and further that such obligations should be subject to an efficient dispute settlement mechanism to ensure that they were applied in practice. He also believed it important that trade-related gaps in these conventions should be filled in the GATT context. Responding to a question about what was meant by the reference to some new technologies in the sixth indent of this paragraph, he said that the reference was mainly to computer programs but the notion of making provision for possible future technologies had also been in mind.

Paragraph 10. The representative of Canada said that movement by all countries towards a common adequate standard of protection of intellectual property would involve movement towards harmonisation; it would not entail the achievement of harmonisation. The suggested standards were mostly very general and did not go into detail. Some participants expressed support for this approach which some others were concerned that it might trespass on the competence of WIPO.

Paragraph 13. Some participants welcomed the recognition in this paragraph and also in paragraph 5 that standards of protection of IPRs should not be excessive and asked how Canade intended to give effect to this concept. In response, the representative of Canada said that the specific standards suggested contained a number of limitations designed to avoid excessive protection, for example in the areas of the compulsory licensing of patents, the scope of the rights conferred by a patent, the scope of computer program protection and the exhaustion of rights in respect of integrated circuits.

Patentable subject matter. The representative of Canada said that the list of exceptions to patentable subject matter in the annex was intended to be exhaustive. He recognised that, if agreement was reached in the Group on the conditions for patentability suggested, it might not be necessary to mention expicitly all the elements listed in this paragraph. A participant welcomed the suggested exclusion of multi-cellular lifeforms and believed that such an exclusion should be extended to other areas of biotechnology. Responding to questions on this matter, the representative of Canada said that this exclusion covered essentially the same ground as that in some other proposals which used language derived from the European Patent Convention. The reason for the proposed exclusion was that his delegation felt that more technical study was needed of the most appropriate form of protection of this new type of technology and also of the conditions under which such protection should be given; in this connection he referred to the intensive international consideration being given to this matter, such as in the work of WIPO on patent law harmonisation and in the joint meeting of WIPO and UPOV that was scheduled to take place shortly. In his view there was not sufficient time available for GATT to address

this matter adequately. In regard to the reference to computer programs per se, he said that this was intended as a limited exception; computer programs as such would not be patentable but where they met the conditions for patentability they would be patentable.

Patents: rights conferred. Responding to a question, the representative of Canada said that importing was intended to be covered implicitly by the suggested rights that should be conferred by a patent. Explaining why importing had been mentioned explicitly in relation to the layout-design of integrated circuits, he said that his suggestion had to be read in conjunction with the provision for mandatory exhaustion of rights once the integrated circuit had been put on the market anywhere in the world by or with the authorization of the holder of the right.

Patents: compulsory licensing/forfeiture. Some participants asked what were the "certain limited conditions" under which it was envisaged that compulsory licensing could be given and how this related to the reference to the "legitimate public interest purposes" referred to in paragraph (v) on page 7 of the paper. The representative of Canada said that in the paper a distinction had been drawn between the purposes for which compulsory licences could be granted and the conditions under which they could be granted. The conditions were the five listed on page 7 of the document. He was aware that some other delegations had put forward other suggestions for conditions and he believed that these were also worthy of consideration. He was not sure if it would be possible to reach agreement on a defined list of purposes for which compulsory licences might be granted. It was therefore all the more important to ensure that patentees' interests were properly protected by appropriate conditions, irrespective of the purposes. However his delegation was willing to participate in a discussion aimed at at least defining the broad parameters of the purposes.

Trademarks: definition. The representative of Canada said that his delegation was not opposed in principle to the inclusion of audio marks as a protectable element, but would wish to consider this matter further. On colour he said that the Canadian view was that colour per se could acquire, through use, distinctiveness and where this had come about it should be protected as any other trademark. Explaining the reason for the reference to trade name rights in the second paragraph, he said that, given the similarity in function between trademarks and tradenames, it was important that protection should not be granted to trademarks which were in conflict with trade name rights that had been acquired through use.

Trademarks: derivation of rights. Explaining the second paragraph, he said that it had to be recognised that in some common law countries, such as Canada, trademark rights were essentially acquired through use rather than through registration, as in civil law countries. He believed that the practical effect of both systems in protecting trademarks was similar and that this was an instance where it would not be advisable to seek uniformity as long as the practical effect was satisfactory.

Geographical indications including appellations of origin. Explaining the Canadian proposal on this matter, the representative of Canada said that, in most cases where a geographical indication had a commercial importance, it would have been used as a trademark, whether as an ordinary trademark distinguishing the goods of one firm from those of another or as a collective or certification mark distinguishing the geographical origin or other common characteristics of goods of different enterprises which use the collective or certification mark under the control of its owner. In his view the Canadian proposal provided significant protection for trademarks, both through the specific standards suggested and through the requirement to meet the substantive standards of the Paris Convention. The proposal specifically included certification marks or collective marks in the definition of trademarks. In addition to the general provisions of the Paris Convention on trademarks and the specific provision of Article 7bis requiring protection of collective marks, he drew attention to Articles 9, 10 and 10ter of the Paris Convention requiring members to provide appropriate legal remedies effectively to repress the direct or indirect use of false indications of the source of the goods or of the identity of the producer, manufacturer or merchant. He believed that the combined effect of all this meant that the Canadian

proposal was adequate for providing effective protection for geograhical indications including appellations of origin.

Copyright: rights conferred. Explaining the proposal regarding computer programs, the representative of Canada said that his delegation was concerned that the traditional distinction between the expression of an idea which was copyrightable and the idea itself which was not copyrightable was becoming blurred in certain jurisdictions where courts had recently protected the underlying thought, algorithm or structure of computer programs. This could entail an unwarranted limitation of competition and be a matter of particular concern if major hardware manufacturers were able to limit use of software to their hardware. It was necessary to ensure that the scope of protection accorded to computer programs was limited to that traditionally accorded by copyright. He believed that the Canadian proposal in this respect was similar to those put forward by the Nordic countries and Japan. He was prepared to consider other wording as long as the issue was addressed. He agreed with the view that the purpose was not to amend the scope of protection granted under the Berne Convention in respect of computer programs but simply to make the limitations of that protection explicit.

Copyright: term of protection. The representative of Canada said that the suggested minimum term of protection should begin on the date of creation of a computer program.

Neighbouring rights. Explaining why Canada had limited its suggestions to the protection of phonograms, the representative of Canada said that it was his delegation's view that it was in respect of sound recordings, and in particular the piracy of sound recordings, that the main trade problems in this area were arising. Canada was not opposed to protection of neighbouring rights; this matter was presently being reviewed in Canada and he would not wish to comment on it now. He said that the minimum term of 50 years for the protection of phonograms had been suggested because the popular life of new recordings was now often greater than the term of 20 years provided for in the Rome Convention, new recording technology had meant that the quality of recordings could last for longer than that period and some major countries had adopted a 50 year term. The envisaged term of protection would begin on the date of creation of the work. His delegation would not be opposed to including in a TRIPS agreement the exceptions to the right of reproduction provided for in the Rome Convention.

Integrated circuits: subject matter for protection. The representative of Canada said that the "interconnections" referred to were interconnections within a single integrated circuit, not those between integrated circuits. The intention of the Canadian proposal was to provide protection for integrated circuits whether or not incorporated in a product, but not to extend that protection to the product itself. The term "original" was used to convey that a protectable layout-design must have been the result of the creator's own intellectual effort.

Integrated circuits: compulsory licensing. The representative of Canada said that the provisions on compulsory licensing were more circumscribed than those in respect of patents because the scope of the rights conferred in respect of layout-designs of integrated circuits was considerably more limited.

Industrial designs: rights conferred. The representative of Canada said that importing was implicitly included in the rights conferred in the Canadian proposal.

Industrial designs: term of protection. The representative of Canada said that no precise starting date for the term of protection had been suggested because his delegation thought that this matter should be left open as one of the elements of flexibility needed in the protection of industrial designs, given the different approaches to their protection in different countries. The suggested term of at least ten years would not preclude a country from requiring renewals within that ten year period provided that total term available was at least ten years.

