



UNCTAD
Commercial Diplomacy Programme

**TRAINING TOOLS
ON THE TRIPS AGREEMENT:
THE DEVELOPING COUNTRIES'
PERSPECTIVE**

Geneva
January 2002

Division on International Trade in Goods
and Services, and Commodities.
Commercial Diplomacy Programme
<http://www.unctad.org/commdip>



INTRODUCTION

These training materials on the WTO Agreement on Trade Related Intellectual Property Rights are part of the training modules prepared by the UNCTAD Commercial Diplomacy Programme. They follow the same basic guidelines, ie. to provide tools that will help the trainers of developing countries in the dissemination of the WTO rules as seen from the point of view of their development implications.

This module – like those prepared on agriculture and service negotiations – contains sections that address different audiences: government officials, parliamentarians, researchers and experts, and journalists. The annexes include the negotiating mandates adopted at the WTO 4th Ministerial Conference (Doha, November 2001) regarding TRIPS. Several boxes inserted in the text contain "policy issues" that deserve more research and that could stimulate discussions among trainees. These materials do not pretend to exhaust the topics implied by the implementation and the negotiations on TRIPS.

The Commercial Diplomacy Programme thanks Professor Carlos Correa from the University of Buenos Aires for the preparation of these training materials.



CONTENTS

A. GENERAL FEATURES OF INTELLECTUAL PROPERTY RIGHTS	7
1. What is intellectual property?	8
B. IMPORTANT ISSUES FOR GOVERNMENT OFFICIALS FOR THE PREPARATION OF NEGOTIATING STRATEGIES	13
1. What is the relevance of IPRs for the national economy and external trade?	13
<i>Implications by sector</i>	13
<i>Investment</i>	14
<i>Local innovation</i>	15
<i>Transfer of technology</i>	16
<i>Conservation and use of biodiversity</i>	17
<i>Foreign trade</i>	19
<i>Public health</i>	20
2. What share of GDP is involved?	21
3. What is the existing domestic framework on IPRs?	22
4. Are there regional or bilateral commitments on IPRs?	23
5. Building up consensus for IPRs reform	26
C. IMPORTANT ISSUES FOR THE PRIVATE SECTOR	27
1. Implications of IPRs for the private sector	27
2. The economic value of intellectual property for firms	28
<i>Price of the final product</i>	29
<i>The market value approach</i>	29
<i>The cost-based approach</i>	30
<i>Contribution to profits</i>	31
D. IMPORTANT ISSUES FOR PARLIAMENTARIANS	33
1. Interpretation of the TRIPS Agreement	33
2. Obligations for Member States contained in the TRIPS Agreement to be considered in the national legislation	35
<i>Coverage</i>	35
<i>Minimum standards</i>	35



<i>Relationship with other IPRs conventions</i>	35
<i>Implementation</i>	36
<i>Objectives and principles</i>	36
<i>National treatment</i>	37
<i>Most favoured nation</i>	37
<i>Exhaustion of rights</i>	38
<i>Equality of treatment</i>	38
<i>Transfer of technology and technical assistance</i>	38
<i>Transitional arrangements</i>	39
<i>Dispute settlement</i>	40
<i>Monitoring and review</i>	40
<i>Copyright and related rights</i>	40
<i>Trademarks</i>	41
<i>Geographical indications</i>	43
<i>Industrial designs</i>	44
<i>Patents</i>	44
<i>Integrated circuits</i>	46
<i>Undisclosed information</i>	47
<i>Restrictive business practices in contractual licences</i>	47
<i>Enforcement</i>	48
3. Issues regarding the implementation and review of the TRIPS agreement of interest to Parliamentarians	48
<i>Implementation issues of geographical indications</i>	49
<i>Non-violation</i>	50
<i>Biological inventions</i>	51
4. Submissions to the TRIPS Council	52
<i>Information</i>	53
<i>Discussion or position papers</i>	53
<i>Proposals for review</i>	53
E. IMPORTANT ISSUES FOR NATIONAL RESEARCHERS	55
1. Impact of IPRs on foreign direct investment	55
2. Impact of IPRs on innovation and access to technology	55
3. Effects of IPRs on competition: Abuses and anti-competitive practices	56
4. Developing IPRs suited to local conditions	56
F. IMPORTANT ISSUES FOR THE MEDIA	57
REFERENCES	59
ANNEXES	63
<i>Annex 1: List of proposals submitted by WTO members for review of the TRIPS Agreement and related issues (1999-2001)</i>	63



UNCTAD
Commercial Diplomacy Programme

<i>Annex 2: WTO Declaration on the TRIPS Agreement and Public Health</i>	66
<i>Annex 3: Work programme related to TRIPS agreed upon at the Fourth Ministerial Conference of the WTO in November 2001</i>	68
<i>Annex 4: Decision on implementation-related issues and concerns adopted at the Fourth Ministerial Conference of the WTO, November 2001: issues concerning TRIPS</i>	70
<i>Annex 5: Compilation of outstanding implementation issues raised by members</i>	71
<i>Annex 6: Systems and national experiences for protecting traditional knowledge, innovations and practices; background note by the UNCTAD Secretariat, TD/B/COM.1/EM.13/2, 22 August 2000</i>	73
<i>Annex 7 Background paper for training purposes: the TRIPS agreement and the built-in Agenda</i>	75
<i>Annex 8: Negotiations on geographical indications in the TRIPS Council and their effect on the WTO agricultural negotiations. Implications for developing countries and the case of Venezuela</i>	80
<i>Annex 9: Training presentations:</i>	101
<i>- The debate concerning the agreement on trade-related aspects of intellectual property rights (TRIPS) from a development perspective</i>	102
<i>- The negotiations on geographical indications at the WTO and their effects on agriculture negotiations</i>	105
<i>- Issues related to technology and investment policies and the TRIPS agreement</i>	108



GENERAL FEATURES OF INTELLECTUAL PROPERTY RIGHTS

The availability and the enforcement of intellectual property rights (IPRs) have become since the 1980s a major issue in international economic negotiations and, in many cases, the subject of trade disputes between nations.

Intellectual property makes it possible to control the commercial exploitation of the results of scientific, technological and cultural creation. The ability to develop and use such results is a key factor of economic growth. They have crucial importance for international competition, especially for the production and trade of technology-intensive goods and services: "Knowledge is critical for development, because everything we do depends on knowledge. For countries in the vanguard of the world economy, the balance between knowledge and resources has shifted so far toward the former that knowledge has become perhaps the most important factor determining the standard of living - more than land, than tools, than labor. Today's most technologically advanced economies are truly knowledge-based" (World Bank, 1998, p. 17).

Technology has been recognized as an essential element in any developmental strategy (UNCTAD, 1993). Although different technological packages are needed at different levels of development, it seems clear that even for mature sectors access to appropriate technical knowledge is crucial not just to succeeding in the market place, but also to surviving in the context of trade and investment liberalization.

Science and technology development capabilities are, however, very asymmetrically distributed. Research and Development (R&D) spending have showed a steady increase in industrialized countries since the 1970s, with growing participation by the private sector in total R&D. In many of those countries, half and more of R&D spending is by private firms.

Developing countries, on the other hand, account for only about 4 per cent of global R&D expenditures. The asymmetry in the distribution of development capabilities is also illustrated by science and technology patent registration statistics. Industrialized countries hold 97 per cent of all patents worldwide (UNDP, 1999, p.67-68). It should be borne in mind, however, that within the category of "developing countries" there are countries with marked differences in their technological capabilities. Some of them invest heavily in R&D and have been able to enter sophisticated technical fields, such as the production of semiconductors.

The expansion of trade in the framework of the globalization of the economy created during the 1980s strong demands by developed countries' firms for the expansion and universalization of IPRs protection. They actively sought to ensuring certain levels of IPRs protection worldwide in order to capture the rents generated by the intangible components of traded products and services. The strengthening of IPRs was also seen as an important condition for foreign direct investment and technology transfer.



The Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) adopted as an outcome of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), has obliged all Members of the World Trade Organisation (WTO) to establish minimum standards¹ for most categories of IPRs. Those standards mirror to a great extent those in force in the industrialized countries at the time of the negotiation of the Agreement. Under the Agreement's rules, most developing countries have been required to amend their legislation in order to introduce higher standards of protection or extend it to new areas such as software, biotechnology and integrated circuits.

The adoption of the TRIPS Agreement was a major step towards the harmonization of certain aspects of the protection of IPRs. However, as discussed below, WTO Members have been left room for manoeuvre to adopt, in certain cases, different approaches and legal solutions (Correa, 2000a). The explicit aim of the Agreement is to ensure that the protection and enforcement of intellectual property rights 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 the balance of rights and obligations" (Article 7).

The idea of balancing the benefits for title-holders with those for the public should be a key concept in the design and implementation of IPRs legislation. However, while obligations and enforcement mechanisms were stipulated in considerable detail, the main concerns and positions of developing countries, i.e. technology transfer and cooperation, capacity-building and the limitations on exclusive rights, were set out approximately and sometimes ambiguously, and in a non-binding manner.

The new international framework for IPRs established by the TRIPS Agreement is likely to affect the conditions for access to and use of technology and, therefore, the patterns of industrial and technological development in developing countries. Reverse engineering and other methods of imitative innovation will be restricted, thereby making technological catching-up more difficult than before. Strengthened IPRs are also likely to increase the negotiating position of right-holders in determining the royalties to be paid for the technologies that are needed in the event that the right-holders agree to part with them.

1. What is intellectual property?²

Intellectual property is a category of property in intangibles, which may be claimed by individuals, enterprises or other entities. The peculiar feature of this kind of property is that it relates to pieces of information that can be incorporated into tangible objects. Protection is

¹ This means that Members cannot provide a level of protection lower than that provided for by those standards. At the same time, they cannot be obliged to provide a higher level of protection (Article 1 of the TRIPS Agreement).

² This section is partly based on South Centre (1997).



conferred on ideas, technical solutions or other information that have been expressed in a legally admissible form and, in some cases, subject to registration procedures.

