

Ad hoc Expert Group Meeting on  
**Domestic Requirements and  
Support Measures in Green Sectors:  
Economic and Environmental Effectiveness and Implications for Trade**

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**Green Technology Development and  
the Patent Working Requirement:  
Use it or Lose it?**

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# Green Technology Development and the Patent Working Requirement: Use it or Lose it?

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## Issues

- Does green technology alter the role and function of IPRs?
- Is compulsory licensing a useful tool in bringing about transfer of technology to DCs in light of global value chains?
- What is the state of international law? Are national working requirements in patent legislations consistent with TRIPs?

# The Paris Convention for the Protection of Industrial Property

Article 5(A)(2) allows Contracting Parties to: “[...] take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, **failure to work.**”

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

Article 27.1: “[...] patents shall be available and patent rights enjoyable **without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.**”

Art. 31 defines conditions, not motives for CL

# TRIPs Preamble

- aims to reduce distortions and impediments to international trade
- recognises the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives
- emphasises the special needs of LDCs with respect to maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base

# Art. 7 & 8 TRIPS: Objectives and Principles

7. The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to **the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare**, and to a balance of rights and obligations.

8. 1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement. 2. **Appropriate measures**, provided that they are consistent with the provisions of this Agreement, **may be needed to prevent the abuse of intellectual property rights by right holders** or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

# Preparatory work

- Anell and Brussels Drafts precluded grant of compulsory licenses for failure to work or insufficient working where right holder could provide
  - “legal, technical or commercial reasons” (Anell Draft)
  - “legal, technical or economic justification” (Brussels Draft)
- Brussels draft precluded issuance of compulsory licenses where importation was adequate to supply local market



# Legal Assessment

- Historically, local working of patent was considered essential
- TRIPs Art. 27 defines importation to equal working, equally serving markets
- Abuses: blocking patents, restricting importations, excessive conditions or pricing etc. allows for CL and local working

# Feasibility of Working Requirements

- Working requirement short of abuse for patents may trigger investment in large markets, but is of little interest to smaller countries and markets
- Graduation could help defining limits of recourse to Working in a emerging sector in emerging economies

# A New Concept of Graduation

- Apply progressive liberalization to regulation where suitable – individualizing rights and obligations
- Graduation of rights and obligations based on a combination of norms and economic indicators and thresholds
- Single set of norms in agreements – uniform status of Membership
- Irrelevance of formal distinctions between different types of countries (except for defined group of LLDCs)

# Progressive Regulation

- Application of norm depends upon meeting defined thresholds reflecting diverging levels
  - Of level of development of Members
  - Of competitiveness of industries concerned
- Define areas open to progressive liberalization according to function of norm

# Threshold: Recourse to Quantity

- Art. 61 TRIPs: Criminal Sanctions:  
“Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.”
- *China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights (WT/DS362/R)*

# Alternative Routes

- Technology transfer can be achieved through channels other than local working through Foreign Direct Investment (FDI):
  - trade and licensing ('market channels')
  - reverse engineering and imitation ('non- market channels')
- General infrastructure, tax incentives, present labour skills, legal security, as well as market size and shape are but a few elements factored into the decision as to whether or not to transfer technology to a particular region through market channels
- R&D Subsidies and Investment in Universities