Trade secrets. Responding to a question as to whether Canada intended to leave the definition of trade secrets to each country, the representative of Canada said that certain elements of a definition had been included on page 10 of the Canadian paper where trade secrets were described as protecting important commercial and technical data. There was no existing international definition of a trade secret and it was his hope that the discussion in the Negotiating Group might lead to such a definition. Responding to a view that trade secrets should not be considered as a form of intellectual property right, he said that his delegation shared the view that protection of trade secrets was covered by the concept of the "repression of unfair competition" in Articles 1(2), 10bis(2) and 10ter(1) of the Paris Convention. Responding to a question on whether the Canadian proposal covered use by governments as well as by private parties, he said that his delegation considered that the TRIPS negotiations were perhaps not the appropriate forum to deal with concerns in respect of government use of trade secrets.

20. Responding to a comment, the representative of Peru confirmed that his country's paper had been tabled without prejudice to the institutional aspects relating to the implementation of the outcome of the negotiations. The specific comments, questions and responses on the Peruvian paper are recorded below:

Section III.1.2 A participant said that while he could accept the principle of exclusions from patentability, he saw these more as safeguard measures, which as provided for in Article XIX of the General Agreement should be temporary rather than permanent and be applied in specific situations. Another participant asked if examples could be provided of exclusions of inventions affecting national development.

Section III.1.3 A participant wondered whether the proposal on rights conferred by patents would mean that third parties would have the right to import without infringing the patent right.

Section III.1.4 Responding to a question, the representative of Peru said that the term of patent protection had not been specified because it was linked to development needs and should be determined accordingly by individual countries. A participant said that the minimum term should be set as short as possible, but that countries should be free to grant a longer term than that agreed internationally, for example in order to encourage foreign investment.

Section III.1.5 Responding to a question, the representative of Peru said that three years could be considered as a reasonable period within which the working of a patent should have commenced. Responding to a view that providing for the grant of a compulsory licence if the working of the patent were suspended for one year was excessively harsh, he indicated that greater flexibility could be shown if there were reasonable grounds for the suspension of exploitation. Clarifications were sought on the notion of the satisfaction of local market demand "on reasonable terms and conditions as regards quantity, quality or price"; on the relationship between the two references to this in the paragraph; and on whether importation would satisfy the conditions relating to the satisfaction of market demand. The comment was made that judicial review should be included among the conditions attached to the grant of compulsory licences.

Section III.2 The question was raised whether it was being suggested that trademark protection should derive only from registration.

Section III.2.1 The representative of Peru said that the word "new" would be better replaced by "novel" in the English text.

Section III.3.1 Some participants wondered why it was suggested that designs and models relating to apparel should be excluded from registration; one of these referred to a submission presented by his delegation to the Negotiating Group on textiles drawing attention to the links between that Group and the TRIPS Group. The representative of Peru said that the issue of industrial design protection for

garments was a complex one.

Section IV. The representative of Peru confirmed that the definition of geographical indications, including appellations of origin, was intended to be the same as that contained in the Lisbon Convention.

Section V. Responding to a question, the representative of Peru said that the question of the incorporation of the Berne Convention in any final TRIPS agreement touched upon institutional issues which his delegation did not want to prejudge. He called upon countries that had not adhered to the Berne Convention to do so.

Section VI. The question was raised as to which studies carried out by international organisations could be useful in addressing the issue of the appropriate form of protection for software.

21. The specific comments, questions and responses on the individual paragraphs of the Korean proposal are recorded below.

Section I

Third paragraph. Responding to a question, the representative of Korea said that the "existing international agreements" mentioned in the first general principle referred to all internationally agreed and recognised agreements that were related to IPRs, such as the Paris, Berne and Rome Conventions. Responding to a question on the fourth proposed principle relating to procedures for the transfer of technology, the representative of Korea said that at this stage his delegation had no specific suggestions and expressed the hope that the Group would develop further ideas in this regard during the course of the negotiations. In relation to this indent, a participant commented that the fullest participation in the outcome of the Group's work would be possible only if the results were balanced and provided sufficient flexibility to developing countries; such flexibility could not be achieved simply by providing for transitional arrangements.

Fourth paragraph. Some participants shared the importance attached to restraint on the use of unilateral or bilateral actions. One said that this was important not only during the negotiating process but also as an element of the results.

Section II

Paragraph 1.1 In response to questions, the representative of Korea explained that the word "progressive" should be understood in the sense of "inventive step", capturing the notion that the invention should not have been easily made by an ordinary person prior to the filing of the patent application. Referring to sub-paragraph (i), he explained that the determination of injury to public health would have to be made on a case-by-case basis. He also explained that substances manufactured by nuclear transformation processes were excluded from patentable subject matter because his country did not wish to encourage inventions which could be used for producing dangerous weapons.

Paragraph 1.2 Responding to a question as to whether a minimum term of patent protection was also envisaged, the representative of Korea said that the proposal intended to fix the maximum term that could be provided for.

Paragraph 1.3 The representative of Korea clarified that the phrase "reasonably consistent with the Paris Convention" meant that Article 5 of that Convention had to be respected. The comment was made that the proposed grounds for the grant of compulsory licences should only be illustrative and not exhaustive. Clarification was sought of the term "applied" in the first and second indents of sub-paragraph (ii) and in particular if importation would be deemed to be covered by that term; the representative of Korea

explained that the word should be understood as similar in meaning to the phrase "continuously worked". In response to another question, he explained that the phrase "adequate degree under reasonable conditions" in the second indent of sub-paragraph (ii) should be understood as the minimum degree required to meet domestic market demand under normal circumstances. The third indent in sub-paragraph (ii) was meant to cover compulsory licensing on grounds of public interest.

Paragraph 2.1 In response to a question, the representative of Korea said that the definition of a trademark was intended to include letters, numerals and figures. The term "business emblem" referred to the symbol of a non-profit organisation or enterprise which could be protected as a trademark.

Paragraphs 2.2 and 2.3 Responding to questions, the representative of Korea said that a national registration system for trademarks had the merit of notifying the public about existing rights and thus preventing possible conflicts that might arise in this regard. Under Korea's proposal, a trademark that had not been registered would not be granted exclusive rights; however well-known marks could be protected even without registration.

Paragraph 2.4 Responding to questions, the representative of Korea said that his delegation was of the view that the proposed period of between one and three years of non-use of a trademark before its registration could be cancelled was a suitable alternative to the period of three years proposed by some other countries.

Paragraph 3.1 Responding to a request for clarification, the representative of Korea said that the word "aesthetic" should be understood as being similar to the notion of beauty, which should be a necessary condition for granting protection to industrial designs.

Paragraph 3.2 Responding to a view that a term of protection of three times five years as provided for in the Hague Convention was more appropriate, the representative of Korea said that experience had shown that the life cycle of industrial designs was becoming shorter and hence a term of protection of eight years was appropriate.

Paragraph 4.1 The representative of Korea clarified that the term "scholastic" meant "scientific". He confirmed that the provision on the subject matter for protection included musical and dramatic works. Responding to a question, he said that the use of the word "should" was intended to convey the recommendatory, rather than obligatory, nature of the proposed provisions.

Paragraph 4.4 Responding to a question, the representative of Korea said that in his country limitations on copyright were provided for in cases where a work was required for educational, legislative or administrative purposes, and for judicial proceedings; in such cases a work could be reproduced provided that the interests of the right holder were not unreasonably prejudiced.

Paragraph 4.5 Responding to a question, the representative of Korea said that the phrase "in principle" was intended to allow for certain exceptions to the term of protection along the lines of those contained in Article 7 of the Berne Convention.

Paragraph 5 Responding to questions, the representative of Korea said that the protection envisaged for neighbouring rights was the same as that provided for in the Rome Convention. The phrase "rights of access" was intended as a description of the nature of neighbouring rights as being closely related to copyright. The proposed term of protection of 20 years was envisaged as fixing the maximum term that could be provided.