Although the content of intellectual property is the information as such, intellectual property rights are exercised - generally as exclusive rights - with respect to the products that carry the protected information. Thus, the owner of a patent can prevent the manufacture, use or sale of the protected product in the countries where the patent has been registered. Those who create certain intangibles may, via the enforcement of such rights, regulate the use of the creations and the commercialization of the goods that contain them. Control over an intangible therefore translates into control over markets.

Intellectual property rights include the following categories:

- **Copyright and related rights.** Copyright protection is provided to authors of original works of authorship, including literary, artistic and scientific works. Copyright has also been extended to protect software and databases. The owner of copyright can generally prevent unauthorized reproduction, distribution (including rental), sale and adaptation of original work.³ Protection generally lasts for the life of the author plus at least 50 years, or for at least 50 years in the case of works belonging to juridical persons. Neighbouring (or related) rights are accorded to phonogram producers, performers and broadcasting organizations. In some countries, expressions of *folklore* are also subject to copyright protection.
- **Trademarks.** Trademarks are signs or symbols (including logos and names) registered by a manufacturer or merchant to identify goods and services.⁴ A valid trademark allows the owner to exclude imitations where this would mislead the public about the origin of a product. Protection is usually granted for 10 years, and is renewable as long as the trademark is actually used.
- **Geographical indications.** These are signs or expressions used to indicate that a product or service originates in a country, region or specific place. There are different types of geographical indications. They are called "appellations of origin" when the characteristics of the products can be attributed exclusively or essentially to natural and human factors of the place in which the products originate.
- **Industrial designs.** An industrial design protects the ornamental or aesthetic aspect of an industrial article. In some countries there is specific protection for industrial designs, while in others it coexists with or can be cumulative copyright or trademark protection. The term of protection is generally between 5 and 15 years (including renewal).

³ Copyright protects the expression of an idea, not the idea itself. This means that, in principle, protection is extended only to the form in which an idea is expressed (e.g. the particular writing of instructions in a computer program), and not to the concepts, methods and ideas expressed.

⁴ The "domain names" used in cyberspace do not constitute trademarks per se, but may be used as signs for commercializing or promoting goods and services. See on this subject the work done by WIPO at www.wipo.int.



- **Patents.** Patents confer the exclusive right to make, use or sell an invention generally for a period of 20 years (counted from the filing date).⁵ In order to be patentable, an invention usually needs to meet the requirements of novelty, inventive step (or non-obviousness) and industrial applicability (or usefulness). Patents may be granted for processes and products. Patent-like protection is conferred for functional models and other "minor" innovations under the heading of utility models (see definition below).
- **Layout designs of integrated circuits.** The protection of the layout (or topography) of integrated circuits is a **sui generis** form of protection that allows the owner of the design to prevent the unauthorized reproduction and distribution of such designs. Reverse engineering⁶ is generally allowed. The duration of protection is shorter than under copyright (typically 10 years).
- **Undisclosed information. Trade secrets** protection covers confidential information of commercial value, including business information and know-how. Trade secrets are generally protected under the discipline of unfair competition.⁷ No exclusive rights are granted. Trade secrets are protected as long as the information has commercial value and is kept secret. This category also includes **data submitted for registration of pharmaceutical and agrochemical products**. They must be protected (under to the TRIPS Agreement) against disclosure and unfair commercial use. In some countries, the data cannot be relied on by national authorities with regard to approving subsequent requests for market authorization for certain periods (5 to 10 years).
- **Breeders' rights.** This is a **sui generis** form of protection conferred on plant varieties that are new, stable, uniform and distinguishable. Exclusive rights, in principle, include the sale and distribution of the propagating materials. Breeders' rights generally permit use by other breeders of a protected variety as a basis for the development of a new variety (the "breeder's exception") and the re-use by farmers of seeds obtained from their own harvests (the "farmer's privilege").
- **Utility models.** This category protects the functional aspect⁸ of models and designs, generally in the mechanical field. Although novelty and inventiveness are generally required, the criteria for conferring protection are less strict than for patents. The term of protection also is shorter (typically up to 10 years).

⁵ In the United States and Europe, for example, the term of protection may be extended for an additional period in order to compensate the title-holder for the period required for the marketing approval of certain products (e.g. pharmaceuticals).

⁶ "Reverse engineering" is a method of evaluating a product in order to understand its functional aspects and underlying ideas. This technique may be used to develop a similar product.

⁷ See definition below.

⁸ This feature distinguishes utility models, which are concerned with the way in which a particular configuration of an article works, from industrial designs, which are concerned only with the aesthetic nature of an article.



- **Databases.** Although databases are protected under general copyright rules, some countries have adopted a **sui generis** regime to protect them (even if they are not original), including the right to prevent extraction of data.
- **Unfair competition.** The discipline of unfair competition, which has generally been regarded as coming under industrial property, provides a remedy against acts of competition contrary to honest business practices, such as confusing or misleading the customer and discrediting the competitor. An act of “unfair competition” may be defined as “any act that a competitor or another market participant undertakes with the intention of directly exploiting another person’s industrial or commercial achievement for his own business purposes without substantially departing from the original achievement” (WIPO, 1994, p. 55). In some cases, the discipline of unfair competition supplements the protection of trademarks⁹ and patents.
- **Community rights to traditional knowledge.** Some countries have developed or are in the course of developing **sui generis** regimes for the protection of traditional knowledge on the basis of collective rights, including, for instance, the rights to participate in the benefits arising from the commercial exploitation of their knowledge.

The TRIPS Agreement contains minimum standards for all the categories described above, except for expressions of folklore, utility models, breeders' rights¹⁰ and community rights. The area of unfair competition is dealt with only in relation to undisclosed information.

⁹ In common-law countries, the doctrine of “passing off” (i.e. misrepresenting one’s business goods or services as another’s, to the latter’s injury, generally by using the same trade mark without permission) may also be applied.

¹⁰ However, under the TRIPS Agreement, Members are obliged to protect plant varieties by means of patents or an effective *sui generis* regime, or a combination of both (Article 27.3 b).



IMPORTANT ISSUES FOR GOVERNMENT OFFICIALS FOR THE PREPARATION OF NEGOTIATING STRATEGIES

In preparing negotiations for accession to the WTO, and for future reviews of the TRIPS Agreement, government officials should be able to assess the importance of IPRs to different sectors of the national economy and consumers. To undertake such an assessment the following questions, among others, may be addressed:

1. What is the relevance of IPRs for the national economy and external trade?

Implications by sector

IPRs apply to a broad range of activities. The importance of various types of IPRs varies considerably according to the types of industries involved, their R&D intensity and the rate and nature of their innovative activities. Table 1 summarizes the subject matter of various categories of IPRs and indicates the main sectors and activities that are affected by their availability and enforcement.

Table 1. Subject matter and main fields of application of IPRs

Type of IPRs	Subject matter	Main fields
Patents	New, non-obvious, indigenous applicable inventions	Chemicals, drugs, plastics, engines, turbines, electronics, Industrial, control and scientific equipment
Trademarks	Signs or symbols to identify goods and services	All industries
Copyright and related rights	Original works of authorship; artistic performances, broadcasting and phonograms production	Printing, entertainment (audio, video motion pictures) software, broadcasting
Integrated circuits	Original layout designs	Microelectronics industry
Breeder's rights	New, stable, homogeneous, distinguishable varieties	Agriculture and food industry
Trade secrets	Secret business information	All industries
Industrial designs	Ornamental designs	Clothing, automobiles, electronics, etc.
Geographical indications	Geographical origin of goods and services	Wines, spirits, cheese and other food products
Utility models	Functional models/designs	Mechanical industry



Table 1 suggests that, in terms of industrial and technological policies, the relevance of IPRs for a particular country is dependent on the type of goods and services that it produces and trades, and on the characteristics of its national innovation system. In assessing the economic impact of different forms of IPRs consideration should be given to the benefits that producers and traders may derive from them, as well as to their impact on competition and consumer welfare. National policies should strike a balance between the benefits that accrue to right-holders and the costs associated with protection, notably when IPRs are mostly in the hands of companies that do not produce locally.

Important issues for consideration by government officials include the likely impact of an expanded and strengthened regime of IPRs on:

- Investment;
- local innovation;
- transfer of technology;
- conservation and use of biodiversity;
- foreign trade;
- public health.

Investment

The impact of IPRs on investment, particularly foreign direct investment (FDI), has been extensively addressed by the literature (Correa, 1995; Maskus, 2000), but no conclusive evidence is available. While some have argued that stronger IPRs will foster FDI, it seems clear that the impact of changes in IPRs on investment flows will be dependent on a number of factors (such as market size, growth prospects, resource endowment and political conditions) which, in many cases, have a major impact on investment decisions.

Moreover, to the extent that all WTO Member countries are bound by the TRIPS Agreement, the differences among various national IPRs systems will be considerably reduced and the existence of IPRs protection is not likely to constitute a country-specific advantage. Consequently, the possible impact of IPRs on the flow of investments should be assessed in the light of local economic and political conditions, with particular regard to industrial structure and the areas where the availability or reinforcement of IPRs may have a positive or negative effect. The adoption of higher standards of IPRs may not create incentives for investment if other factors are not present. In some situations, the expansion or reinforcement of IPRs may lead to de-investment or reduced prospects of investment in industrial capabilities.

Stronger protection may allow title-holders to safely supply local markets through imports, without the need to undertake local production. Under secure IPRs technology owners may prefer to promote the diffusion of their innovations through trade rather than through the transfer of technology or the establishment of subsidiaries in a foreign country. In



fact, it was the expansion of trade that ultimately explained the reform of the intellectual property system sought by developed countries through the TRIPS Agreement.¹¹

Changes in investment flows may also alter in some cases the industrial structure in the country, for instance by increasing the levels of concentration. This may in turn lead to a reduction in competition.

Investment: Policy issues

Will the introduction/strengthening of IPRs stimulate new FDI? If so, in which sectors?

What kind of investment can be expected? (acquisition of existing firms/establishment of new industrial plants/development of distribution systems).

Will expected FDI generate new industrial capacity? If so, what will be the impact on imports/exports and royalty and profit remittances?

Will strengthened IPRs encourage new local investment?

How will IPRs affect the industrial structure of the country (changes in the relative importance of different sectors)?

Will IPRs increase or reduce competition within particular sectors?

