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

COMPILATION OF WRITTEN SUBMISSIONS AND ORAL STATEMENTS

Prepared by the Secretariat

Table of contents

		Paragraph
	Introduction	1
I.	Issues in Connection with the Enforcement of Intellectual Property Rights:	5
	(a) Enforcement at the border:	6
	(i) Discrimination against imported products	7
	(ii) Inadequate procedures and remedies at the border	13
	(b) Inadequate internal enforcement procedures and remedies	20
II.	Issues in Connection with the Availability and Scope of Intellectual Property Rights:	31
	(a) Inadequacies in the availability and scope of intellectual property rights	32
	(b) Excesses in the availability and scope of intellectual property rights	55
	(c) Discrimination in the availability and scope of intellectual property rights	58

III. Issues in Connection with the Use of Intellectual Property Rights: 63

(a) Governmental restrictions on the terms of licensing agreements 64

(b) Abusive use of intellectual property rights 67

Introduction

1. At its meeting of 10 June 1987, the Negotiating Group agreed that the secretariat prepare a factual, generic compilation based on the written submissions and oral statements of participants in order to permit a more focussed discussion in the Group (MTN.GNG/NG11/2, paragraph 8). It was agreed that the compilation would be prepared on the basis of the material available by 17 July 1987. This note is accordingly based on the submissions available at the last meeting of the Group, documents MTN.GNG/NG11/W/7 and Add.1, and on the statements made at the Group's meetings of 25 March and 10 June 1987, together with the submission in document MTN.GNG/NG11/W/7/Add.2, which is the only additional communication received so far. A revision will be prepared, if necessary, prior to the Group's meeting of 23-25 September 1987 to take account of additional submissions received. It is recalled that at the last meeting the Chairman urged as many participants as possible to present their thinking and concerns about trade problems arising in connection with intellectual property rights in the form of written submissions, whether comprehensive or focussing on a few points considered to be of particular importance.

2. This compilation is divided into three main sections. Section I concerns issues raised in connection with the enforcement of intellectual property rights. The question here is not what the rights themselves should be, but, given the rights that do exist under national law, what are the trade implications of the means, or lack of means, available to right holders to ensure that their rights are respected. The subject matter of this Section is divided into two sub-sections dealing respectively with enforcement at the border and internal enforcement. The main issues raised by participants are suggestions that trade problems are arising, on the one hand, from discriminatory or excessive enforcement of intellectual property rights against imported goods relative to domestically produced goods and, on the other hand, from inadequate enforcement procedures and remedies, whether at the border or internally. Section II puts together the issues raised in connection with the availability and scope of intellectual property rights themselves. These concern trade problems considered to arise, on the one hand, from inadequacies in their availability and scope and, on the other hand, from the excessive or discriminatory protection of intellectual property rights. Closely allied to the scope and availability of intellectual property rights are the issues covered in Section III, which puts together the issues raised in connection with the use of intellectual property rights - on the one hand, governmental restrictions on the terms of licensing agreements and, on the other hand, the abusive use of intellectual property rights.

3. At the last meeting of the Group, it was understood that the secretariat compilation would include the views of participants on the trade-related aspects of intellectual property rights, including the relevance of the provisions of the General Agreement. Accordingly, after describing the issues raised, each sub-section puts together the views expressed on the trade effects of the practices referred to and on the relevance of GATT provisions.

4. At the last meeting of the Group, it was noted by the Chairman that the compilation would be without prejudice to views on the scope of the Group's mandate and on where, or by whom, any action should be taken. The discussions so far have shown divergent approaches to these questions. Some participants have indicated their belief that trade distortions and impediments that should be tackled by the Group are arising from a wide range of practices involving the inadequate or excessive protection of intellectual property. Some others have taken the view that the Group should not deal with questions of what should be the proper level of protection of intellectual property rights, but should confine itself to the negative effects on international trade of the

implementation of existing laws and treaties for the protection of intellectual property rights. In this regard, they have said that the Group should be guided in particular by the scope and objectives of the existing provisions of the General Agreement and that the mandate of the Group is limited to matters related to trade in goods and does not concern trade in services. Some participants have said that the scope of the Groups' mandate might be clarified by an examination of the issues raised, in conjunction with an examination of the operation of relevant GATT provisions, having particular regard for the trade aspects of the practices in question.

I. ISSUES IN CONNECTION WITH THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

5. The issues raised by participants in connection with the enforcement of intellectual property rights are considered first as they relate to the means available for the enforcement of intellectual property rights at the border against the importation, exportation and transit of infringing goods and, secondly, as they concern the internal enforcement of rights against the domestic production and sale of infringing goods.

(a) Enforcement at the border

6. Two categories of problem have been raised in connection with enforcement at the border: practices that are said to discriminate against imported goods and border enforcement measures that are considered inadequate for the effective enforcement of intellectual property rights.