Paragraph 6 Responding to a question, the representative of Korea said that it was too early to assess the adequacy of the recently concluded Washington Treaty in providing effective protection to the layout-

design of integrated circuits. The Treaty which provided minimum standards of protection should be fully taken into account in any future work in the Group on this subject.

22. The representative of the European Communities welcomed the inclusion in the Canadian proposal of rules concerning the acquisition of IPRs, recalling that the Community had in its proposal on enforcement put forward similar suggestions. In his view the important point was that such a provision should be included and he had an open mind on the appropriate place for it in a TRIPS agreement. It would be an important safeguard against de facto discrimination against foreign owners of intellectual property. In regard to the compulsory licensing of patents, he believed that, although in most jurisdictions relatively little recourse was had to this possibility, there was a risk of trade distortions. For example, if a legitimate right holder was applying his invention through exportation under normal conditions rather than through local production, this would in most circumstances be in conformity with the notion of the international division of labour and the general tenets of the General Agreement. If in such normal circumstances a government were nevertheless to grant a compulsory licence, this could, depending on the conditions, create a situation of trade distortion or impediment. This was not intended to suggest that all compulsory licences should be outlawed for trade-related reasons; to the extent that patents granted monopoly rights, albeit limited in scope and duration and for pro-competitive reasons, there would be legitimate instances where the common good might justify the granting of a compulsory licence. One way of relating such a complex situation to notions familiar in the field of trade policy would be to explore the possibility of a parallel with the subsidies negotiations. Compulsory licences should not be generally prohibited per se, but their grant could be made subject to conditions aimed at eliminating, minimising or at least compensating for their trade distortive effects. Such conditions would include those contained in the general principles applying to all aspects of a TRIPS agreement, including national treatment, transparency, non-discrimination between foreign right holders and dispute settlement. There should also be provision for compensation and all compulsory licences should be subject to the possibility of judicial review. The compulsory licence should only be granted where serious efforts had been made by the applicant in line with normal commercial practices to obtain a voluntary licence. A second element of an approach to this question might be the definition of certain types of compulsory licences that would be prohibited in view of their excessive trade distortive effect and minimal public policy nature. Exclusive compulsory licences and compulsory licences granted on the basis of open-ended criteria and not on a case-by-case basis should fall in this category. His delegation would be prepared to consider possible additions to such a list. A third element which he would be willing to consider would be the possible drawing up of a positive list of compulsory licences that would be permitted because of their minimal impact on trade and the overriding public policy purposes underlying them. Turning to the question of voluntary licences, he said that the Community shared the view reflected in the Canadian proposal on the trade distortive effects of excessive or discriminatory government intervention on the terms and conditions of such licences. He supported the objectives of the Canadian proposal on this as well as of that in the Japanese submission. However, he doubted if these proposals were sufficiently precise.

23. After discussion of the new proposals, the Group considered each of the eight categories of IPRs that had been suggested for attention in the Group. The record below of the points made also covers certain points made in the discussion on the new proposals, for example on compulsory licensing.

Patents

24. A participant, offering some general comments without prejudice to final decisions on the implementation of the results of the negotiation, said that the granting of patents should basically involve, on the one hand, the right of the holder to exploit the product of his creativity and, on the other, his duty to use his invention or any other patentable matter in a way conducive to or consistent with public policy objectives. In the case of developing countries, exclusive rights accorded through patents should be exercised in accordance with national developmental and technological objectives. Since countries enjoying different levels of technological advancement would necessarily wish to establish different rules for the concession of patents, the

principle of the freedom of countries to determine such matters contained in the Paris Convention should be respected. Referring to paragraph 8 of the TNC text, he said that the Group should not attempt to transpose work being undertaken in WIPO on these matters. In his view the Group could make a positive contribution by discussing, for example, means to avoid, control and eliminate unfair competition and restrictive business practices in the field of patents, since such practices had a significant and direct impact on international trade. In this regard, he supported the suggestion contained in the Indian submission (NG11/W/37, paragraph 31). In relation to patentable subject matter and the conditions for patentability, he noted that virtually every country accepted the principle of exclusions and in the proposals before the Group a range of reasons for exclusions had been advanced. The grounds would vary depending on the level of development and on particular national interests. Developing countries should therefore be free to determine which sectors should be excluded from patentability. The patent term should normally vary according to the type of technology. It was difficult to determine the time span required for the recovery of research and other costs incurred to make inventions. Many patents were underutilised. A scientific study was therefore necessary to establish approximate ideal terms for different sectors. A commitment to establish a single term would only make sense if this reflected an average of the terms required for various fields of technology. Compulsory licensing was a very useful instrument for the control of the misuse or abusive use of exclusive rights conferred through patents. It should, however, be authorised under specific national legal provisions and in accordance with relevant public interests. Grounds for the grant of a compulsory licence would include: within a period of time from grant to be determined by the host country, the non-working of the patent, or the discontinuation of working or working that does not meet demand in the host country; and the public interest. In such cases, a special non-exclusive compulsory licence may be granted to third parties applying for it. Working should not be considered to have taken place where production had been replaced or supplemented by importation. Further, in order to contribute to the technological development of the host country, taking into full consideration public policy objectives, patentees should be encouraged to fulfill some duties, including:

- to provide host countries' authorities and interested parties with detailed information concerning the invention;

- to refrain from engaging in restrictive business practices in connection with licensing agreements, such as: tied purchases of inputs, the prohibition or restriction of exports from the host country, restrictions on the use of technology after the expiry of the agreement and others. Infringement of this rule should result in the nullification of the agreement and in certain circumstances, such as recidivism, justify denial of protection in the host country. Appropriate mechanisms to provide compensation for damage caused by anti-competitive conditions and restrictive business practices should be sought;

- to contribute to the transfer of technology to the host country. For certain types of technology, developing countries may require that licensing agreements be accompanied by an agreement on transfer of technology as a pre-requisite for the maintenance of a patent. Alternative mechanisms could be considered such as the creation of a technological fund in developing countries which would receive contributions from foreign patentees, in addition to the normal fees due. This fund would be used by developing countries to promote their national technological capabilities;

- to work the patent in the host country lest the patent be forfeited or subject to compulsory licensing.

25. A participant believed that as a general rule patents should be available for inventions of products and processes in all technical areas. The exclusion of plant or animal varieties and of essentially biological processes for the production of plants and animals as well as of inventions contrary to public order and morality should be possible. The criteria for patentability should be that inventions were new, involved an inventive step and were industrially applicable. The term of protection should be no less than 20 years from filing. Compulsory licensing should be possible, subject to adequate compensation.

26. Some participants recalled their views on the importance of paragraph 5 of the April TNC decision to

the discussion of patents and on the need for the protection accorded to patent holders to be balanced by responsibilities such as local working and the avoidance of restrictive and anti-competitive practices in order to ensure that wider developmental, technological and public interest needs were served.

27. Other points made in the discussion are recorded below, organised under the headings used in the synoptic tables prepared by the secretariat (NG11/W/32/Rev.1).

28. (1) Patentable subject matter. Recalling his country's proposal, the representative of the United States clarified that matters covered by the list of exceptions described in the submission of his delegation would not in any event be patentable because they would not satisfy the criteria for patentability; the list had been included for the sake of clarity. The representative of Japan said that his delegation had not, in its proposal, specified a list of so-called "non-inventions", since it felt these were generally regarded as unpatentable. No exception had been made for plant varieties; in his country they were protected by a special type of right under the law on "Seeds and Seedlings", established in accordance with the UPOV Convention. Some delegations emphasised their view that developing countries should have the right to exclude certain sectors from patentability for development and technological reasons. Some delegations supported the Nordic proposal that exclusions for inventions in the field of biotechnology should be permitted because of the weight of ethical considerations and of the great uncertainty regarding the economic and other consequences of research activity in this area. One of these said, however, that inventions relating to microorganisms and those in the pharmaceutical and chemical sectors should be patentable. In response, it was said that a distinction should be made between patentability and the subsequent availability of inventions and their use by the public, the latter being controlled by the regulatory process. Underlying research activity in these areas would carry on, at least to some extent, regardless of whether such inventions were excluded from patentability; however, by denying patent protection there would be significant losses stemming from the loss of information provided through patent disclosure. An inevitable consequence of allowing wide ranging exclusions, both in this and other fields of inventive activity, would be greater reliance on protection through trade secrets, resulting in a loss of valuable information both to the public at large and even to governments. By providing patent protection governments would be in a better position to monitor and control the use of inventions in industry. Rather than making exceptions for areas such as pharmaceuticals, agricultural chemicals and foodstuffs, the public interest was best served by granting protection and thereby providing incentives for research and development.