Local innovation

The extent to which higher standards of IPRs will promote local innovation will be dependent, *inter alia*, on the characteristics of each country's "national innovation system".¹²

IPRs systems have been very weakly linked to the innovative process taking place in developing countries, characterized by the adaptation of existing technologies and their improvement through "minor" innovations. Thus, as reflected by world patent statistics, developing countries originate only a minor part of all patent applications. The patent system is related, by definition, to technological developments which are novel and result from an "inventive activity". The disciplines relating to "undisclosed information" and utility models may, in contrast, be of greater relevance for the protection of innovations developed on the shop floor and in engineering departments.

¹¹ See the United States' position in GATT, in *Patent & Licensing*, Vol. 17, No. 6, December, 1987, p. 11.

¹² On the concept of "national innovation system" see Lundvall (1992).



The mismatch between the type of incremental innovations and the main modalities of the IPRs system may be addressed through the adoption of other forms of protection. For instance, innovations developed by local/indigenous communities may be subject to *sui generis* regimes. The TRIPS Agreement would not be applicable in this case, since it only contains obligations in relation to the categories of IPRs specifically addressed therein (see below).

In the area of agriculture, an important policy issue is the extent to which the protection of plant varieties (as required by the TRIPS Agreement) may hinder or foster local innovation. While some countries have opted to follow the model of the International Union for the Protection of New Varieties of Plants (UPOV), new approaches may also be developed in the form of *sui generis* systems.

Although some evidence exists about R&D conducted by foreign firms in developing countries, this phenomenon is very limited and explained by very specific reasons. It is unlikely that an increase in the levels of IPRs protection in conformity with the TRIPS standards will encourage foreign firms to expand their R&D activities in developing countries, unless other conditions (availability of highly qualified personnel, good and inexpensive research infrastructure, etc.) are met. Moreover, as noted above, once most countries have adopted the TRIPS standards, IPRs will play a less significant role as a differential factor in relation to investment decisions by foreign firms.

Local innovation: policy issues

Will changes in IPRs encourage the expansion or establishment of new local R&D capabilities?

What forms of IPRs protection would be the best suited to foster domestic innovation? Should new forms of protection be introduced?

Will changes in IPRs stimulate the localization of R&D activities by foreign companies in the country?

Transfer of technology

Technology transfer has been, and will continue to be, one of the main mechanisms through which developing countries may advance in their industrialization processes. The evidence about the implications of the levels of IPRs for transfer of technology is as limited and elusive as in the case of FDI.

It is arguable that adequate IPRs protection is a pre condition for innovators to license their technology. It is unclear, however, whether the introduction of such protection would



increase the flows of technology under contractual arrangements, since IPRs holders may prefer the direct exploitation of the intangibles through exports or foreign subsidiaries.

Arguments about the relevance of adequate intellectual property protection in connection with transfer of technology are particularly strong where high, easily imitated technology is at stake, as in the case of biotechnology and computer software. It is also possible to argue that in cases where "tacit", non-codified, knowledge is essential for putting a technology into operation, the transfer is more likely to take place if it is bundled with the authorization to use patents and other IPRs. If protection of such rights and of trade secrets in the potential importing country is weak, innovative firms are unlikely to enter into transfer of technology contracts.

Changes in intellectual property legislation may also affect the bargaining position of potential contracting parties and can make access to technology more problematic. Stronger IPRs may, in particular, imply higher costs in terms of royalties and other payments, which may in turn reduce the resources available for local R&D and make it more difficult for recipient firms to compete in the international market.

Often, licensing agreements include a number of restrictive conditions, such as grant-back provisions and tying clauses. The adoption (or reinforcement) of appropriate measures to control abusive practices in licensing agreements in line with Part II, Section 8, of the TRIPs Agreement ("Control of anti-competitive practices in contractual licences") is another important policy issue for consideration.

Transfer of technology: Policy issues

Will the strengthening of IPRs encourage the transfer of foreign technology?

To what extent will stronger IPRs affect the bargaining position of IPRs-holders and potential technology recipients? How will they influence the level of royalty payments?

How can possible abuses by IPRs-holders in licensing agreements be controlled?

Conservation and use of biodiversity

Developing countries are rich in genetic resources: they possess most of the biodiversity available in the world and are the source of materials of great value for agriculture and industry (e.g. medicinal plants). Traditional farmers, for instance, have improved plant varieties and preserved biodiversity for centuries. They have provided gene pools crucial for major food crops and other plants. Traditional medicine serves the health needs of a vast majority of people in developing countries, where access to "modern" health-care services and medicine is limited by economic and cultural factors. It also plays an important role in



developed countries. According to one estimate, the world market for herbal medicines has reached US\$ 43 billion, with annual growth rates of between 5 and 15 per cent (WHO, 2000, p. vi).

An important policy issue is the extent to which patents should be recognized for inventions consisting of or based on biological materials. As mentioned below, the TRIPS Agreement obliges Member countries to protect micro-organisms but allows for certain exceptions in this field, particularly for plants and animals (Article 27.3.b). Some developing countries may worry that excluding substances found in nature from patentability could hinder investment in some local activities, including activities that might lead to patents on products derived from traditional knowledge or specific local skills or know-how. The extent of any such disincentives, however, would depend on local industrial capabilities and on the existence of laws providing alternative forms of protection, including utility-model laws or *sui generis* protection for traditional knowledge.

Countries with few local research capabilities and countries prioritizing medicine affordability and access may prefer, however, to seek limitations to the patentability of substances existing in nature that may be used as medicines. Countries which deem patentability of such substances to be as contrary to basic cultural and ethical values¹³ may similarly seek to limit biological materials' patentability.

A major concern in many developing countries has been how to ensure the sharing of the benefits obtained from the commercial exploitation of biological materials and associated knowledge, as provided for by the Convention on Biological Diversity (Article 15).

The misappropriation by foreign companies and researchers, notably under patents, of genetic resources found in developing countries (as illustrated by the cases of patents granted on ayahuasca, the neem tree, kava, barbasco, endod, quinoa and turmeric, among others) raises another important policy issue. Some Governments and Non-Governmental Organizations have counteracted this form of "bio-piracy" by challenging (in some cases successfully) the validity of such patents or by promoting the publication of traditional knowledge in order to pre-empt its patentability. The compulsory disclosure of the origin of biological materials in any IPRs application has also been proposed.

The development of a possible *sui generis* regime for the protection of traditional knowledge, including farmers' varieties, is an important policy issue in many countries. However, despite numerous proposals, little progress has been made so far in this matter at the national and international levels.

Finally, consideration should be given to the possible impact of the adoption of patents and plant breeders' rights on biodiversity. Several studies have suggested that such regimes

¹³ See, for example, the proposal for review of Article 27.3 b of the TRIPS Agreement submitted by Kenya on behalf of the African countries (WT/GC/W/302, 6 August, 1999).



may reduce biodiversity, particularly through the replacement of farmers' varieties by commercial, uniform varieties.

Conservation and use of biodiversity: Policy issues

In view of the availability of biological resources and the local infrastructure for R&D, what kind of protection should be granted to biotechnological inventions? Should patent laws provide for a broad or a narrow protection of biotechnological inventions?

What measures should be adopted in order to ensure disclosure of the origin of materials and benefit-sharing in the case of commercial exploitation?

How can the misappropriation of local genetic resources/biological materials be prevented?

Is there a need to develop a regime of protection for traditional knowledge?

What may be the impact of IPRs on biodiversity? In particular, will the adoption of IPRs regarding plants promote the replacement of farmers' varieties by commercial, uniform varieties, thus leading to a reduction in plant biodiversity?

Foreign trade

It is not easy to determine the impact of different types of IPRs on trade flows. However, available evidence indicates that strengthened patent rights in foreign markets have had a significant market expansion effect for firms in countries for members of the Organisation Economic Co-operation and Development (OECD), leading to an increase in their exports to countries where the levels of protection were enhanced. Strengthened patent laws in particular have led to a considerable increase in imports in developing countries, especially in the areas of equipment, machinery and food products (in the case of large developing countries) (Maskus, 2000, p. 116).

More generally, the availability and enforceability of IPRs in many cases facilitate the supply of markets by foreign title-holders through exports, thus leading to a deterioration of the balance of trade in the country of importation. This is notably the case when market liberalization and tariff reduction have taken place. The impact of enhanced levels of IPRs on trade should therefore be carefully examined, taking into account the possible effects on local producers and consumers.

Since IPRs are essentially territorial in nature, increasing the domestic levels of protection does not necessarily improve export opportunities for local firms, except in cases where the latter require the importation of inputs (e.g. seeds) for which IPRs protection is a relevant consideration.



Foreign trade: Policy issues

Will the strengthening of IPRs lead to an increase in imports? If so, what will be the impact on local producers and consumers?

Will the strengthening of IPRs promote exports? If so, in which sectors?

Public health¹⁴

Although patents are not the sole factor determining the extent of access to medicines,¹⁵ they are an important element in any public health policy,¹⁶ particularly in relation to the poor's access to medicines. Patent protection, by its very nature, is likely to lead to prices for drugs higher than those that would have prevailed if generic competition had been allowed.¹⁷

While recognizing patent protection for pharmaceuticals, countries may adopt measures to enhance or accelerate competition, such as the “Bolar” exception (which allows generic producers to initiate procedures for the approval of a pharmaceutical product before the expiration of the relevant patent) and compulsory licences based on, *inter alia*, public health interests or health emergencies.

Another important policy area is the determination of the standards for patentability of pharmaceutical products and processes. Often patents on minor modifications or new versions of existing products¹⁸ are granted, thus extending the term of protection beyond the original patent term. Attention should also be paid to the patentability of “new uses” of known medicines, accepted in some jurisdictions under a fiction of novelty.

Finally, it is generally recognized that the extension of patent protection for pharmaceuticals does not automatically lead to greater investment by major pharmaceutical firms in drugs needed to address the diseases of the poor, such as tuberculosis and malaria. The effects of extending patent protection should also be evaluated.

¹⁴ See Annex 2, The Ministerial Declaration on TRIPS and Public Health adopted at the 4th WTO Ministerial Conference at Doha, and Annex 8 for a training presentation on TRIPS and health issues.