(i) Discrimination against imported products

Issues

7. A general issue raised by many participants is the danger that unilateral national measures, or bilaterally agreed measures, to deal with problems felt to exist in connection with intellectual property rights could lead to restrictions on, or other distortions to, legitimate trade and thus have the effect of discriminating in favour of domestic production and possibly between supplying countries. The question was not whether governments would take action to deal with trade problems associated with intellectual property rights but rather how this would be done. In this regard, it has been recalled that the Group has the objective of ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.

8. Some participants have referred to tribunals, remedies and procedures which are directed specifically at the importation of goods suspected of infringing intellectual property rights and which are separate and different from the those applicable to the domestic production or sale of such goods. It has been said that, where the procedures applicable against suspect imported goods are more onerous from the point of view of compliance and put respondents in a less favourable position than under the domestic procedures, discrimination against imported goods may ensue. Attention has also been drawn to the limitation to domestic industries of access to such special procedures and remedies.

9. A number of features of such special procedures and remedies directed at imported goods that may put respondents in a less favourable position than under domestic law have been listed:

- limited periods allowed for investigation and for replies;

- absence of remedies for damage caused by erroneous measures taken against non-infringing goods;

- continuation of the investigation under the border control procedure even when the patent upon which the complaint is based is subject to a re-examination procedure before the patent office or a trial for invalidation before the domestic courts;

- failure to lift exclusion orders prohibiting importation for a substantial period of time after the violation has ceased to exist;

- non-admissability of counter-claims by the respondent against the complainant's infringements of the respondent's patents;

- application of exclusion orders resulting from an action to importations from persons other than the respondent in the action in question.

10. While the above issues have essentially concerned actions available under trade laws, a participant has indicated that customs procedures might also discriminate against imported goods.

Trade effects

11. In regard to the application of differential procedures and remedies to imported goods, the basic concern expressed was that such procedures might constitute an impediment to legitimate trade or a means of discrimination between trading partners. A specific point that has been made is that the differential treatment of imported goods that puts respondents at a relative disadvantage can provide domestic industry with a lever to extract unbalanced settlements or agreements from foreign firms, for example for the licensing of intellectual property rights. More generally it is suggested that such systems are inherently disadvantageous to foreign suppliers.

Relevance of GATT provisions

12. Reference has been made in particular to GATT Articles III and XX(d). Some participants have said that GATT Article XX(d) specifies clear guidelines as to the limits of national action to protect national markets for reasons related to intellectual property rights. A participant has expressed the view that certain existing national laws and procedures are inconsistent with GATT provisions, notably Articles III and XX. This participant has suggested that, if it were to emerge from the discussions in the Group and from other GATT activities related to this issue that its view was not shared by other contracting parties, the Group would need to consider interpreting the provisions of Article XX(d). In regard to concerns about discrimination between trading partners, reference has also been made to Articles I and XIII of the General Agreement.

(ii) Inadequate procedures and remedies at the border

Issues

13. The central issue raised is the adequacy of the possibilities available to intellectual property right owners to obtain effective action at the border against the importation, exportation and/or transit of infringing goods, notably through the intervention of the customs authorities. Some participants have said that in many countries border enforcement measures are deficient or difficult for intellectual property owners to avail themselves of, and that existing international conventions do not provide for adequate enforcement mechanisms at the border. Some presentations have not dealt separately with the adequacy of border enforcement measures but have treated it as part of the issue of the adequacy of enforcement procedures and remedies generally; these points are dealt with in the next section of this note.

14. In regard to enforcement procedures at the border in relation to the importation of goods infringing

trademarks, the need for international action to strengthen such procedures has been emphasized in the context of the consideration of trade in counterfeit goods. Some participants have referred to the analyses of these issues in the Group of Experts on Trade in Counterfeit Goods (documents L/5878 and MDF/W/19). Mention has also been made of the possible extension of the approach suggested against trade in counterfeit goods, with the necessary adaptations, to cover also (i) action against the exportation and possibly the transit of goods infringing trademark rights and (ii) similar action against goods infringing other intellectual property rights. One view put forward in this connection was that the Group should focus on extension of the approach to other intellectual property rights that were widely recognized, such as copyright, neighbouring rights, industrial designs and geographical denominations. In regard to geographical denominations, it has also been suggested that the existing Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods provides sound international rules for enforcement and that more countries should accede to the Agreement. The question of the possible extension of this Agreement, in the context of the Paris Union, to cover action against goods infringing registered trademarks has also been raised.

15. Three specific difficulties in connection with border control measures have been mentioned:

(i) The difficulty of controlling at the border international trade in goods which, although not bearing unauthorized trademarks, are presented in such a way as to deceive or cause confusion about their source, for example through imitating the packaging or copying the user's manual of another manufacturer.

(ii) This concerns trade in goods where there is unauthorized use made of intellectual property but where the individual goods crossing borders may not necessarily infringe intellectual property rights, or at least not in a blatant and readily controllable way. One example given is the separate exportation of look-alike goods not bearing infringing trademarks and of the corresponding trademark labels, and their subsequent combination in the country of destination. Another situation referred to is the manufacture of unfinished products in such a way as to avoid infringing a patent on the finished product, and subsequent exportation of the goods to a country where the patent is not held for assembly into the complete product.