29. (2) Conditions for patentability. A participant said that he had no objections to the conditions for patentability as set out in many of the submissions including that of Canada.

30. (3) Term of protection. Some countries expressed their support for a term of protection of at least 20 years from the date of filing; it reflected in their view an emerging international consensus. Some of these declared their willingness to change existing national law to join such a consensus. A participant favoured extension of the patent term to compensate for delays in the grant of patents. Another participant thought that this suggestion should be studied.

31. The representative of India recalled the views of his delegation set out in his country's proposal. The determination of the term should be made by individual countries subject to ensuring that the protection granted was adequate and effective; in his opinion patent terms greater than 15 years were excessive. Responding to a comment, a participant said that the Paris Convention was deliberately silent on this subject because of the difficulty of arriving at an optimum duration for all countries. The view was also expressed that developing countries should have the freedom to set shorter terms in sectors of critical importance to them and to link the term to the effective exploitation of the patent.

32. (4) Rights Conferred. Recalling his delegation's proposal, the representative of Japan stressed that importation should be included among the acts to be prevented by the patent right.

33. (5) Compulsory licensing/forfeiture. Some participants supported some or all of the conditions that

Canada had proposed (NG11/W/47, page 7, point (v)) with respect to the grant of compulsory licences. The representatives of Norway and Japan recalled their proposals on this matter but indicated that they were willing to join in an exercise aimed at examining further the possibilities for specifying the grounds for the grant of compulsory licences as had been suggested by the European Communities (paragraph 22 above). A participant was concerned that the provision for the grant of compulsory licences for violations of anti-trust law contained in some proposals was too broadly formulated and could create possible trade distortions because of international differences in standards of competition law. He added that clearly specified limitations on the grant of compulsory licences for government use were required in order to create uniformity in the use of this provision by governments. The representative of the United States said, with respect to his country's suggestion on compulsory licences given on grounds of anti-trust violation, that the abuse of the intellectual property right should be judicially determined and based on sound competition policy reasons rather than on ephemeral notions of what constituted public interest. Compensation should be obligatory where compulsory licences were granted on grounds of national emergency or for use by the government, and should be determined on a case-by-case basis where they were granted for violations of anti-trust law. Another participant remarked that compulsory licensing suffered from the drawback that it did not ensure the transfer of the know-how associated with a patent and hence should be used in the last resort only after efforts to obtain voluntary licences had failed.

34. The representative of India recalled the views put forward in his delegation's proposal relating to the obligation on owners to work the patent in the country granting the patent and to the use of compulsory licensing in the event of this obligation not being discharged; in his view, this was fundamental to the work of the Group and vital if patent protection was to lead to the transfer of technology. He disagreed with the view that the grounds for the grant of compulsory licences should be narrowly circumscribed. In his view, the greatest distortion of trade was that resulting from non-working. He supported, however, the view that certain conditions could be attached to the grant of compulsory licences such as non-discrimination, transparency, compensation and judicial review. He said that greater specificity could be provided relating to the use of patents by the government on public interest grounds. Some other participants agreed that developing countries should be allowed the freedom to determine the grounds for and conditions attached to the grant of compulsory licences in the light of their needs and circumstances, without prejudice to the possibility of judicial review. Effective exploitation should be ensured and patents should be liable to revocation in the absence of such exploitation. A participant stressed the importance of compulsory licences as a safeguard against possible abuse, including non-working, and in order to protect the public interest, but shared the position that such licences should be non-exclusive.

35. A participant said that compulsory licensing served to maintain a balance between the protection and use of intellectual property rights. Under the patent law of his country, the patentee was obliged to make the patented product, or to use the patented process, within the country or otherwise to authorise other persons to make the patented product, or to use the patented process, within the country. His delegation would seek to retain this provision of the national law. Compulsory licensing was not only in the interest of the country granting the patent right, but also served the interests of the patentee. His country's patent law provided for the payment of a reasonable exploitation fee to the patentee to be determined by both parties or, in the event of disagreement, by the patent office.

36. (6) Voluntary licensing. Some participants expressed support for the view that restrictive and anti-competitive practices in arrangements to licence or assign patents should be addressed in the Group in the same manner as other standards of intellectual property protection. A participant referred to the laws of some countries that had declared certain practices of this kind null and void in their patent law.

37. (7) Non-discrimination. The representative of Japan recalled his delegation's proposal that equal and non-discriminatory treatment should be granted in the acquisition of intellectual property rights.

Copyright

38. Some participants reiterated their view that the Berne Convention standards constituted a good basis for the work of the Group but that certain clarifications or improvements needed to be made. Reference was made in this context to the protection of computer software, the protection of sound recordings, the treatment of distribution and rental rights, the conditions attached to the exercise of exceptions to the rights conferred and the definition of public communication. A participant welcomed what he considered to be the increasing support expressed for the position of his delegation on a number of these matters. Some other participants reiterated their view that the standards contained in the Berne Convention were fully adequate and that, if any participant believed that improvements or clarifications needed to be made to those standards, the WIPO was the appropriate context in which to consider such proposals. While some participants advocated an explicit provision that would remove any uncertainty concerning whether computer programs were protectable under the Berne Convention, others doubted that there was need for such a provision since in their view computer programs were automatically covered by the definition of "works" in the Berne Convention.

39. Some participants believed it important to make it clear in a TRIPS agreement that the protection of computer programs related to the way in which ideas were expressed rather than the ideas themselves. In this connection the representatives of Japan and of the Nordic countries referred to the proposals their countries had made concerning the subject matter for copyright protection and the representative of Canada referred to the proposal of his country on the rights conferred by copyright. Another participant believed that there was no need to incorporate special provisions on this matter relating to computer programs; rather the matter could be dealt with through the normal idea/expression dichotomy which applied to all kinds of copyrighted works and related to inherent limitations on copyright protection.

40. Some participants said that their authorities were considering whether copyright owners should continue to have the possibility of preventing the parallel importation of their works, particularly in the field of books and computer programs. They were concerned that the right to prevent parallel importation may have given rise to anti-competitive behaviour and considered that its abolition might provide for greater competition in terms of price and quality.

41. A participant informed the Group of the amendments made to copyright protection in his country by an act adopted in September 1987. These and other revisions to his country's intellectual property legislation had been made because of the growing awareness that infringements of IPRs had been causing serious economic and trade difficulties, not only on his country's domestic market but also in its economic and trade relations with other countries. The new law had increased fines and prison sentences, and provided for the seizure and destruction of infringing goods as well as injunctions. It required that action against infringement should be taken regardless of whether or not a complaint had been made. Copyright protection had been extended to foreign authors provided that the country of origin of those authors had a bilateral copyright protection agreement with his country or were a party to a multilateral agreement on copyright that his country also belonged to. The normal duration of copyright protection had been increased from the life of the author plus 25 years to the life of the author plus 50 years. The expropriation of copyright was no longer permitted; instead the new law introduced a compulsory licensing regime subject to certain conditions including prior consultation by the government with the copyright council and proper compensation.

Neighbouring Rights

42. A participant reaffirmed his view that the protection of sound recordings should be accorded through neighbouring right legislation and not through copyright legislation.

Trademarks

43. Providing the general views of his delegation on this subject, a participant supported the approach taken by the European Communities and Australia to the question of the definition of a trademark and believed that it

should include service and collective marks. In regard to the acquistion of rights, his delegation considered that they should derive from registration. No compulsory licensing should be allowed. In regard to the term of protection, his delegation agreed with the approach in the Swiss, Australian and Community proposals.