¹⁵ The lack or the weakness of health care infrastructure to conduct testing, store and distribute medications, as well as to monitor patient compliance with treatments, is among the factors that may influence access to and use of medicines, particularly in the case of HIV/AIDS medication. See IIPi, (2000, p. 51).

¹⁶ See Correa (2000b).

¹⁷ It should be noted that the majority of the WHO-listed “essential drugs” are off patent, since expensive drugs are not included in the list. However, many drugs needed to fight diseases prevalent in developing countries (such as HIV/AIDS infection) are patented.

¹⁸ For example, polymorphs, isomers, combinations and formulations.



Public health: Policy issues

What is the likely impact of the introduction/strengthening of patents on the pricing of drugs and access to them? How will this affect the implementation of public health policies?

How will the introduction/strengthening of patents affect the local pharmaceutical industry?

What measures can be adopted in order to promote generic competition?

Will newer essential drugs be more expensive than they would have been if not under patent? Is the introduction of generic drugs being slowed down?

Are more drugs for neglected diseases being developed?¹⁹

2. What share of GDP is involved?

Given the pervasiveness of IPRs, it is difficult to determine their impact in terms of Gross Domestic Product (GDP). Several methodologies have been developed in order to estimate the "economic value" of different types of IPRs for individual companies, as well as to estimate the importance of IPRs in terms of GDP. These methodologies have been mainly used for copyrights and neighbouring rights. The value added by the production and commercialization of copyright is easier to calculate than in the case of other IPRs, since the author's work constitutes the basis of some industries, without which they would not exist. Also, some studies have been carried out on the contribution of patents and trademarks to Gross National Product (GNP).²⁰

A study of the contribution of copyright to GNP was first undertaken in the United States at the end of the 1950s. According to this study, the industries based on copyright accounted for a 2 per cent share of GNP. About 20 years later a new study indicated a 2.8 per cent share. In quantitative terms, the industries involved, taken together, were second only to medical and health services, but ahead of agriculture, the automobile industry and the electrical equipment industry. In another study, in 1982, the percentage of GNP attributable to the copyright-based industries amounted to 4.6 per cent. The value added of the industries involved in the use of copyright represented 6.6 per cent of GNP in Sweden in 1982. In the same year the figure was 2.4% in the Netherlands, greater than that attributable to the chemical industry, the hotel industry or marine transport and the steel industry combined. Those same industries accounted for 2.6 per cent of GNP in the United

¹⁹ See WHO (2001, p. 5).

²⁰ See Raymond (1996), Silberston (1987) and Higgins and James (1996).



Kingdom, greater than the share of the automobile industry and the food industry, and they employed 500,000 workers. In 1985, in Finland, the figure was 3.98 per cent, representing 3.36 per cent of the working population (Cohen Jehoram, 1989).

The assessment of the current impact of IPRs in terms of GNP may be an important indicator for public action on the matter, including the design of IPRs legislation and participation in international negotiations. Such studies, however, provide only a static picture, and do not capture the dynamic effects of changes in IPRs protection in various sectors.

3. What is the existing domestic framework on IPRs?

As mentioned, the TRIPS Agreement, contains minimum standards for different areas of IPRs. Existing national legislation must be examined against such standards in order to determine the need for legislative reform. It should be stressed, however, that the Agreement constitutes neither a uniform law nor an exhaustive codification of IPRs law. It has not addressed all possible issues to be dealt with under intellectual property laws, but only a number of issues on which it was possible to reach consensus. This means that the Agreement left a wide number of issues without any international standard. In addition to these deliberate "gaps", there are many ambiguities in the text that were the result of difficult compromises made during the negotiations.

Assessments of national IPRs laws should be undertaken in order to consider their consistency with the standards of the TRIPS Agreement. Unlike earlier conventions on intellectual property rights, the TRIPS Agreement is concerned with both the *availability* of rights and their effective *enforcement* via administrative and judicial mechanisms. Such assessments should include the following items:

SUBSTANTIVE STANDARDS

- Copyright and neighbouring rights;
- Patents;
- Trademarks;
- Industrial designs;
- Utility models;
- Geographical indications;
- Semiconductors product designs (chip topography);
- Plant breeders' rights;
- Confidential information:
 - Trade secrets;
 - Data submitted for approval of pharmaceuticals and agrochemicals.



ACQUISITION OF RIGHTS

- Responsible administrative bodies;
- Procedures for registration;
- Procedures for assignment of rights and compulsory licences.

ENFORCEMENT

- Civil and criminal remedies;
- Access to the procedures and payment of fees;
- Length and cost of proceedings before courts;
- Border enforcement.

RELATIONSHIP WITH OTHER LAWS

- Competition policy;
- Certification of seeds;
- Registration of pharmaceutical and agrochemical products.

4. Are there regional or bilateral commitments on IPRs?

A large number of international conventions on IPRs were adopted before the adoption of the TRIPS Agreement, and two additional conventions have been signed since its adoption.²¹ Notwithstanding the number and coverage of international conventions on IPRs, a growing number of bilateral and regional agreements on trade and investment contain specific provisions on IPRs. In some cases, they contain "TRIPS-plus" provisions, that is higher standards of protection than those required under the TRIPS Agreement. For example, several bilateral agreements impose "TRIPS-plus" standards on developing countries, particularly in the field of plant-related inventions (see table 2).

²¹ The WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (1996).



Table 2
Selected Bilateral and Regional Agreements
by Which Developed Countries Have Secured “TRIPS-Plus” Standards.

Type of agreement	Trade	Development cooperation, partnership or association	IPR
Bilateral	<ul style="list-style-type: none"> • United States-Jordan (2000)²² • United States-Viet Nam (1999)²³ • United States-South Africa (1999)²⁴ • United States-Cambodia (1996)²⁵ • United States-Mongolia (1991)²⁶ • United States-China (1979)²⁷ • FTAA (under negotiation)³⁶ • EU-ACP (Cotonou Agreement, 2000)³⁷ 	<ul style="list-style-type: none"> • EU-Bangladesh (2001)²⁸ • EU-Morocco (2000)²⁹ • EU-Tunisia (1998)³⁰ • EU-Palestinian Authority (1997)³¹ 	<ul style="list-style-type: none"> • Switzerland-Viet Nam (1999)³² • United States-Nicaragua (1998)³³ • United States-Trinidad and Tobago (1994)³⁴ • United States-Sri Lanka (1991)³⁵

²² Jordan must implement Articles 1 to 22 of UPOV (1991 Act).

²³ Viet Nam must implement the provisions of UPOV and “promptly make every effort to accede” (1991 Act). Further, it must provide patent protection for all forms of plants (and animals) that do not fit the UPOV definition of “variety”, as well as “plant or animal inventions that could encompass more than one variety”.

²⁴ South Africa shall “ensure adequate and effective protection of intellectual property rights in conformity with the highest international standards”. Under this agreement, such rights include patents on “biotechnical inventions”. South Africa must “undertake to improve, where appropriate, the protection provided for under TRIPS”.

²⁵ Cambodia must join UPOV.

²⁶ No exclusion from patentability for plants and animals.

²⁷ China committed itself to providing a level of patent protection to United States nationals in China equivalent to that which they would receive in the United States.

²⁸ Bangladesh must endeavour to join UPOV (1991 Act).

²⁹ Morocco must join UPOV (1991 Act) by 2004.

³⁰ Tunisia must join UPOV (1991 Act) by 2002. In addition, it “shall provide suitable and effective protection of intellectual, industrial and commercial property rights, in line with the highest international standards”.

³¹ The Palestinian Authority agreed to “grant and ensure adequate and effective protection of intellectual, industrial and commercial property rights in accordance with the highest international standards” but the agreement does not stipulate what those standards are.

³² Viet Nam must join UPOV (1991 Act).

³³ Nicaragua was obliged to implement and join UPOV (1978 or 1991 Act).

³⁴ Trinidad and Tobago was obliged to implement and join UPOV (1978 or 1991 Act).

³⁵ No exclusions from patentability for plants and animals.

³⁶ The United States negotiating position as of 2001 is that countries may not exclude plants and animals from their patent laws.



Regional & sub-regional	<ul style="list-style-type: none"> • United States-Caribbean countries (Caribbean Basin Trade Partnership, 2000)³⁸ • United States-Sub-Saharan Africa (African Growth and Opportunity Act, 2000)³⁹ • United States -Mexico (NAFTA, 1994)⁴⁰ • United States-Andean countries (Andean Trade Preference Act, 1991)⁴¹ 		
------------------------------------	---	--	--

Source: *GRAIN*, "TRIPS-plus" through the back door, *Girona, Grain*, July 2001.

The implications of the adoption of "TRIPS-plus" standards in regional or bilateral agreements should be carefully assessed. In the area of patents and health, the World Health Organization (WHO) has recommended that:

“Since the public health impacts of TRIPS requirements have yet to be fully assessed, WHO recommends that developing countries be cautious about enacting legislation that is more stringent than the TRIPS requirements” (WHO, 2001, p. 4).

It should be noted, as discussed below, that by virtue of the most-favored-nation clause only international agreements on IPRs concluded before the entry into force of the WTO Agreement, and notified to the Council for TRIPS, may provide for differential treatment for the members of a bilateral or regional agreement, to the extent that they “do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members” (Article 4.d). Any concession granted in new bilateral or regional agreements on IPRs should be automatically and unconditionally extended to the other Members of the WTO.

³⁷ Without prejudice to their negotiating position in multilateral forums, the 77 African, Caribbean and Pacific (ACP) countries must provide patent protection for biotechnological inventions.

³⁸ The United States gauges trade benefits to African States on the basis of “the extent to which the country provides protection of intellectual property rights consistent with or greater than the protection afforded under the Agreement on Trade-Related Aspects of Intellectual Property Rights”.

³⁹ The US gauges trade benefits to African States on the basis of “the extent to which the country provides protection of intellectual property rights consistent with or greater than the protection afforded under the Agreement on Trade-Related Aspects of Intellectual Property Rights”.

⁴⁰ Mexico was obliged to join UPOV (1978 Act).