(iii) In regard to products that involve the infringement of a process patent in their manufacture, problems of securing action against such infringement, which are already considerable when the manufacture takes place locally, are particularly difficult when the goods are produced in a foreign country.

Trade effects

16. Some participants have suggested that the insufficiency of border control measures and of international disciplines in this respect is a major factor in the large and growing international trade in goods infringing intellectual property rights. The principal direct effect on international trade mentioned is the loss of export markets for the genuine products of their manufacturers in third countries as a result of the export of counterfeit or pirated goods from other countries. This effect is partly the result of the direct displacement of the genuine good by the counterfeit or pirated copy and partly the result of the effect of the existence of poor quality counterfeited or pirated copies on the reputation of the producer of the genuine article.

17. Some other trade difficulties said to result from inadequate border measures are common to the points made in connection with views on inadequate internal enforcement of intellectual property rights and are treated in this context (paragraphs 25-29 below).

Relevance of GATT provisions

18. The point has been made that Article XX(d) of the General Agreement recognizes the right of

contracting parties to take action at the border to prevent trade in goods infringing intellectual property rights, subject to certain conditions. The point has also been made that Article XX(d) and other GATT provisions do not put any obligation on countries to enforce intellectual property rights through action at the border, but only permit them to do so provided they respect the conditions specified, which are aimed at ensuring that such action does not constitute a barrier to legitimate trade.

19. Some participants have emphasized the importance of Article IX:6 of the General Agreement in putting enforcement obligations on contracting parties regarding the prevention of the use of trade names in such a manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of another contracting party as are protected by its legislation. It has been said that, under this provision, a contracting party to which a request has been made for such action should, by means of rules, including coercive implementation, ensure that adequate protection is given. It has been suggested that, if differences of interpretation regarding Article IX:6 were to become evident from the work of the Group or from activities elsewhere in the GATT, it would be necessary for the Group to clarify this provision. Another participant has indicated that it saw Article IX:6 as a basis for enlarged action against the importation of counterfeit goods.

(b) Inadequate internal enforcement procedures and remedies

Issues

20. The basic issue raised by some participants is that trade problems are arising from inadequate procedures and remedies for effective enforcement of intellectual property rights against the internal production and sale of infringing goods, as well as from inadequate border measures. In their view, the minimum standards in existing international conventions for national action regarding enforcement are not adequate. The specific inadequacies in national laws and procedures that have been mentioned are as follows:

- procedural or administrative problems impeding easy access to courts or administrative authorities;
- slowness of procedures;
- absence of provision for preliminary relief, including for provisional seizure;
- arbitrary or discriminatory procedures;
- lack of procedures to facilitate obtaining evidence to build a case ("discovery" procedures);
- absence or inadequacy of dissuasive criminal sanctions;
- inadequate civil remedies, such as damages;
- failure of public authorities to take action in the face of large-scale, blatant infringement activity;
- excessive cost of legal actions, especially for small and medium-sized enterprises;
- additional delays and costs in obtaining effective action in countries where both local and federal bodies have jurisdiction.

21. In some presentations, these problems have been mentioned as arising in connection with the enforcement of intellectual property rights generally, while in other presentations they have been related to

specific intellectual property rights. In this connection mention has been made of goods illicitly bearing trademarks; the piracy of books, sound and video recordings and of computer software; difficulties in enforcing appellations of origin and geographical indications even when nominally protected under national law; and the misappropriation of industrial designs. Some participants have emphasized the increased ease of copying, and consequent increased problems of enforcement, resulting from new technologies of reproduction, especially in the copyright area.

22. A specific problem highlighted in some presentations is that of difficulties of patent owners establishing infringement of a process patent in jurisdictions where the burden of proof in such cases is on the intellectual property right owner. It has been said that this is particularly disadvantageous for intellectual property rights owners where only process, and not product, protection is available. One suggestion made is that in such cases the burden of proof should be on the defendant, to demonstrate that the patented process had not been used in making the product. Difficulties referred to in relation to action against imports of goods in the production of which a patented process has been used have already been mentioned in paragraph 15 above.

23. The other specific enforcement difficulties mentioned in paragraph 15 above have also been raised as issues with internal as well as border aspects.

24. Some participants have maintained that it was not a task of the Group to attempt to raise the level of protection of intellectual property rights through the strengthening of procedures. If national procedures were not always adequate and improved international minimum standards were called for, these should be formulated in the context of the existing international conventions relating to these matters. Some participants have also expressed the view that the mere occurence of infringement did not in itself establish that enforcement procedures were inadequate; it had to be recognized that, however effective were national enforcement procedures, it would never be possible to eliminate entirely the infringement of intellectual property rights, just as other illegal activities continued despite all enforcement efforts.