44. Presenting certain views without prejudice to the final decision regarding the implementation of the results of the negotiations in the Group, a participant said that it was important that the Group should consider the duties of trademark holders in order to secure a proper balance of rights and obligations in this area. Such duties would include in the view of his delegation: the use of the trademark in the host country, lest its registration be cancelled; refraining from the use of the trademark in an anti-competitive manner or in connection with restrictive business practices; and assurance that products bearing foreign trademarks were of the same quality as those produced in the home country. On the questions of the definition of the trademark, the term of its protection and conditions for renewal of registration, he believed that these matters were best left to the legislation of individual countries.

45. (1) Definition. There was a further exchange of views on whether colour by itself could be distinctive and should be included in a list of elements that could constitute a trademark; some believed that colour by itself could not be distinctive while others considered that it could acquire distinctiveness especially through use. Some participants reaffirmed their position on the question of service mark protection. A participant was concerned that marks which might give rise to social disturbance should be denied protection and also considered that particular care needed to be taken in respect of marks that contained geographical denominations. A participant doubted the need for an elaboration of grounds for refusal of trademark protection; in his view these were matters for work on detailed harmonisation.

46. (2) Derivation of rights. Some participants reaffirmed their view that use should not be a prerequisite for registration. In response, the representative of the United States explained further the proposal of his delegation that this should be a matter left to individual countries and was too detailed an issue to be appropriate for inclusion in a TRIPS agreement. He believed that experience with the Trademark Registration Treaty of WIPO should give rise to cause for hesitation; in his view it was largely because the TRT permitted marks to be registered without use that it had only attracted five adherents. The provisions on prior use in the United States were being modified by a law that would come into force on 16 November 1989. This allowed persons to file a trademark application without having actually used the mark and to delay the obtaining of a registration until they had used the mark in the United States or had obtained a registration in their own country. Moreover, he reaffirmed the commitment of his delegation to the provisions of Article 6quinquies of the Paris Convention which meant that prior use was not a requirement for trademarks which had been registered in another member state of that convention. The representative of India reaffirmed the proposal of his delegation that exclusive rights under trademark law should only be derived from registration.

47. (4) Protection of well-known marks/marks with a reputation. Explaining the concerns underlying his delegation's proposal on this matter, the representative of the United States said that his delegation was unhappy with the practice in some countries of requiring actual use within their territory before a mark could be protected as well-known. He was also concerned at the proposal in the group that protection of such marks should depend on defensive registration. In his view, it should be accepted that a mark could become well-known without use, for example on the basis of advertising. Moreover, marks that had become well-known to only a segment of a society, for example because of international travel, should be capable of being treated as well-known even though they might not have such a reputation with the remainder of the population. His delegation was also concerned to find a way of preventing the practice of persons being able to register marks which they see as acquiring a reputation in other countries, with the intention of obliging the company which had developed that reputation to buy back the right if it wished to use the mark in that country. His delegation was keen to seek solutions to these problems, but was not necessarily wedded to the phrase "internationally well-known". Some participants reaffirmed their view that, to be eligible for protection a well-known mark should be well-known in the country concerned. The representative of India reaffirmed the proposal of his delegation on this matter, including that it was the responsibility of the owner of such a mark to seek a prior

defensive registration if he wished it to be protected.

48. (6) National registration systems. Referring to the Community proposal and sharing with the Group the results of further thinking, the representative of the European Communities said that his delegation strongly supported the objective of the United States proposal regarding national registration systems as reflected on page 48 of the secretariat compilation (NG11/W/32/Rev.1). He recalled that similar suggestions had been put forward in the Community proposal on enforcement (NG11/W/31, section A, paragraph 9). His delegation was open as to where this issue should be dealt with in a TRIPS agreement. Consideration might be given to the desirability of an overall provision relating to all national registration systems for IPRs. In regard to the Community's proposal as reflected on page 49 of the secretariat compilation, he said that the word "maintained" should be understood in the sense of "established and maintained".

49. (7) Term of protection. Providing the outcome of further thinking in regard to the proposal of his delegation, the representative of the European Communities said that the Community proposed that the initial term of registration of a trademark should be about ten years. Another participant reaffirmed his view that there should be a specific term defined while some others believed that this should be a matter left to national legislation. It was also suggested that the term of protection should depend on the economic value of the mark.

50. (8)(i) Use requirements for maintenance of protection. A participant expressed the view that a trademark registration should be revocable even after one year if the mark had ceased to have any market value. Some other participants reaffirmed their respective proposals on this matter.

51. (8)(ii) Other use requirements. Indicating the results of the further thinking about the Community proposal, the representative of the European Communities said that the Community supported the general thrust of the proposal make by Switzerland as reflected on page 54 of the secretariat compilation, in particular that the use of a trademark should not be encumbered by any special requirements such as requiring use with another trademark. His delegation was still examining the appropriateness of forbidding requirements relating to use in a special form or use which reduced the indication of source. Some other participants reaffirmed their respective proposals concerning use requirements.

52. (9) Licensing and assignment. Presenting the results of further thinking in regard to his delegation's proposal, the representative of the European Communities expressed support for the suggestion made by Japan to the effect that states should not impose undue or discriminatory restrictions on voluntary trademark licences. His delegation, however, believed that greater precision would need to be given to the concepts of "undue" and "discriminatory". He also referred to the importance that the application of general principles of a horizontal nature, such as national treatment, non-discrimination, transparency etc., could have for this matter. A participant expressed the view that provision should be made for the grant of compulsory licences in respect of trademarks on a provisional basis in extreme cases, similar to the grounds that might be envisaged for compulsory licensing of patents; for example trademark rights should not be allowed to stand in the way of the distribution of goods essential for the protection of human health. Particular attention would need to be given to concepts such as exclusivity, compensation and judicial review. The representative of the United States, referring to his country's proposal on this matter, said that one reason for forbidding compulsory licensing of trademarks was that it would be inconsistent with the basic function of a trademark in conveying information about the quality of the goods or services to potential purchasers. The representative of India reaffirmed the position reflected in his country's proposal concerning the assignment of trademarks and restrictive and anti-competitive conditions in trademark licensing agreements.

Geographical indications, including appellations of origin

53. Explaining further his delegation's proposal, the representative of the European Communities said that it suggested a narrow definition which did not include all geographical indications but only those where a characteristic of a product was attributable to its geographical origin. Such indications merited particular

protection, since they reflected the result of important investment, financial and otherwise, over a long period by producers. In the view of his delegation, protection against consumer deception was insufficient and trademark protection was not satisfactory due to its formal requirements such as registration and the use requirement. Since geographical indications were not always known to the public at large, the public was not necessarily deceived when such indications were used for products with different origin. But such indications were often sufficiently known in the circles concerned, especially by traders, for it not to be by mere chance that they were used. The use of such geographical indications for products not from the source indicated was always a parasitical and therefore unfair act, even when no consumer deception was involved. Moreover, their use might mislead a significant proportion of consumers, such as those who knew of the original product by report or as a result of travel. The Community proposal therefore contained a list of acts involving such indications that should be prohibited. However, the proposal did not aim to call into question practices habitual since decades, even if the Community reproved them. The Community was not attempting to impose on other countries a system unique to it. However, it believed that in order to attain basic objectives in this area it would be necessary to go further than was envisaged in some other proposals before the Group.

54. The representative of Switzerland, emphasising the importance of this matter for his country, commended the proposal of his delegation to the Group.

Industrial designs

55. Referring to the Nordic proposal, the representative of Norway said that the considerable injury experienced by Nordic industry from inadequate protection of industrial designs, especially in the glass and furniture sectors, resulted not only from some countries not having any protection for industrial designs but also because many countries offered only a narrow scope of protection, in particular some excluded functional features from protection. The Nordic countries considered this inconsistent with the very essence of industrial design protection, since industrial designs were almost always designs of useful articles. Moreover, it was often very difficult to distinguish between functional and other features. The Nordic proposal left open how protection should be given to industrial designs. Countries could protect new industrial designs by establishing a registration system or they could protect original industrial designs by a copyright approach automatically upon creation or they could use both approaches.