⁴¹ The US gauges trade benefits to Andean countries on the basis of “the extent to which such country provides under its law adequate and effective means for foreign nationals to secure, exercise, and enforce exclusive rights in intellectual property, including patent, trademark, and copyright rights” without defining “adequate” or “effective”.



5. Building up consensus for IPRs reform

Even though the government officials have to play a pivotal role in negotiating and drafting domestic laws, building consensus is one of the most important challenges the government of developing countries face. Without adequate consideration and full attention to this essential political process in advance, serious difficulties in carrying out international negotiation and implementing its results may arise. Policy makers should consider how best to involve civil society in the assessment of the IPRs reform needed in the country, and to explore how to address the relevant issues in the WTO/TRIPS negotiations.

An initial step to be taken is to establish a mechanism for soliciting public comment and then to organize a mechanism by which all the expertise of academia, industry, the various parties affected by the issues, non-government organizations can be channelled into policy-making in a effective and transparent manner.

Finally, ways (including use of media) of increasing public awareness of the results of negotiation and the subsequent legislation should be considered. Improved openness and accountability will be of great importance to the smooth implementation of new national and international standards on IPRs.



IMPORTANT ISSUES FOR THE PRIVATE SECTOR

1. Implications of IPRs for the private sector

The new emerging framework on IPRs is likely to affect the conditions for access to and use of technology, and therefore the patterns of industrial and technological development in developing countries. Reverse engineering and other legitimate methods of imitative innovation will be restricted, thereby making technological catching-up more difficult than before. Strengthened IPRs will most probably increase royalty payments required by technology-holders, if they agree to transfer their technology at all.

Local firms should pay appropriate attention to the IPRs situation of the processes that they employ as well as of the products that they manufacture, import or distribute. Companies that operate in areas where IPRs are of particular importance (such as pharmaceuticals, clothing and audio-visual works) should obtain expert advice to avoid being exposed to possible legal action. The infringement of IPRs may lead to lengthy and costly litigation.

The introduction or strengthening of IPRs resulting from the implementation of the TRIPS Agreement may have important and varied impacts on different industries. As mentioned before, there is a sectoral dimension to IPRs: each type (with the exception of trademarks) affects different sectors of the economy to varying degrees.

- **Patents** are most relevant to sectors where innovative capabilities exist or can be established. In countries with low investment in R&D, the patent system generally allows for the protection of foreign-made inventions, while few applications originate domestically. The use of the patent system may be promoted by means of awareness programmes addressed to local researchers and firms, including the dissemination of patent documents.
- **Trademarks** have a major impact across industries (except for producers of commodities). The acquisition and development of trademarks is extremely important in certain sectors for value creation in both domestic and in international markets. As a result of the increased levels of protection for trademarks required by the TRIPS Agreement (arising from the enhanced protection of well-known trademarks and more effective enforcement measures, including at the border), the barriers to the manufacture and sale of counterfeit products are greater than they were before the adoption of the Agreement.
- **Copyright** protection makes it possible to extract economic value from the commercial exploitation of artistic and literary (including scientific) creations. The economic importance of "copyright industries" varies considerably among developing countries. For example, the film and software industries are particularly strong in India, while Caribbean countries may benefit from the worldwide acceptance of their musical creations. In many



developing countries, however, the main value generated by copyrighted works is likely to be associated with the distribution rather than the creation of such works.

- **Geographical indications** usually apply to wines, spirits and food products, but they may also identify handicrafts and other industrial articles. Some developing countries have advocated enhanced protection for such indications in the Council for TRIPS. Many of those countries feel that their economies may benefit from an expansion of the special protection conferred on wines and spirits under the TRIPS Agreement (Vivas Eugui, 2000).
- **Industrial designs** are particularly relevant for some consumer-oriented industries, such as clothing and automobiles. They may be an important means for increasing the value of products for domestic consumption and exports.
- **Utility models** are not subject to the rules of the TRIPS Agreement. They can be of particular importance for developing countries, since they protect "minor" innovations that predominate in the innovative process of such countries. Few developing countries have, however, adopted this type of protection.
- **Undisclosed information/trade secrets** may be of importance in many industries, particularly those where process innovation prevails, such as the chemical industry.
- **Integrated circuits** protection is particularly relevant for the countries that design and produce integrated circuits. Such protection may, however, affect the importation of a wide range of industrial articles that incorporate semiconductors.
- **Plant breeders' rights** are relevant to the commercial development of seeds. However, in many countries the production and distribution of commercial seeds play a marginal role, while the informal seed system (based on the production and exchange of farmers' varieties) is the main channel for the diffusion of improved varieties. More than 80 per cent of crops cultivated in such countries are planted with seeds from the informal seed system.⁴²

2. The economic value of intellectual property for firms⁴³

The use of IPRs generates value to their possessor. The various intangible assets embodied in intellectual property are of different value according to the sector of activity in question. Moreover, the economic importance of IPRs varies when it is examined from an

⁴² In the case of Ethiopia, for instance, only 2 per cent of seed used by small farmers is commercially supplied; overall accounts for commercial seed 5 per cent of total seeds used. Newly established commercial systems are seldom expected in developing countries to supply more than 15 per cent of total seed requirements for specific crops (Srivastava and Jaffee, 1993, p. 7 to 8).

⁴³ This section is substantially based on Correa (2000c).



intrasectoral angle, depending on such factors as: (a) the type of product or service on offer; (b) the technological level and rate of innovation of the enterprise; (c) marketing strategies; and (d) the conditions of demand. Within one and the same sector, then, there will be firms for which certain intangible assets would have a greater (or lesser) value than for other enterprises in the same sector.

There are many possible ways of evaluating the economic value of intellectual property for an enterprise. Insofar as it represents an asset, which may even be entered into the accounts as such, evaluating it is of particular importance, especially in order to assess the net worth of an enterprise or to carry out certain transactions (for example assignments, licences, mergers and acquisitions) involving the rights in question.

Price of the final product

A series of studies on the economic value of intellectual property has sought to quantify its importance on the basis of the final value of the protected products or services, that is to say the price that the consumer pays in the market place for the product or service. This provides an estimate, albeit rather rough, of the value of the intangible asset linked to the product or service in question.

In fact, prices depend on the costs of production, distribution and marketing, including advertising, and also on the firm's profit margin. The greater the firm's market power (depending on the number of other suppliers, product differentiation and the promotion and advertising undertaken) the greater the cost/benefit ratio is likely to be, although this does not necessarily reflect a greater value of the intellectual property. Conversely, an efficient producer who competes on the basis of price may charge a final price lower than that of his competitors, but this does not necessarily mean a smaller intellectual property content. In other words, the final price of the product that incorporates an intellectual property component is a poor indicator of the value of the intellectual property itself.

If this methodology is used in the case of commercially available products or services, it will also be necessary to introduce indicators that reflect the differences in the levels of per capita income and in the prices in different countries.

The market value approach

This approach is based on an examination of the price at which an intellectual property right is exchanged within a context where the parties have freedom to contract (that is, where there is no compulsion to do so) and have reasonably full information, and where the price fixed is fair to both parties (that is, the terms obtained do not give one party an advantage over the other) (Smith and Parr, 1994, pp. 144-5).



For this method to be applied there should ideally be an "active" market with a certain number of transactions that can be taken as a basis of reference; information on the terms of such transactions must be accessible; and the values must be adjusted over a period of time with, in particular, adjustments made to allow for a lack of comparability between intellectual property transactions.

In the examination of comparability, the following factors need to be taken into account:

- The sector in question, especially if the cases used for comparison cover various sectors;
- Different expectations of profitability that can be attributed to the intellectual property rights, even within one and the same sector;
- Market share;
- Research and development that may yield a product providing an alternative to competitors' products;
- Barriers to entry (e.g. distribution chains);
- Expected growth of sales;
- The strength and cover of legal protection (e.g. in response to applications for nullity by third parties);
- The expected remaining term of the right that is being evaluated (Smith and Parr, 1994, pp. 171-3).

The cost-based approach

This approach is based on the calculation of what it would cost to construct a "replica" of the asset in question. The replacement or reproduction cost is frequently used in the insurance sector for the purpose of providing indemnification for damage or loss incurred.

The cost of an intellectual property asset may be calculated on the basis of an examination of the values corresponding to: (a) the original cost of acquisition; (b) the book value of the asset (if it has been recorded); and (c) an estimate of the investment that would be needed in order to obtain a "replica" of the right in question (in terms of generating net profits).

The cost of "re-creating" the value of an intellectual property asset may be estimated by calculating the costs that would need to be incurred under the various appropriate headings, such as researchers' salaries, overheads and advertising. With regard to works protected by copyright, in general it will be impossible to "recreate" a particular asset, given the unique nature of the works protected. In some cases (e.g. computer programs and architectural plans), however, it might be possible to produce substitutes that are functionally equivalent to existing assets.



The cost-based approach may be based on an estimate of the historical cost, in other words what has been invested in developing an intellectual property asset. In the case of a computer program or a design, for example, especially if a formal R&D project existed, it should be possible to calculate the costs corresponding to staff, inputs, construction of prototypes, external services, administrative overheads, etc. Such costs must be calculated at constant prices, taking into account the retail price index in the relevant years or a similar index.

It has to be borne in mind that in a cost-based approach cost is not equivalent to "value". In fact, the cost tells us little about the profits that may actually be obtained from an asset. The cost of developing a new brand (to replace an existing one) may be higher or lower, depending on many different factors, than the profits it may generate.

That cost, when the enterprise is not just targeting the domestic market, may include legal investigations, testing with potential consumers and research on language, style and colour, not to mention the costs of launching and advertising the product.

The cost-based method, although relatively simple to apply, does not take into account such limitations as possible future trends in the market and profitability, the possible useful life of the asset to be replaced and the risk involved in the activity in question (Smith and Parr, 1994, p. 204).

Contribution to profits

Another approach to assessing the economic value of intellectual property is based on the calculation of the contribution made by various forms of intellectual property to a firm's profits (Smith and Parr, 1994).

Intellectual property rights may be divided into "active" and "passive" rights. The former are those that generate a price differential ('premium price') for the firm, and those that make it possible to reduce production costs (e.g. inventions of processes) and increase profits over and above normal profit levels in the industry in question. "Passive" intellectual property rights are those that do not make a direct contribution to the increase in profits.