Trade effects

25. In discussing the trade implications of the infringement of intellectual property rights, the view has been expressed that the intellectual effort incorporated in goods constitutes a part of their proper value in the same way as the material inputs in them do. Failure to protect adequately, through intellectual property laws, this intellectual content against unauthorized copying therefore deprives the producers of a proper return for their efforts and, by the same token, has a corresponding adverse effect on the commercial interests of their country. The inadequate or ineffective protection of the intangible elements of the value of a good has the same damaging effects on international trade as if property rights in physical goods were not protected.

26. The view has been expressed that there are important constraints, in terms of resources, feasibility and the need to avoid procedures that would hinder legitimate trade, on the extent to which border control measures can prevent trade in goods infringing intellectual property rights. Moreover, border control measures cannot prevent the displacement of legitimate exports by the domestic production and sale of infringing goods in export markets. The most effective action to prevent trade distortions and impediments arising from the infringement of intellectual property rights was therefore at the point of production of infringing goods.

27. It has been said that inadequate internal means for enforcement of intellectual property rights have adversely affected trade principally by preventing, or making difficult, effective action against:

- the domestic production and sale of infringing goods that displace exports of genuine goods to that market;

- the production and export of infringing goods to the country of production of the genuine good; and

- the export of infringing goods that displace exports of the genuine product in third markets.

28. Other effects that have been pointed to include:

- possibly higher prices charged for the genuine good during the period before unauthorised copies become available and in markets where rights are respected, in order to recoup the cost of developing intellectual property;

- the damage to the reputation and thus sales of national exporters from poor quality, unauthorized copies of their products;

- the reduced incentives to research and development, innovation, and the creation of new works of authorship resulting from the losses consequent on the infringement of the corresponding intellectual property rights, especially where such activities require a global market to be financially viable;

- diminished trade resulting from the unwillingness of intellectual property right owners to enter markets where their rights are difficult to enforce;

- the additional uncertainties created for international trade from unreliability in the enforcement of intellectual property rights.

29. In addition, some participants have said that intellectual property right owners suffer from adverse consequences for their royalty payments from, and investments in, countries where enforcement of intellectual property rights is inadequate. Moreover, they may sustain important additional legal, detection and other costs. Other effects of the infringement of intellectual property rights referred to include deception of consumers and risks to health and safety.

Relevance of GATT provisions

30. Some participants have said that the GATT recognizes the legitimacy of measures to enforce intellectual property rights, and that the production, sale and trading of infringing goods undermines the achievement of GATT objectives and can reduce the value of tariff concessions negotiated in GATT. However, it has been noted that, at least apart from Article IX:6 as it applies to certain geographical indications (see paragraph 19 above), no GATT provision specifically puts obligations on governments to provide adequate means of enforcement of intellectual property rights. For some, this indicates the need for new rules and disciplines in this area to deal with the trade distortions and impediments arising, while to some others this indicates that these matters should not be considered as "trade-related" ones falling within the mandate of the Group.

II. ISSUES IN CONNECTION WITH THE AVAILABILITY AND SCOPE OF INTELLECTUAL PROPERTY RIGHTS

31. The detailed issues raised relating to the availability and scope of intellectual property rights in different countries concern trade problems considered to exist as a result of:

- inadequacies in the availability and scope of intellectual property rights;

- excesses in their availability and scope; and

- discrimination in their availability and scope.

(a) Inadequacies in the availability and scope of intellectual property rights

Issues

32. Some participants have said that inadequacies in the availability and scope of intellectual property rights in many countries are a major source of trade distortions and impediments. Some of these participants have given detailed information about the inadequacies they believe to exist, in some cases ordered by type of intellectual property right and in other cases by type of inadequacy. The detailed points made are contained in paragraphs 36-44 below. Most of the points made concern: the absence in some countries of certain basic rights, either generally or for particular classes of subject matter; inadequate duration of rights; compulsory licensing provisions; and unsatisfactory procedural requirements. Points made about procedures in general are (i) that unduly lengthy procedures before grant of the right increase the risk of unauthorized copying and difficulty of dealing with it, and (ii) that their complexity and costs, such as in the form of fees and legal expenses, are often burdensome, especially for small, medium-sized and foreign enterprises.

33. Some participants have expressed the view that there were major problems in the provision of adequate rights for certain new technologies, such as computer software, the designs of integrated circuits and biotechnological inventions, and that there was need for greater adaptability and responsiveness of intellectual property systems to technological change if trade difficulties were to be avoided.

34. Some participants are of the view that the above picture of the adequacy of the protection of intellectual property and of international conventions regarding these matters is exaggeratedly negative. Moreover, if it were felt that the scope and availability of intellectual property rights provided for under national laws and internationals conventions were inadequate, the appropriate course would be to seek improvements in the context of the international conventions in question. Most, if not all, the issues raised were already under discussion in the framework of the World Intellectual Property Organization, where there was a long history of international consideration and negotiation of these matters.

35. The compilation below of the detailed issues raised is structured by type of intellectual property right, the ordering of the different intellectual property rights treated being by volume of material presented.