56. A participant believed that any future agreement on industrial designs should protect industrial designs that were novel or original. This was particularly important in the textile sector. Protection should be granted either upon registration or upon creation. The term of protection should be five years, with renewal for two consecutive periods of five years each. Compulsory licensing should not be permitted. He was aware of the difficulty of defining a pattern clearly, especially in the textiles area, but believed that the need to protect industrial designs was considerable, especially in the textiles sector.

Layout-designs (topographies) of integrated circuits

57. Some participants reiterated their view that the recently concluded Washington Treaty on Intellectual Property in Respect of Integrated Circuits was unsatisfactory, in that it provided inadequate levels of protection to address the trade distortions and conflicts that could arise in this area. The inadequacies that were said to exist were: an inadequate minimum duration of protection of 8 years, especially as the Treaty allowed this to start from creation which could be several years before commercial exploitation; provisions on compulsory licensing that were too permissive; the absence of a requirement for an innocent infringer to pay royalties after receiving notification; and ambiguity as to which transactions or products involving infringing chips should be defined as unlawful. An agreement on this subject without these deficiences was therefore necessary in the TRIPS negotiations. Some other participants expressed the view that the Treaty was adequate for the protection of this intellectual property right. It was said that the Treaty was the result of several years of work and, although it might not have met all the concerns of all participants, it was the best possible outcome under the circumstances. Any further discussion on specific issues of concern to participants should be conducted in

WIPO which was the appropriate forum to deal with these matters. Countries that had not yet signed the Treaty were urged to do so.

58. With respect to the perceived inadequacies of the Treaty, a participant said that currently international trade in chips per se was significantly less than that in products incorporating these chips; hence meaningful protection could be provided only if the products incorporating chips were covered by the protection. His delegation was unhappy with the Canadian proposal in this connection. In reply, the representative of Canada said his country's proposal would afford protection to integrated circuits regardless of whether they were products in themselves or incorporated in other products. There was no intention to allow products incorporating infringing chips to be sold or traded but that did not mean that the products were themselves protected. Some participants, in commenting on the Washington Treaty, drew a distinction between the protection of the layout-design, of the integrated circuit incorporating that design, and of products incorporating the integrated circuit. There were a number of difficult legal questions in extending protection afforded to the layout-design to the product, which could not be resolved in this Group.

59. With respect to innocent infringement, a participant said that instances of such infringement were not rare because of the inherent difficulty for the buyer in determining whether he was acquiring a product embodying an infringing chip. An innocent infringer should be liable after, but not before, receiving notification, otherwise business uncertainty and trade distortions would result. The loss suffered by an innocent buyer should be compensated by the person who had sold the product to him, not at the expense of the right holder. Responding, a participant said that Article 6 of the Washington Treaty did not mean that an innocent infringer would never be liable to pay some compensation. However, the provision on innocent infringers was particularly important for developing countries where buyers would frequently be unable to know if a good contained an infringing chip. A participant said that it did not seem appropriate that the obligation to compensate should be transferred from the real infringer, for example the seller, to the innocent infringer, for example the buyer.

60. With respect to compulsory licensing, a participant said that in the light of the short term of protection and of the generous provisions on reverse engineering, his delegation had felt that compulsory licensing should not be permitted, but in a spirit of compromise had offered to accept a narrowly defined set of circumstances for the grant of such licences at the time of the drafting of the Washington Treaty. This had however not been accepted and the Treaty provisions finally agreed were too permissive. In reply, a participant said that the Treaty was not permissive in terms of the grant of compulsory licences and that furthermore in assessing the seriousness of this perceived inadequacy it had to be borne in mind that compulsory licensing in this field was likely to be virtually non-existent because of the short term of protection and of practices employed in the industry called "networking".

Trade secrets/acts contrary to honest commercial practices

61. Presenting the background to his delegation's proposal, the representative of the United States said that the protection of trade secrets was an issue of growing importance to his delegation. He also believed it important for developing countries since there was no better way of encouraging the transfer of technology to developing countries than to provide protection to trade secrets and proprietary information which constituted the very essence of the transfer of technology. As to whether trade secrets constituted a form of intellectual property right, he agreed with the view that the repression of unfair competition, which was one method by which trade secrets could be protected, was specifically mentioned in the Paris Convention. It would be illogical if a process which was the subject of a patent application was regarded as constituting intellectual property, but if the application were subsequently withdrawn it ceased to be so regarded. The issue underlying the protection of trade secrets was the same as that underlying the protection of intellectual property rights generally, namely that of not benefitting from the fruits and labours of others improperly. His delegation considered that a two-pronged approach should be taken to the protection of trade secrets. First, in regard to the transfer of know-how between private parties, the confidentiality of information given to employees and

restrictions on its divulgation should be protectable through the courts; protection against use in a competing enterprise should also be available when such information had been improperly obtained by a third party. Secondly, there should be restrictions on the use and disclosure of information made available to governments. The need for exceptions in this respect was acknowledged in the US proposal, for example in the case of a national emergency or for environmental reasons, but in no event should the recipient of the information be allowed to use such information to compete with the person who had generated it. In regard to the question of the definition of trade secrets, he referred to the definition contained in the United States proposal. He also informed the Group of the definition contained in the Uniform Trade Secrets Act of the United States; this provided that a trade secret is any information, including a formula, pattern, compilation, program, device, method, technique or process that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. In essence, a trade secret was identifiable information which (i) was protected from disclosure by reasonable efforts by its owner and (ii) had value because it was not known and could not be ascertained easily by others. In a prominent decision of the courts in his country it had been stated that, if a company had invested time, effort and money in developing a trade secret which gave it an advantage over its competitors, those competitors should no more be permitted to take and use that trade secret without the owner's consent than they would be permitted to take and use or give away machinery in the trade secret owner's plant or office without permission of that owner. In another case it was stated that a person may use his competitor's secret process if he had discovered the process by reverse engineering applied to the finished product or by his own independent research; but he could not avoid these labours by taking the process from the discoverer without his permission at a time when he was taking reasonable precautions, to maintain its secrecy. As to what constituted reasonable precautions the courts had stated that the tolerance of espionage must cease when the protection required to prevent another's spying costed so much that the spirit of inventiveness was dampened. A person or corporation should not be required to take unreasonable precautions to prevent another from doing that which he ought not to do in the first place.

62. The representative of Switzerland, recalling that in his country's proposal his delegation had indicated that it intended to make a written proposal on proprietary information at a later stage, said that it expected to submit such a proposal to the next meeting of the Group. His delegation agreed with the broad lines of the United States approach to the question.

63. Some delegations reiterated their view that trade secrets did not constitute a form of intellectual property and therefore fell outside the scope of the work of the Group. Since there was no disclosure it could not be regarded as a form of intellectual property and there would be no means of knowing what any intellectual right actually protected. Some of these participants said that this did not mean that they did not recognise the need for know-how to be protected and also its importance for the transfer of technology. However, such protection should be accorded under other civil and criminal law, including contract law, not by IPR law. One participant believed that the appropriate form of legislation to deal with this matter was that concerning the abuse of economic power. He could not see how the protection of trade secrets could help developing countries have access to technology if the know-how was not disclosed. He referred to the earlier suggestions that his delegation had made concerning disclosure obligations on owners of IPRs.

64. A participant said that, if the protection of trade secrets extended to the protection of ideas, this could be considered in contradiction with the notion that the protection of trade secrets was against illicit copying, as in copyright. Responding, the representative of the United States said that the distinction between ideas and expressions of ideas was not relevant to this subject. Ideas could be protected through trade secrets. However, another party remained free to develop the idea independently; the protection was to prevent him from acquiring the idea through improper means.

(C) <u>The provision of effective and appropriate means for the enforcement of trade-related</u>

intellectual property rights, taking into account differences in national legal systems

65. Introducing the section on enforcement procedures contained in his country's proposal (Section III of document NG11/W/48), the representative of the Republic of Korea expressed the hope that it would contribute to further work in the Group. His delegation would continue its efforts to develop the ideas set out in it, which at this stage were preliminary in nature.