One of the general methods proposed as a means of measuring the contribution that intellectual property makes to the profits of a firm consists in breaking down its assets into four elements: first, monetary assets (net working capital); second, tangible assets (buildings, machinery etc.); third, intangible assets (skills and qualifications of the workforce, distribution networks, customers, contractual relations etc.); and, fourth, intellectual property (patents, copyright, trademarks etc.). The method is based on the calculation of the weighted average cost of capital, defined as the minimum weighted rate of return that should be generated for each element so as to satisfy the expectations of investors. The application of this method depends on access to the firm's economic and



financial data. The economic benefits are assessed free of interest payments, so as to reflect exclusively the profits gained from the firm's commercial operations.

For the purposes of calculating the economic contribution of each element, in particular the contribution of intellectual property, a rate of return is assigned to each of the assets mentioned above. That means allocating a value to each kind of asset, taking as a basis the book (accountancy) value and calculating the "excess" profits defined as the residual capital flow value obtained over and above that attributable to the normal returns in the type of business in question.

Obviously, various difficulties arise in the application of this method. Firstly, in most cases firms market a wide range of products and services that are affected in various ways by intellectual property rights. Secondly, it is not easy to determine what the profit is and, therefore, the rate of "normal" return in any particular industry. Thirdly, it is not easy to estimate the asset value of the intangible assets and the intellectual property as a basis for calculating the rate of return.



IMPORTANT ISSUES FOR PARLIAMENTARIANS

1. Interpretation of the TRIPS Agreement

Parliaments are facing in many developing and economies in transition countries the need to introduce massive reforms of existing IPRs laws in order to develop a legal framework in conformity with the TRIPS Agreement. Since very little jurisprudence exists so far in the WTO on the interpretation of the Agreement, an important first step would be to define the scope and extent of existing obligations by means of the standard methods of treaty interpretation.

In interpreting the TRIPS Agreement in the cases brought so far to dispute settlement in the WTO, the panels and the Appellate Body have extensively relied on previous GATT and WTO jurisprudence, and applied the customary rules of interpretation as contained in articles 31 and 32 of the Vienna Convention on the Law of Treaties.

Under Article 31 (1) of that Convention, "a treaty is to be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose". The Convention also admits as an element for interpretation the "subsequent practice" by the parties to a treaty,⁴⁴ as well as certain "supplementary means of interpretation". Article 32 provides that "recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of Article 31, or to determine the meaning when the interpretation according to Article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable".⁴⁵

A corollary of these rules of interpretation, addressed in several GATT/WTO cases,⁴⁶ is the concept of "effective interpretation" (*l'effet utile*), which requires that a treaty be interpreted to give meaning and effect to all of its terms. Accordingly, whenever more than one interpretation is possible, preference should be given to the interpretation that will give full meaning and effects to other provisions of the treaty.

Five cases have been settled so far under the WTO settlement of disputes mechanism.

⁴⁴ The Appellate Body ruled in *Japan – Alcoholic Beverages* that "the essence of subsequent practice in interpreting a treaty has been recognized as a 'concordant, common and consistent' sequence of acts...which is sufficient to establish a discernible pattern implying the agreement of the parties regarding its interpretation".

⁴⁵ The negotiating history may include the history of the Conventions that are specifically referred to by the TRIPS Agreement, such as the Paris Convention and the Berne Convention, and not only the negotiating history of the TRIPS Agreement as such.

⁴⁶ See, for example, WT/DS121/AB/R, para. 88. See also Mengozzi (1999, p. 26).



In the United States - India and European Union - India cases,⁴⁷ the complaining parties argued that India had failed to provide a mechanism for implementing the "mail box" to be established in accordance with Article 70.8 of the TRIPS Agreement. India was found to have failed to comply with its obligations under that article, since there was no legal basis – procedurally or substantively - for the grant of exclusive marketing rights when a product which was the subject of a patent application under article 70.8 became eligible for protection under Article 70.9 of the TRIPS Agreement.⁴⁸

In the United States - Canada case⁴⁹, the United States challenged Section 45 of Canada's Patents Act. It claimed that the patent protection term of 17 years (counted from the date of grant) accorded to patent applications filed before 1 October 1989 often ended before 20 years from the date of filing. The United States argued that pursuant to Articles 33 and 70.2 of the TRIPS Agreement, Canada was obligated to make available a term of protection that did not end before 20 years from the date of filing to all inventions which enjoyed patent protection on 1 January 1996, including those protected by the old Patents Act. Inventions enjoying protection under that Act were covered by article 70.2 of the TRIPS Agreement (protection of "subject matter" existing on the date of application of the TRIPS Agreement). The United States prevailed; the Canadian law having been found inconsistent with the Agreement.

The European Union - Canada case⁵⁰ addressed the TRIPS consistency of Section 55(2)(1) and (2) of the Canadian Patents Act, as revised in 1993, regarding the "early working", "regulatory review" or "Bolar" exception. This exception permits the use of a patented invention, without the consent of the patent-holder, for testing required for the submission of data to obtain marketing approval for pharmaceutical products. The request for a panel was submitted in November 1998 by the EU and its member States. In March 2000, the panel concluded that Canada was not in violation of the TRIPS Agreement. However, Canada was found to be acting inconsistently with that Agreement in terms of its practice of manufacturing and stockpiling pharmaceutical products during the six months immediately prior to the expiry of the 20-year patent term. The panel report was not appealed.

⁴⁷ See WT/DS50 and WT/DS79/R.

⁴⁸ In order to comply with Article 70.9 of the Agreement, the President of India, on 31 December 1994, promulgated an Ordinance (the Patents (Amendment) Ordinance 1994) so as to provide a means for the filing and handling of patent applications for pharmaceutical and agricultural chemical products, and for the granting of the exclusive marketing rights. The Ordinance was issued on the basis of the President of India's constitutional powers to legislate when the Parliament is not sitting, but lacking the latter's confirmation, it lapsed on 26 March 1995. The "exclusive marketing rights" were later implemented by the Patents (Amendment) Act, 1999.

⁴⁹ See WT/DS170/R.

⁵⁰ See WT/DS114/R.



Lastly, upon a complaint by the European Union, a panel found that section 110(5)(b) of United States copyright law - relating to the enjoyment of certain works by customers in business premises, was inconsistent with article 13 of the TRIPS Agreement.⁵¹

2. Obligations for Member States contained in the TRIPS Agreement to be considered in the national legislation

Coverage

The TRIPS Agreement is, by its coverage, the most comprehensive international instrument on IPRs, dealing with all types of IPRs: copyright and related rights, trademarks, geographical indications, industrial designs, patents, integrated circuits and undisclosed information. The only areas not covered are "breeders' rights" (only incidentally referred to) and utility models (or "petty patents").⁵²

Minimum standards

The Agreement provides for **minimum standards** of protection of IPRs. WTO Members cannot, in the specific areas and issues covered by the Agreement, confer a lower protection level of than that established therein. At the same time, Members are protected against demands by other Members to confer a higher level of protection: no Member can be obliged to provide "more extensive" protection than established in the Agreement (article 1.1).

The Agreement sets forth substantive standards relating to the **availability** of rights, as well as procedural rules relating to the **enforcement** of such rights. This means that the TRIPS Agreement not only stipulates, for instance, the (minimum) exclusive rights that a patent or trademark owner must enjoy, but also specifies the administrative and judicial procedures that should be available to him/her in order to effectively use the conferred rights vis-à-vis third parties.

The incorporation of enforcement rules is a major difference with respect to previous conventions, which only or mainly dealt with substantive standards.

Relationship with other IPRs conventions

Several international conventions on various categories of intellectual property rights had been negotiated and adopted before the TRIPS Agreement. The negotiation of the TRIPS Agreement took into consideration and supplemented, with additional obligations, some of those conventions, namely the Paris Convention for the Protection of Industrial Property (1967), the Berne Convention for the Protection of Literary and Artistic Works (1971), the

⁵¹ See WT/DS160/R.

⁵² In addition, the Agreement does not cover the protection of encrypted program-carrying satellite signals, which is explicitly dealt with in Article 1707 of the North American Free Trade Agreement (NAFTA).



International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (the Rome Convention) (1961) and the Washington Treaty on Intellectual Property in respect of Integrated Circuits (1989).

The obligations set forth in those four conventions become binding (with some exceptions) for all Members, even those that have not ratified them, except in the case of the Rome Convention, which only continues to be binding on States that have joined it. Moreover, Members are bound by the provisions of the Washington Treaty, as amended by the Agreement, although that treaty never entered into force.

As a result, the TRIPS Agreement is not to be viewed as a completely new and separate convention, but rather as an integrative instrument which provides "convention-plus" protection to IPRs.⁵³

Implementation

The "method of implementing" the TRIPS Agreement's provisions can be freely determined by its Members within its "own legal system and practice" (Article 1.1). There are considerable differences between national legal systems, particularly between those based on Anglo-American law and those that follow the approach of continental European law. These differences are noticeable, for instance, in the field of copyright and neighbouring rights, trademarks and trade secrets protection.

The Agreement does not constitute a uniform law. It leaves considerable freedom in many areas to legislate at the national level. Although the Agreement will contribute to harmonizing, to a considerable extent, the substantive rules (and some procedural ones) on IPRs in accordance with standards essentially comparable to those prevailing in the most advanced countries, these varying degrees of legislative freedom remain at the national level to adapt IPRs laws to national conditions and objectives, as discussed below.

Objectives and principles

The main stated goal of the Agreement is "to reduce distortions and impediments to international trade, taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become a barrier to legitimate trade" (Preamble).

Although it is recognized that intellectual property rights are "private rights", the underlying public policy objectives of national systems for the protection of intellectual property, including "developmental and technological objectives", are also recognized (Preamble). More specifically, Articles 7 and 8 provide a framework for the interpretation and implementation of the Agreement.

⁵³ There are some cases, however, where "convention-minus" protection is granted by the Agreement, such in the case of moral rights provided for by the Berne Convention (Correa, 1994).



Article 7 states that "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 the balance of rights and obligations".