(i) Patents

36. Some participants have expressed the view that difficulties in connection with the availability and scope of intellectual property rights available to companies and nationals were most widespread in the area of patents. There was not yet an adequate international consensus on the proper basic rights in this area, and this was reflected in the absence of adequate minimum standards in the Paris Convention.

37. The specific points mentioned by these participants include:

- The absence of a patent law to protect inventions in some countries.

- Exclusions from patentable subject matter. Some participants have referred in particular to the exclusion in some countries of chemical, pharmaceutical and food products. The protection of processes of manufacture only, where it exists, is not regarded by these participants as an adequate substitute, because of difficulties of enforcement and the scope for inventing around the patent. It has been said that in some countries this is facilitated by requirements to incorporate in the patent claim scientifically unnecessary but legally limiting process parameters. Another view expressed was that protection of chemical and pharmaceutical

products could impede technological progress in the invention and development of new ways of producing such products. Reference has also been made to certain countries that allow patents for chemical compositions but not compounds or which do not allow, or in practice do not issue, patents for new uses of known products or compounds. Other exclusions of product areas mentioned as a cause of problems include cosmetics, agricultural machinery, fertilizers, metal alloys, anticontaminant equipment or processes, atomic energy or nuclear-related inventions and methods for the treatment of the human/animal body. An issue raised some participants is the lack of patent or other protection in many countries for biotechnological inventions. In this connection, reference has been made to the absence of protection for plant breeders' rights in some countries or differences in the systems of law under which they are protected (specific legislation or patent law).

- Inadequate duration of the patent right, such as limitation of the patent term to five or ten years. The view has been expressed that such limitation may particularly reduce the value of patent rights on chemical or pharmaceutical products or processes, for which testing and registration requirements before authorization for public sale may take up much of the term. Some participants have referred variously to 15-20 years, 17 years from issuance or 20 years from filing as a normal or satisfactory patent term, sufficient for the recovery of the cost of investment in research, development and production. Another view was that it was by no means evident what should be considered "sufficient" profits for these purposes and, more particularly, to what extent different geographical areas of the world should be expected to contribute towards them; exclusive rights for these sorts of periods could equally well generate excessive profits.

- Procedural problems with obtaining of rights. Some participants have said that procedural obstacles make it difficult and expensive to acquire rights in some countries, especially for foreign applicants. An example given is that an overly strict interpretation of the requirement of unity of invention not only increases unnecessarily the number of patent applications, thereby slowing down the procedure, but also leads to substantial complications and increased costs. Other participants have referred to excessive delays in the period between filing of the application and grant of the right, with the attendant risk of serious infringement during this period.

- Non-voluntary (compulsory) licensing and forfeiture of patents. This issue concerns the circumstances under which compulsory licences are granted in the event of non-working of the patent. It has been said that the criteria for defining non-working and the reasons considered legitimate for such non-working vary among countries. Most of the issues raised relate to those countries where working is not considered to be achieved by importation, but requires domestic production of the patented product or using the patented process. Some participants have said that this renders the patent of little value in countries where local production is not economic. The view has also been expressed that provisions on compulsory licensing and forfeiture are necessary for dealing with the abuse of unjustifiable non-working and that patent laws should be framed so as to encourage national industrial and technological development; these matters, which had a long and established history in national and international law on patents, were presently being discussed in detail in the context of the revision of the Paris Convention. It has also been said that it should be for the government of the importing country, rather than a multinational company owner of patent rights, to decide whether domestic production should be promoted or not. The following more specific points have also been raised:

    - Countries not members of the Paris Convention are not bound by the conditions for the issuance of compulsory licences in Article 5A of the Convention; some other countries are not members of the most recent Stockholm Act of the Paris Convention but of earlier

Acts and are bound by lower standards in respect of compulsory licences.

- Some countries issue compulsory licences and at the same time exclude the patent holder from importing goods covered by the patent; if this is combined with investment controls that prevent a foreign patent owner from establishing a subsidiary to produce the patented product or process, it is particularly burdensome.

- In a submission it is stated that in some countries compulsory licences are granted on pharmaceuticals two years after the patent is granted. Another submission also refers specifically to compulsory licensing of pharmaceutical patents, saying that such licences awarded before the product has enjoyed the necessary minimum period of exclusivity in the market have depressed sales of the patented product and had a negative impact on the recovery of the considerable investment needed to sustain innovation in the pharmaceutical sector.

- In several submissions it is stated that compulsory licences are sometimes issued even though the patent is worked in the country by the patent owner. One of these submissions describes compulsory licences as being issued systematically in certain countries on pharmaceuticals without regard to whether the invention is worked or not. Another refers to at least one country where compulsory licences are sometimes issued despite local working by multinationals. A third submission says that such licences are issued almost automatically on grounds other than non-working, e.g. public welfare, even though the patent holder is practising the invention in the country; and that the criteria for the issuance of such non-voluntary licences are not regulated by international conventions.