66. The specific comments, questions and responses on the individual paragraphs of Section III of the Korean proposal are recorded below:

Paragraph 2. In response to a question as to whether any mechanism to assist an IPR holder to obtain evidence was envisaged, the representative of Korea said that, although it was necessary to have prompt and effective judicial procedures to ensure the preservation of relevant evidence, no specific mechanism had been suggested since the primary responsibility to acquire and submit the necessary evidence should remain with the IPR holder. Another participant agreed with this position given the limited resources of many developing countries in this connection.

Paragraph 3. Responding to questions, the representative of Korea said that in his country the courts could authorise appopriate measures to ensure the recovery of goodwill, such as the announcement of an apology in a newspaper or the payment of monetary compensation determined by the courts.

Paragraph 4. Responding to a question, the representative of Korea said that the entire submission was intended to provide general guidelines in the light of which countries should frame their domestic laws; hence the suggested provisions, including those relating to criminal sanctions, were recommendatory rather than obligatory in character. He also confirmed that the provision on seizure and forfeiture of infringing goods could equally constitute a civil remedy depending on the individual case in question.

Paragraph 6. The representative of Korea confirmed that provisions relating to indemnification of the defendant applied both to border and internal measures. Clarifications were sought on the meaning of the phrase "settlement period", and on the circumstances under which the requirements on the complainant to place money on deposit and to provide compensation would be applicable. The question, for example, was asked, whether these requirements on compensation would be limited to cases involving pernicious law suits or abusive use of the legal system or would apply more generally. The representative of Korea explained that limitations on the duration of the settlement period, a notion also found in the Canadian submission, were necessary to prevent abuse of enforcement procedures by the applicant. If the settlement period were too short, it would not adequately protect the right holder and, if too long, it could become an obstacle to legitimate trade. An optimum duration had to balance these considerations. The provisions on security, which could also be found in several other submissions, were intended as a safeguard to prevent abuse by right holders; they would provide the means for compensating the defendant in the event that a case against him was subsequently proved to be unfounded. This provision was in keeping with the general principle underlying the submission, namely that of balancing the interests of right holders against those of users of intellectual property rights.

67. Introducing his delegation's proposal on border enforcement (NG11/W/43/Add 1), the representative of Japan said that the proposal should be seen as an integral part of Japan's proposals for securing the effective enforcement of intellectual property rights; action both at the border and internally was necessary for this purpose. The proposal aimed to secure a proper balance between the considerations of providing for effective procedures against infringing imports and the need to ensure that such procedures would not give rise to obstacles to legitimate trade. In order to implement the proposed procedures, the Government of Japan would have to make important amendments to national legislation and related regulations. He hoped that this would

be taken as testimony of the positive attitude of Japan vis-à-vis the TRIPS negotiations. Under present Japanese legislation, the customs authorities took action at the border on their own initiative with a view to protecting the public interest against imports of goods infringing patents, industrial designs, trademarks, copyrights and neighbouring rights. The new system would have two major effects: first, it would greatly improve the legal status of IPR holders since it would give them the opportunity to initiate action at the border to protect their own rights in addition to the existing measures of civil action available; and, secondly, transparency in respect of the process of accepting applications and subsequently suspending importation where such applications were accepted by the competent authorities would be increased.

68. Some participants were concerned that the Japanese proposal would appear to involve the grant of rather broad discretionary authority to the customs administration, and that there was a risk that this could be used in an arbitrary manner that might give rise to barriers to legitimate trade. One of these participants said that his delegation reserved its position in relation to the proposal as a whole for this reason. Some participants also expressed concern about the demands that the procedures envisaged in the Japanese proposal might make on their customs authorities, especially if a broad scope of IPR infringements were envisaged as subject to the proposed procedures. Some of these participants said that this would be a concern of particular importance to developing countries, especially those with long frontiers. One of these participants wondered whether it was envisaged that the obligations would relate only to movements of goods that passed through customs posts or whether they would also extend to other movements across the frontier. Another participant was concerned about the possible implications for transit trade to neighbouring land-locked countries. The need to take into account the differing situations of countries in terms of resources, institutions, economic and political conditions etc. was emphasised. Responding, the representative of Japan said that his delegation shared the view expressed about the difficulty of determining infringement at the border and the need to avoid obstacles to legitimate trade. He believed, however, that while bearing in mind the constraints imposed by these considerations, it was important to provide for border procedures since the border was a very effective point of control over infringing goods. Replying to a question as to whether Japan envisaged the need to strengthen the training of its customs officers in order to implement the proposed procedures, the representative of Japan considered that, although Japan had some experience in the application of border measures, there would be need to strengthen training but he was unsure if budgetary resources would be available in Japan for this purpose. Commenting on a view that the training of customs personnel was a possible area for technical cooperation in favour of developing countries, he believed that the Customs Cooperation Council could play an important role in this respect. Another participant believed that a system of technical cooperation based on the GATT itself as the medium should be drawn up; the provision of technical cooperation should not be made dependent on any other organisation, particularly as the CCC had the policy of not providing training facilities for countries which had not met their financial obligations to the CCC.

69. Responding to general questions on his country's proposal, the representative of Japan said that the proposed procedure was envisaged as being completely independent of the civil legal system in Japan. He also said that, in the proposal, the use of the word "shall" implied a mandatory provision while the word "may" indicated that a provision was optional. A participant believed that a system whereby customs officials acted on the basis of a court order could help solve many problems; it could relieve customs officials of a large part of the additional burden implied by the proposed system; and it eliminated the possibility of separate actions at the border and internally and reducd the risk of barriers to legitimate trade.

70. The following explanations of specific points in Section II of the Japanese proposal were given by the representative of Japan in his introductory statement and in response to requests for clarification from members of the Group:

> Paragraph (1). The representative of Japan said that, where it was clear from the contracts with the intellectual property right holder that an exclusive licensee had sufficient legal rights, he could be regarded as a "rights holder" for the purposes of initiating border enforcement procedures. The "competent authorities" referred to in this and in some subsequent paragraphs would be determined by

each signatory. In Japan the customs rather than the courts were considered to be the "competent authority" for this purpose. Other countries would be free to choose other bodies, including judicial ones. Commenting on a view that in order to initiate the procedures a rights holder should have reason to believe, rather than mere suspicion, that the importation of infringing goods was imminent, rather than merely contemplated, he said that he believed that such standards would be too high at this stage in the procedure. He also said that the intention in using the phrase "recognised as infringing" in the penultimate line was that there should be good reason for suspicion that the goods were infringing.

Paragraph (2). Some participants, reiterating their concerns about the difficulties that customs might have in making determinations about whether imported goods were infringing or not, especially in the light of better copying techniques, sought clarification of what types of infringement of IPRs were envisaged as being covered by the Japanese proposal. In response, the representative of Japan said that his authorities had not yet decided which types of IPRs should be covered by the border enforcement procedures; this should be left for the future discussion. His delegation would not exclude at this stage any of the six types of IPRs which his delegation had covered in its other proposals. However only those types of infringements in respect of which determinations could be easily made should be covered. The extent of the coverage might depend on progress in the development of equipment for identifying infringements. The procedures would only deal with infringements of IPRs embodied in goods; other types of infringements were not susceptible to border control.

Paragraph (3). In respect of the third part of this paragraph, the representative of Japan said that his delegation considered that the introduction of a requirement concerning the provision of security by an applicant raised a variety of legal and practical problems which needed further examination by his authorities. Accordingly, the present proposal suggested that signatories should have the option as to whether to require such security.

Paragraph (4). Noting that the proposal would require the competent authorities to accept, in principle, all applications which fulfilled the three criteria set out in paragraph (3), the representative of Japan said that the term "in principle" had been inserted to provide for very exceptional cases, for example enabling the authorities to reject an application if the applicant was seeking to block legitimate import trade including parallel imports. The intention was not to give the competent authority discretion. Explaining the reasons for this provision, he said that at present Japan did not support an obligation on applicants to provide security and therefore thought it important to retain the right to reject abusive applications. The proposal would provide for the possibility for the applicant to defend his case; i.e. to seek review of any such rejections; this could be before a higher administrative authority or involve a judicial action against the competent authority concerned.