The concepts of "mutual advantage", "social and economic welfare" and "balance of rights and obligations" mean that the recognition and enforcement of intellectual property rights are subject to higher social values and, in particular, that a balance needs to be found between the exclusive rights conferred on innovators and the interest of society in the diffusion of and further innovation in existing technology.

Article 8 is an important provision for framing national legislation that responds to particular public interests and for preventing or remedy abuses of intellectual property rights.

Article 8.1 states that "members may, in formulating or amending their national 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".

In addition, "appropriate measures", provided that they are consistent with the provisions of the Agreement, may be applied "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" (Article 8.2).

Industrialized countries have extensively applied antitrust laws in order to balance the public and private interests involved in the use of IPRs. The implementation of the TRIPS Agreement in developing countries may require the adoption or revision of competition law so as to ensure the control of anti-competitive practices relating to the use of IPRs.

National treatment

Each Member is required to accord to the nationals of other Members treatment no less favourable than that which it accords to its own nationals, subject to the exceptions already provided in the international conventions referred to above (the Paris, Berne and Rome Conventions and the Washington Treaty).

Most favoured nation

If the protection conferred on the nationals of a Member is more favourable than that granted to the nationals of other Members, such protection has to be immediately and unconditionally extended to the nationals of the latter Members by virtue of the "most-favoured-nation" (MFN) clause (Article 4).



One of the permitted exceptions to the MFN clause relates to international agreements concluded before the entry into force of the WTO Agreement, and notified to the Council for TRIPS, provided that they “do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members” (Article 4.d). Any new regional or subregional agreement on IPRs would be subject to the MFN clause.

Exhaustion of rights

Article 6 of the Agreement permits any Member to admit parallel imports⁵⁴ irrespective of the type of applicable IPRs. The concept behind this article is that the title-holder “exhausts” his/her rights after the sale of a protected product,⁵⁵ whereby he/she obtained remuneration for the IPRs content of the sold product.

The application of this principle may make it possible to acquire legitimate goods in a foreign country at prices lower than those charged domestically for the same goods, thus benefiting users and consumers.

Equality of treatment

Unlike other components of the Uruguay Round Final Act, the TRIPS Agreement does not provide for special and differential treatment in favour of developing and least developed countries. The special needs of the latter group of countries have been taken into account only in relation to measures to promote the transfer of technology (Article 66.2), technical assistance and transitional periods (Article 65).

Transfer of technology and technical assistance

Under Article 66.2, developed Member countries are obliged to provide incentives under their legislation to enterprises and institutions in their territories for the purpose of promoting and encouraging the transfer of technology to LDCs “in order to enable them to create a sound and viable technological base”.

At its meeting in September 1998, the Council for TRIPS agreed to put on the agenda the question of the review of the implementation of Article 66.2 and to circulate a question on the matter in an informal document of the Council.

Provision of technical and financial cooperation for developing and least-developed countries is mentioned in Article 67 of the Agreement, but no specific obligations or operative

⁵⁴ "Parallel imports" occur when a protected product is imported into a country without the authorization of the title-holder or his licensees, provided that the product was put on the market in other country in a legitimate manner.

⁵⁵ On the application to this principle in cases of copyrightable works (such as computer programs and cinematographic works) subject to rental rights (Article 11 of the TRIPS Agreement), see Abbott (1998, p. 626).



mechanisms are provided for. It will be provided on request and on “mutually agreed terms and conditions”.

This cooperation would include assistance in the preparation of laws and regulations on the protection of IPRs as well as on the prevention of their abuse, and the establishment or reinforcement of domestic offices, including the training of personnel. The Council for TRIPS has on many occasions reviewed information on assistance provided to developing and least developed countries, including that provided by intergovernmental organizations.

Transitional arrangements

All WTO Members were allowed one year after the date of entry into force of the WTO Agreement (1 January 1995) to implement the obligations relating to intellectual property protection (Article 65.1). Developing countries and countries in transition were allowed an additional period of four years, except for obligations concerning national and MFN treatment, which will become applicable after the expiry of the one-year period (Article 65.2).

The least developed countries are permitted, in view of their special needs and requirements, and of "their economic, financial and administrative constraints, and their need for flexibility to create a viable technological base" (Article 66.1), up to 10 years from the general date of application (i.e. 1 January 1996). This term may be extended by the Council for TRIPS “upon duly motivated request”.

In addition to the general transitional period referred to above, a further period of five years is contemplated for developing countries which are required to introduce product patent protection in areas of technology not so protected in their territory on the general date of application of the Agreement for that country (Article 65.4). This provision is of particular importance in the area of pharmaceutical products, which was excluded from patent protection in more than 50 countries at the beginning of the Uruguay Round.

The application of these transitional periods does not require any specific declaration or reservation by the country concerned: they are automatically applicable. It would be extremely important for acceding countries to take these transitional periods into account during negotiations on accession, in order to receive treatment equivalent to that accorded to other developing countries. It should be noted, however, that some developing countries that acceded to the WTO after the conclusion of the Uruguay Round (such as Ecuador and Jordan) were under strong pressure from developed countries Members, and were finally unable, to secure transitional periods for the implementation of their obligations under the Agreement.



Dispute settlement

Unlike under previous international conventions on IPRs, under the TRIPS Agreement non-compliance with the obligations stipulated in the Agreement may lead to action, including trade sanctions, by other Member States (but not by affected private parties).

However, if a WTO Member does not observe certain minimum standards, no other Member can unilaterally apply trade sanctions against it. Any complaint should be brought to and settled according to the multilateral procedures established by the Dispute Settlement Understanding (DSU).

At the same time, the adoption of the TRIPS Agreement means that any dispute relating to compliance with the Agreement's minimum standards should be solved under those multilateral procedures. The adoption by another Member of unilateral trade sanctions would be incompatible with the multilateral rules.

Monitoring and review

In addition, the implementation of the TRIPS Agreement is subject to supervision within the WTO system. A specific body, the Council for TRIPS, is in charge of monitoring Members' compliance with the Agreement's obligations. The Council also offers Members the opportunity of consulting on matters related to TRIPs and assists, upon request, in dispute settlement.

Under the Article 71.1 the Council for TRIPS is required to review the implementation of the Agreement after the expiration of the transitional period referred to in paragraph 2 of Article 65. The Council will, having regard to the experience gained in its implementation, review it two years after that date, and at identical intervals thereafter. The Council may also undertake reviews in the light of any relevant new developments which might warrant modification or amendment of this Agreement.

Additionally, amendments merely serving the purpose of adjusting to higher levels of protection of IPRs achieved, and in force, in other multilateral agreements and accepted under those agreements by all Members of the WTO may be referred to the Ministerial Conference for action in accordance with paragraph 6 of Article X of the WTO Agreement on the basis of a consensus proposal from the Council for TRIPS (Article 71.2).

Copyright and related rights

In the area of copyright and related rights, the TRIPS Agreement explicitly stipulates the protection of software as a literary creation and provides - for the first time in an international agreement- rental rights for phonograms, films and computer programs. It also obliges Members to protect data compilations under copyright. The Agreement provides for a minimum term of protection for works (other than works of applied art or photographic



works) not belonging to natural persons: 50 years from the late publication or from creation (if publication was not made within 50 years from the making of the work).

Box 1

Main provisions of TRIPS on copyright and related rights

- Protection of works covered by the Bern Convention, excluding moral rights, with respect to the expression and not the ideas, procedures, methods of operation or mathematical concepts as such;
- Protection of computer programs as literary works and of compilations of data;
- Recognition of rental rights, at least for phonograms, computer programs and cinematographic works (except if rental has not led to widespread copying that impairs the reproduction right);
- Exceptions to exclusive rights to be limited to special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder;
- Recognition of 50 years minimum term for works (other than photographic works or works of applied art) owned by juridical persons, and for performers and phonogram producers;
- Recognition of rights of performers, producers of phonograms and broadcasting organizations (Article 14).

In the area of "related rights"⁵⁶ the Agreement did not include significant new standards, except for the extension of the term of protection for performers and for producers of phonograms to 50 years (20 years were granted under the Rome Convention).

Enforcement rules are also to be considerably strengthened in the copyright field, particularly because of the obligation to establish criminal procedures and penalties against copyright piracy on a commercial scale (Article 61).

Trademarks

The protection of trademarks has been reinforced by a comprehensive definition of signs that can constitute trademarks, and by the specification of a minimum permissible period

⁵⁶ This expression corresponds to "neighbouring rights", as defined under European law.



of non-use, which can be justified by "valid reasons based on the existence of obstacles" (Article 19). Goods and services trademarks are put on the same footing.

The TRIPS Agreement supplements the Paris Convention with regard to "well-known" trademarks, which must be given protection even if they became known on the basis of publicity and not of effective use in a country. The Agreement permits the retention of existing differences between the Anglo-American and continental legal systems with regard to the use of a trademark as a means of acquisition of rights, as admitted by the Anglo-American system.

Box 2

Main provisions of TRIPS on trademarks

- Definition of protectable signs, which should be capable of distinguishing the goods or services of one undertaking from those of other undertakings.⁵⁷ Service marks shall receive a protection equivalent to marks for goods;
- Registrability, but not filing of an application, can be dependent on use;
- Definition of exclusive rights conferred with respect to identical or similar goods and services;
- Protection of well-known trademarks for goods and services, including if knowledge thereof is acquired through their promotion;
- Exceptions to exclusive rights must be limited and take into account the legitimate interest of the trademark owner and of third parties;
- The minimum term of protection is seven years, renewable without limitation;
- Requirements of use are to be limited in terms of both the minimum period of non-use and the admissibility of reasons for non-use;
- Special requirements for use are limited, as well as conditions on licensing and assignment of trademarks. A trademark can be assigned without the transfer of the business to which it belongs;
- Measures to combat trade in counterfeit products should be available at the border.

⁵⁷ Members may require that signs be visually perceptible. Hence, they are not obliged to protect audible and olfactory signs.



Trademark owners may also significantly benefit from new measures against counterfeiting, particularly those that should be taken at the border (Article 51).