- The level of royalty obtained under a compulsory licence is often significantly lower than that which would have been negotiated in the context of contractual licensing.

- A submission refers to a country, which is a member of the 1925 Hague Act of the Paris Convention, where forfeiture can take place 4 years after the grant of the patent (rather than a minimum of 5 years after issuance or 6 years after filing, whichever is the later, under the 1967 Stockholm Act of the Paris Convention) and that, furthermore, in this country forfeiture can be carried out without prior grant of a compulsory licence. Another submission talks of laws in some countries that allow for a patent to lapse after 2 years from issue.

- Restrictions on the patent rights of foreigners in order to protect domestic technology. A participant has said that, in a certain country, the production, sale and importation by foreign enterprises of products which are identical or similar to products related to newly developed domestic technologies are prohibited and foreign enterprises are thus unable to exercise their patent rights for goods related to these new technologies.

(ii) Copyright and neighbouring rights

38. Some participants have suggested that, in general terms, the existing international conventions on copyright, the Berne Convention for the Protection of Literary and Artistic Works (WIPO) and the Universal Copyright Convention (UNESCO), reflect a measure of international consensus on minimum standards for copyright protection. An important issue was thus the non-participation in these Conventions of some countries and the need for their provisions to be fully reflected in the national laws of member States.

39. A number of specific issues have been raised:

- in some countries, the copyright protection granted may be restricted to nationals only or extended only to works first commercialized in the country;

- in some countries the duration of copyright is insufficient, limited for example to 20 years; and

- as regards compulsory licensing of copyrighted works, a participant has said that problems have arisen where countries attempt to go beyond the limits of the areas where compulsory licensing is permitted under the international copyright conventions.

40. A number of issues connected with specific product areas have been referred to:

- Sound and video-recordings: It has been said that in this area the persons primarily interested in taking action against piracy, the producers and performers, may not have been granted a clear legal right of their own on which to base their actions. In this respect, it has been noted that membership of the Convention for the Protection of Producers against Unauthorized Duplication of their Phonograms (WIPO, ILO, UNESCO) is limited.

- Computer software or programmes. It has been said that there are countries which do not provide legal protection for computer software, for example because of an absence of basic copyright legislation or because of uncertainties about its application to computer programmes, and that at least one country is actively opposed to copyright protection for computer software.

- Cable retransmissions. It has been said that copyright protection in regard to cable retransmissions of copyrighted material is sometimes absent.

(iii) Trademarks

41. The issues raised by some participants about inadequacies in the scope and availability of trademark rights are:

- the absence of effective systems for registering and recording rights in trademarks in some countries;

- the absence of protection for trademarks on single ingredient pharmaceutical and chemical products or for service marks in some countries;

- difficulties with obtaining trademark rights in a country where an application for registration is considered abandoned if the registration is opposed and is only pursued if the applicant reaches an agreement of reconciliation with the opponent or raises a suit of opposition within a year;

- lack of clarity in the validity of the trademark right in countries with no system of examination of applications for registration;

- difficulties in preventing the unrestricted use as generic words of well-known foreign trademarks in some countries, leading to rejection of applications for renewal of registration;

- the difficulty of meeting use requirements in some countries for the maintenance of trademark rights because of high tariffs and import restrictions;

- inadequate control of the registration of trademarks similar or identical to well-known foreign trademarks in some countries;

- insufficient duration of the period before the right lapses without use; in some countries, renewal of registration must be made after 5 years and is denied if commercialization has not taken place;

- difficulties in taking action against unauthorized use of a trademark in a country because of problems in meeting local use requirements due to delays in the registration of licensed users and in the consequent legal permission for the licensee to use the mark.

(iv) Appellations of origin and geographical indications

42. Some participants have referred to problems of imitation, counterfeiting and usurpation of appellations of origin and geographical indications arising in their view because of insufficient protection in many countries. A participant has said that the protection provided for in the Paris Convention in this connection was limited and that, while the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration provided for more extensive protection, their membership was limited. Such protection as existed was therefore largely based on national provisions on unfair competition and bilateral arrangements offering recognition on a reciprocal basis. Some other participants have indicated that there are fundamental differences of view about basic rights in regard to geographical indications, particularly appellations of origin.

(v) Industrial designs

43. Some participants have referred to countries where no protection is available to industrial designs. The point has also been made that, in countries where no system of examination of applications for protection exists, there is uncertainty about the validity of the right, which consequently limits its usefulness.

(vi) Integrated circuits

44. Some participants have referred to the absence of protection for semi-conductor chips and mask works in many countries and to the absence, as yet, of an international treaty in this area.

Trade effects

45. The trade effects pointed to by those participants considering that the availability and scope of intellectual property rights are frequently inadequate are essentially the same as those referred to by these participants in connection with the views on inadequate enforcement of intellectual property rights (paragraphs 25-29 above). In their view, both constitute inadequate protection of intellectual property rights against unauthorized copying and have similar trade effects, in the one case because rights established under national law cannot be properly enforced and in the other case because the basic rights are absent or inadequate under national law. These points regarding trade effects, therefore, are not repeated here.