Paragraph (6). The representative of Japan said that this paragraph dealt with the situation where the competent authorities had difficulty in determining whether the goods were infringing, whereas the previous paragraph dealt with the situation where the determination could be made easily by those authorities. In the case of difficulty, the competent authorities should give audience to the importer and the applicant so that they can explain their sides of the case. The word "audience" should not be taken to mean necessarily that there should be a joint hearing of both parties, including the possibility of cross-examination. Rather, the type of audience offered could differ from country to country; in Japan the competent authorities would hear the views of both parties separately. A joint hearing would not be appropriate in Japan, given the legal obligations relating to secrecy on government employees, since the name of the importer would become known to the applicant before the competent authorities had judged whether or not the goods in question were infringing the relevant intellectual property right. Referring to the concept of "a reasonable period of time" after which goods whose customs clearance had been suspended must be released if they had not found to be infringing, he said that his delegation had not yet a precise idea as to what this period should be and it should be a matter settled through the further negotiations. The period established should reflect a balance between, on the one hand, the

consideration of avoiding non-tariff barriers to legitimate trade which might result if such suspension of importation were to be for an unduly long period and, on the other, the need to provide a sufficient period for the authorities to judge whether the goods were infringing or not.

Paragraph (7). The representative of Japan explained that the "content of the notification" to be given to IPR holders concerning the names of importers and other parties to the transaction involving the infringing goods should be decided principally taking into account the balance between the need to protect IPR holders and the need to avoid blocking legitimate trade by importers. The contents of the notification should be left to be determined by the domestic laws of each country. In which cases and to what extent information should be disclosed should be examined further in the Group. The phrase "defend his case" had the same meaning as in paragraph (4).

Paragraph (9). The representative of Japan said that the requirement that goods determined to be infringing should in principle be confiscated and destroyed and their reshipment not allowed was a major move towards strengthening border enforcement in relation to existing Japanese law which allowed their reshipment. Explaining the reason for the expressions "in principle" and "other effective means deemed to be appropriate", he said that these provisions were envisaged as dealing with very exceptional situations, for example where an importer had been fully deceived as to the infringing nature of the goods and in addition could not take any measure for claiming damages from the exporter. Such an importer might exceptionally be allowed to remove the trademarks from the goods concerned and import or reship them.

Paragraph (10). The representative of Japan said that the expression "small quantities of goods of a non-commerical nature" was intended to deal with the value aspect as well as the quantitative aspect.

Paragraph (11). The representative of Japan said that this provision was intended to encourage the exchange of relevant information between competent national authorities, for example among customs authorities. He referred to the mechanisms that existed in the Customs Cooperation Council for the exchange of information amongst customs authorities and believed that they could be extended to IPR matters.

III. Consideration of relationship between the negotiations in this area and initiatives in other fora

71. A participant drew the attention of the Negotiating Group to a recent UNCTAD decision relating to the review of the operation of, and experience arising from, the implementation and application of the Set of Multilaterally Agreed and Equitable Principles and Rules for the Control of Restrictive Business Practices (TD/B/RBP/L/48) of 27 October 1989. He referred in particular to operative paragraph (1) of this resolution expressing concern at the continued existence of RBPs adversely affecting international trade, in particular the trade and development of developing countries; paragraph (3) highlighting the importance of the adequate implementation of all provisions of the Set; paragraph (5) requesting UNCTAD to prepare, for the ninth session of the Intergovernmental Committee of Experts on RBPs as well as for the 1990 Review Conference, a further compilation of the handbook on RBPs; paragraph (7) calling upon the UNCTAD Secretariat to continue its work on the model law or laws on RBPs; and paragraph (9)(ii) relating to transparency, in particular in respect of the operation of corporations affecting the trade of developing countries. He believed it important to take account of this work in the further work of the Group. Some other participants expressed support for this statement.

72. A participant drew the attention of the Group to the work underway in WIPO on an agreement to supplement the provisions of the Paris Convention on industrial property. The Group should follow this work since it was complementary to its own, the GATT having the task of dealing with the trade-related aspects of

intellectual property rights. A participant expressed his support for this statement.

73. The representative of WIPO informed the Group that the Governing Bodies of WIPO, at their meeting in September/October 1989, had adopted a program of work for WIPO for the biennium 1990/91. This included a project to prepare a treaty for the settlement of intellectual property disputes between states. At the meeting of the Governing Bodies, the project had been welcomed with particular interest by many countries, including India, Hungary, United Kingdom, France, Netherlands, United States, Egypt, Austria, Australia, Federal Republic of Germany, Japan, Poland, Brazil, Nigeria, Tanzania, Ghana and Chile. In response, the Director-General of WIPO had said that the International Bureau of WIPO would give this project a priority. The International Bureau was starting its work on this treaty on the basis of ideas which were at the moment as follows: the treaty would apply to disputes which might arise between states in any field of intellectual property; if a dispute could not be settled through consultations between the governments concerned, it could be brought to a panel, the composition and procedures of which would be defined in the treaty; after hearing the parties, the panel would make recommendations to them and a report to the General Assembly of WIPO or the assembly of the interested union as to the rights and obligations of the parties in dispute; neither the panel nor the assemblies could impose sanctions or authorise retaliatory measures. The treaty would affect neither the clauses appearing in several treaties administered by WIPO providing for the jurisdiction of the International Court of Justice nor the existing or any future dispute settlement mechanism of GATT. In this context he expressed the interest of WIPO in the proposal made in paragraph 9 above. He also informed the Group of the dates provisionally fixed for forthcoming WIPO meetings: the Committee of Experts on Model Provisions for Legislation in the Field of Copyright (6-10 November 1989 and 2-13 July 1990); the Committee of Experts on the Harmonisation of Certain Provisions in Laws for Protection of Inventions (13-24 November 1989 and 11-22 June 1990); the Committee of Experts on the Harmonisation of Laws for the Protection of Marks (27 November - 1 December 1989 and 25-29 June 1990); the Committee of Experts on the Interface between Patent Protection and Plant Breeders' Rights (jointly organised with UPOV) (29 January - 2 February 1990); the Committee of Experts on the Settlement of Intellectual Property Disputes between States (19-23 February 1990); the Committee of Experts on the International Protection of Indications of Source and Appellations of Origin (29 May - 1 June 1990); the consultative meeting of developing countries on the harmonisation of patent laws (5-8 June 1990); and the preparatory meeting for the diplomatic conference on the harmonisation of patent laws (11-22 June 1980).

IV. Other Business

(i) Request by UNESCO to attend meetings of the Group

74. The Group agreed to recommend to the TNC that Unesco be invited to attend meetings of the Group on the same basis as other international organisations.

(ii) Proposal for secretariat paper on restrictive and anti-competitive conditions attached to the use of IPRs

75. The Chairman recalled that a number of delegations had requested the secretariat to provide factual information illustrating the types of provisions present in national legislations which addressed specifically practices deemed by those legislations to be restrictive as conditions on the use, licensing or assignment of IPRs. In preparing such a document, the secretariat would consult as necessary with national governments whose legislation was referred to and it would be understood that the legislation in question would be that directly related to intellectual property matters. There was no objection in the Group to this proposal. The Chairman said that the secretariat would proceed to prepare the document.

(iii) Arrangements for the next meeting of the Group

76. The Group agreed to organise the work at its meeting of 11, 13 and 14 December as follows: consideration of items 1(D), 1(E), 1(F) and III; continuation of consideration of items 1(A), 1(B), 1(C) and II; stock-taking of the work as a whole, including the interrelationship between its various components; and planning of the work in the first part of 1990. As regards the program of its meetings in the first part of 1990, the Group agreed to reserve, subject to confirmation by the GNG and TNC, the following dates: 31 January and 2 February; and 6-7 March.