46. Some participants have also drawn attention to a number of aspects particularly in connection with the availability and scope of intellectual property rights. One issue in this connection is the deliberate use of intellectual property policy to discourage imports of goods and to encourage local production. To some participants, this constitutes an impediment or distortion to international trade, while to others it is a justifiable use of intellectual property policy to promote national industrial and technological objectives. Another point that some participants have made in connection with the nature of basic intellectual property rights is that discrepancies between countries in this regard can themselves lead to trade distortions or impediments, quite apart from the question of the adequacy of the protection accorded.

47. Some participants have referred to trade difficulties being experienced in connection with particular types of products:

(i) Sound and video-recordings. It is said that the absence of adequate rights for authors, producers and performers is a major element in widespread unauthorized copying which is having a substantial negative impact on the sales of legitimate recordings in many external markets.

(ii) Wines and spirits, other foodstuffs. A participant has said that the lack of adequate protection of appellations of origin and geographical indications is having severe negative effects on the marketing of its products, particularly wines and spirits. Unfair trade in the wines and spirits sector from countries that do not respect appellations of origin and whose producers do not have to conform to the standards of production under such regimes occurs not only in those countries but also in third country markets due to competition from produce from such countries.

(iii) Chemical and pharmaceutical products. Several participants have referred in particular to what they consider to be unfair competition for the chemical and pharmaceutical products of their companies resulting from inadequate levels of patent protection for inventions in this area.

(iv) Computer programmes. Some participants have referred to widespread unauthorized copying of the computer programmes of their companies, particularly with the development of mass, retail outlets for such products.

48. Some participants, net exporters of technology and other subjects of intellectual property rights, have expressed the view that there is a basic commonality of interest between all countries in providing for the adequate and effective protection of intellectual property rights. If a country does not provide such protection, enterprises would not be willing to transfer to it technology or other forms of intellectual property. Simply copying new technology on the basis of disclosures elsewhere was not an option in most areas of advanced technology, where inventions cannot be used without the assistance of the inventor through the provision of related know-how. Deprived of adequate access to modern technology, the products of such countries were likely to face increasing problems of competitiveness, especially in export markets. While copying of distinctive signs and the appearance of goods might be easier, this also risked generating prejudices against the goods of countries where such practices took place.

49. Some countries, net importers of intellectual property, have indicated that they accept the need for its adequate protection, both in order to encourage domestic inventiveness and creativity and the development of indigenous distinctive goods, and in order to provide conditions under which foreign owners of intellectual property would be willing to make it available on reasonable terms.

50. Some other participants have expressed the view that intellectual property rights are monopoly rights which are created by society in order to promote certain goals, but which in themselves create economic distortions, both generally and to trade in particular. It was therefore justifiable and necessary for countries to frame these rights in such a way as to limit these distortions and to serve the particular national objectives justifying their creation, such as the promotion of national technological, creative and industrial resources, consumer protection, health, food supply etc. For these participants, to approach the question of the adequacy of intellectual property rights from the angle of their trade effects for other countries was to misunderstand the nature of the contract between society and the intellectual property right owner underlying them.

Relevance of GATT provisions

51. Some participants have said that the General Agreement recognizes the legitimacy of national laws to protect intellectual property rights, and that the lack of such protection undermines the achievement of the objectives of the General Agreement and the value of tariff concessions.

52. A participant has said that Article IX:6 of the GATT indicated that contracting parties must endeavour to afford the same kind of protection of specific regional or geographic names on imported goods on its territory as those products enjoyed in their territory of origin. In the view of this participant, this did not mean that a contracting party had to incorporate in its legislation the legislation of other contracting parties, but that a contracting party to which a request was made under this provision should, by means of rules, including coercive implementation, ensure that adequate protection was given to another contracting party's product.

53. Reference has also been made to the provisions of Articles XII:3(c)(iii) and XVIII:10 as they relate to ensuring that import restrictions are not used in such a way as to prevent compliance with procedures under intellectual property laws.

54. Apart from the above, it has been widely observed that the General Agreement does not contain provisions requiring contracting parties to accord any particular level of protection to intellectual property. To some this points to the need for new rules and disciplines, while to some others it implies that the issue is outside the proper area of concern of the GATT.

(b) Excesses in the scope and availability of intellectual property rights

Issues

55. The following issues have been raised in regard to practices in a certain country:

- Because the patent term starts from the date of grant and there is no limit on its duration from the date of filing, the termination of the patent right, with the corresponding exclusion of other persons from the right to use the invention, may be unduly delayed if the patent acquisition procedure is long drawn out, whether intentionally by the applicant or not. Moreover, other enterprises which have started, in good faith, to use the invention during the period before the grant of the patent can face difficulties if the patent right is then given after a lengthy delay (another aspect of this issue, relating to delayed issuance of the patent causing difficulties for the patent holder in not being able to take effective action against unauthorized use of the invention in the meantime, was raised in the previous section).

- A similar problem can occur where the procedures between the time of filing of the patent application and its grant are kept secret.

- Since interventions before the patent office aimed at the re-examination of, or correction of defects in, a patent right are permitted to the patent holder only, the difficulties of third parties with the patent cannot be fully heard. Bilateral solutions to such difficulties thus tend to favour the patent holder.

Trade effects

56. The points made have concerned economic effects generally. It has been said that:

- these practices may deprive economic agents other than the patent holder from the use of inventions for an unreasonable period or oblige them to negotiate on unfavourable terms the use of the patent; and

- delay in the grant of patents and secrecy in application procedures may cause uncertainties and economic disruption.

Relevance of GATT provisions

57. No GATT provisions have been specifically cited in connection with these practices.

(c) Discrimination in the availability and scope of intellectual property rights

Issues

58. Some participants have said that problems for their industry arise in connection with patent laws that discriminate, in terms of eligibility for patent protection, in favour of national inventive activity and against that abroad. It has been said that this problem occurs where priority for purposes of patent eligibility is based on the date of invention for inventions made in the national territory but on the date of filing of the application for inventive activity abroad. Reference has also been made to the reservation of this country to Article 11(3) of the Patent Cooperation Treaty not to equate the filing (in another Contracting State of the Treaty) of an international patent application designating the country in question to an actual filing in it for prior art purposes (i.e. for assessing the novelty and inventive step involved in an invention for which a patent is being applied). In this country, an unpublished prior application only constitutes prior art as of the time of the actual filing date in the country in question. Moreover, it has been said that under this law priority in terms of the Paris Convention is not accepted for matters other than those described in the patent claim even if they have been described in the specifications of the patent application in another member State.

59. A participant has said that in certain countries discriminatory measures have been taken that favour their nationals or the exporters of certain other countries only.

60. The view has also been expressed that the apparently excessively complicated procedures for obtaining intellectual property rights in some countries represent a particularly serious obstacle to foreign applicants.

Trade effects

61. Some participants have said that these practices have had an adverse impact on the ability of their firms to develop commercial activities in a certain country, because they may be deprived of the possibility of acquiring patents to which they would otherwise be entitled and even faced with patents relating to their inventions granted to someone else.

Relevance of GATT provisions

62. No specific GATT provisions have been cited in connection with these issues.

III. ISSUES IN CONNECTION WITH THE USE OF INTELLECTUAL PROPERTY RIGHTS

63. The points dealt with in this section concern for the most part the licensing of intellectual property rights - on the one hand, governmental restrictions on the terms of licensing agreements and, on the other hand, the abusive use of intellectual property rights in licensing agreements.

(a) Governmental restrictions on the terms of licensing agreements

Issues

64. A participant has referred to systems whereby licensing agreements are subject to government authorization and only approved if the terms conform to certain conditions. These concern:

- restrictions on the rates of royalties payable;
- conditionality of trademark licensing on the transfer of technology;
- non-approval of the licensing of foreign trademarks in joint ventures with foreign companies;
- obligations on the licenser to bear the responsibility if the technology in question infringes patents of a third party;
- restrictions on the duration of licences for know-how;
- conditionality of the renewal of contracts on the offer of improved technologies;
- obligation to grant patents to the licensee without compensation after the termination of the licensing agreements, even before the expiration of the terms of the patents.

Trade effects

65. These restrictions are presented in the submission in question as restrictions on international trade in intellectual property rights and as being employed for the purpose of protecting domestic industries.

Relevance of GATT provisions

66. No specific GATT provisions have been cited in connection with these practices.

(b) Abusive use of intellectual property rights

Issues

67. A number of participants have referred to conditions in licensing agreements which are abusive or anti-competitive and thereby represent unwarranted restrictions on international trade. One view expressed is that such restrictions in licensing agreements are unjust where they exceed the scope of the intellectual property right in question. The points made by some other participants indicate a larger conception of what is abusive. The issue has been mostly raised as one of abusive practices by commercial enterprises, although a participant has also referred to government requirements to include such restrictions. The specific practices mentioned include licensing agreements:

- covering countries for which patents have not been granted;
- incorporating tie-in commitments on non-patented articles;
- incorporating restrictions on the export of the goods in question; and
- incorporating commitments on the importation of inputs for the manufacture of the goods in question.

68. It has been said that abuses can also arise through the exercise of the intellectual property right directly

by its owner, for example non-working of patents or excessive pricing of patented products, and that some provisions of intellectual property law are designed to deal with such abuses.

Trade effects

69. It is said that abusive practices can restrict and distort international trade through the artificial sharing of markets and restrictions on the scope for purchases and sales according to commercial considerations.

Relevance of GATT provisions

70. A participant has raised the question of the relevance of Article IX of the General Agreement to export restrictions in licensing agreements, especially when mandated by governments. Otherwise no specific GATT provision has been cited.