Geographical indications⁵⁸

Geographical indications that meet certain conditions are considered by the Agreement as a particular kind of IPRs. The Agreement obliges Member countries to protect those indications that identify a good as originating in a certain territory, "where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin" (Article 22.1).⁵⁹

Box 3

Main provisions of TRIPS on geographical indications to consider for the national legislation

- Geographical indications are indications which identify a good as originating in the territory of a member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the goods is essentially attributable to its geographical origin.
- Legal means shall be provided to prevent use of an indication in a manner that misleads the public or when it constitutes unfair competition, and to invalidate a trademark if the public is misled as to the true place of origin;
- Additional protection is conferred on geographical indications for wines and spirits, including ways of protecting homonymous indications;
- Exceptions to the required protection may be based on prior and continuous use of an indication, prior application or registration in good faith of a trademark, or customary use of the indication;
- Obligations only relate to geographical indications that are protected in their country of origin.

A special, higher protection is recognized for geographical indications related to wines and spirits. This means that, in respect of wines and spirits, protection must be provided even where there is no risk of the public being misled as to the true origin of the product or where the use does not constitute act of unfair competition. However, indications which have become

⁵⁸ See also page 48, and Annex 8, a training presentation on geographical indications, and in Annex 3, the negotiating mandates agreed at the 4th WTO Ministerial Conference at Doha regarding TRIPS and the geographical indications.

⁵⁹ With this definition, the TRIPS Agreement only requires protection of "qualified" geographical indications, such as "appellations of origin" where, as stated, a relationship between certain characteristics of the products and the place of their origin can be established.



a term "customary in common language" (Article 24.6) in the territory of a Member can be excluded from protection. Members can also permit the use of geographical indication of another Member if it was continuously used for at least 10 years preceding 15 April 1994 or in good faith preceding that date.

Industrial designs

Industrial designs which are independently created are to be protected for at least 10 years under the TRIPS Agreement, whenever they are "new or original" (Article 25). Although this is one of the IPRs areas where differences among national laws is greatest, the Agreement includes very few elements of harmonization.

Box 4

Main provisions on industrial designs

- Protection should be conferred on designs which are new or original;
- Requirements for the protection of textile designs should not impair the opportunity to seek and obtain such protection;
- Exclusive rights can be exercised against acts for commercial purposes, including importation;
- Ten years is the minimum term of protection.

Designs essentially dictated by technical or functional considerations need not to be protected under the Agreement. Member countries may, at their discretion, develop legislation on functional designs such as "utility models".

Patents

An important chapter of the Agreement relates to **patents**. It includes standards relating to patentability and its exceptions, compulsory licences and the duration of protection (at least 20 years).

Patents are to be granted and the conferred rights to be exercised without discrimination as to the place of invention, the field of technology and whether the protected product is locally produced or imported.⁶⁰ For biotechnological inventions and as a reflection

⁶⁰ This provision has been interpreted as prohibiting the establishment of "working obligations" upon the patentee, including compulsory licences for lack of or insufficient working.



of the complexity of the issue and the still unresolved differences,⁶¹ Article 27.3.b (which was due to be reviewed in 1999) allows for a possible exception to the patentability of plants and animals; but plant varieties must be protected by patents or by an “effective *sui generis* regime” or by a combination of both.

Box 5

Main provisions on patents

- Patents shall be granted for any inventions, whether products and processes, provided that they are new, involve an inventive step and are capable of industrial application;
- Patents shall be granted in all fields of technology. No discrimination is allowed with respect to the place of the invention, or whether the products are locally produced or imported;
- Member countries can exclude from patentability diagnostic, therapeutic and surgical methods for the treatment of humans or animals, as well as plants and animals and essentially biological processes for the production thereof;
- Exclusive rights conferred in the case of product and process patents are defined, subject in the case of imports to the principle of exhaustion (Article 6);
- An invention shall be disclosed in a manner which is sufficiently clear and complete for a person skilled in the art to carry it out. Indication of the best mode for carrying out the invention, as well as information concerning corresponding patent applications and grants, may be required;
- Limited exceptions to the exclusive rights can be defined by national laws (Article 30);
- Conditions for granting other uses without the authorization of the patent-holder (compulsory licences) are set forth. Member countries can determine the grounds for allowing such uses;
- Revocation/forfeiture is subject to judicial review;
- The term of protection shall be at least 20 years from the date of application;
- Reversal of the burden of proof in civil proceedings relating to infringement of process patents is to be established in certain cases.

The TRIPS Agreement specifies the contents of the exclusive rights to be conferred under a patent, including the protection of a product directly made with a patented process, and to produce, sell and import the protected product. As mentioned above, article 6 allows Member countries to legislate on the international exhaustion of rights and, therefore, to admit parallel imports.

⁶¹ Unlike in the United States and Japan, in Europe and many developing countries patents for plant varieties and animal races are not admissible.



The reversal of the burden of proof is stipulated for civil procedures relating to process patents in order to strengthen a patentee's position in cases of infringement, each Member having the option to apply this principle to all existing products or only with respect to "new" products.

Additionally, a detailed provision (Article 31) recognizes Members' right to permit "other use without authorization of the right holder", i.e. to grant compulsory licences on specific conditions. Compulsory licences would be non-exclusive and terminate when the circumstances that originated their granting cease to exist.

No indication is provided as to the grounds on which such licences can be granted, although particular reference is made to cases of national emergency or extreme urgency, dependency of patents⁶², licences for governmental non-commercial use and licences to remedy anti-competitive practices. National laws can, however, provide for the granting of such licences for other reasons, such as public health or the public interests as a whole. The text of the Agreement is also open with respect to the rights that can be exercised by the licensee, including production or importation.

Integrated circuits

The layout designs (topographies) of integrated circuits are to be protected under the provisions of the Washington Treaty of 1989. The TRIPS Agreement, however, excludes some of the provisions of the Treaty (notably with respect to compulsory licences), and supplements it with respect to bona fide acts involving the infringement of integrated circuits or industrial articles containing them. The minimum term of protection is 10 years.

Box 6

Layout designs of integrated circuits

- The layout designs (topographies) of integrated circuits shall be protected according to the provisions of the Washington Treaty of 1989, except those specifically excluded by the Agreement (e.g. provisions on compulsory licences);
- Protection shall extend to layout designs as such and to the industrial articles that incorporate them;
- Bona fide purchasers of products involving the infringement of layout designs shall be liable to pay compensation to the right-holder after notification;
- The term of protection shall be a minimum of 10 years.

⁶² Dependency of patents occurs when an invention cannot be used without using another invention.



Undisclosed information

The TRIPS Agreement is the first multilateral agreement on "trade secrets". Negotiations in this area reflected substantial differences between the Anglo-American and the continental European legal traditions. The Agreement followed the latter's approach: trade secrets are deemed protectable under the discipline of unfair competition, as established in Article 10 bis of the Paris Convention. No exclusive rights are conferred on the possessor.

Box 7

Main provisions of TRIPS on undisclosed information

- Undisclosed information is to be protected against unfair commercial practices if it is secret, has commercial value and is subject to steps to keep it secret;
- Secret data submitted for the approval of new chemical entities as pharmaceutical or agrochemical products which utilize should be protected against unfair commercial use and disclosure by Governments.

In addition, obligations are provided for in the Agreement in relation to test results and other data submitted to Governments in order to obtain approval of pharmaceutical or agrochemical products. Protection of these data applies when they are the result of a significant effort, and only against unfair commercial use by third parties, and against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.

Restrictive business practices in contractual licences

Section 8 (Part II) establishes certain conditions for the control by Member States of anti-competitive practices in contractual licences relating to IPRs. Practices that may be prevented are those that "constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market" (Article 40.2). Practices are to be assessed case by case.

The application of these conditions will imply that restrictive business practices in such arrangements can only be condemned under a "competition test", thereby excluding other criteria such as the "development test" proposed during the unsuccessful negotiation of a Code of Conduct on Transfer of Technology in the 1980s (Roffe, 1985).



Enforcement

The TRIPS Agreement includes detailed provisions in its Part III on judicial and administrative procedures and other measures related to the enforcement of IPRs. These evidence, injunctions, damages, provisional measures, and criminal penalties, and also include specific rules to combat counterfeit trademarks or pirated copyright goods at the border. Detailed obligations relating to procedures aimed at suspension by customs authorities of the circulation of infringing goods are set out.

3. Issues regarding the implementation and review of the TRIPS agreement of interest to Parliamentarians

Several developing countries have questioned certain aspects relating to the implementation of the Agreement, namely the continuous use of unilateral pressures and the lack of actual implementation of Article 66.2 (incentives for the transfer of technology to least developed countries) and Article 67 (technical assistance to developing countries).

Many developing countries have stressed the difficulties they have experienced in putting into practice the massive legislative changes required by the TRIPS Agreement, and the lack of support from developed countries. In this context, the implementation of Article 66.2 to the benefit of least developed countries has been raised by Egypt (WT/GC/W/109), India (WT/GC/W/147) and the African Group, which noted that there have been no concrete steps by developed countries with regard to the fulfilment of their obligations⁶³ under that article (WT/GC/W/302).⁶⁴ Egypt also pointed out the need to review the implementation of Article 67 (WT/GC/W/136).

For some developing countries (Cuba, Dominican Republic, Egypt and Honduras) the transitional period in Article 65.2 has been insufficient for undertaking the difficult and costly tasks related to the modernization of the administrative infrastructure (intellectual property offices and institutions, the judicial and customs systems), for drafting new laws with substantive and procedural provisions for the protection of IPRs, and for strengthening institutions and creating a culture for the protection of those rights. They have therefore requested an extension of the transition period for the developing countries (WT/GC/W/209).

⁶³ The African Group has pointed out that Article 66.2 is couched in "best endeavour" terms (WT/GC/W/302). However, the provision states that "developed country members shall provide incentives", thereby indicating that it is not a merely hortatory clause.

⁶⁴ Venezuela has proposed that the obligation under Article 66.2 be extended to developing countries (WT/GC/W/282).



The TRIPS Agreement, as adopted, includes a “built-in agenda” relating to geographical indications, “non-violation” cases and the protection of biotechnological inventions. Little progress has been made so far on these issues.⁶⁵

Implementation issues of geographical indications⁶⁶

Article 23.4 of the TRIPS Agreement requires Members to undertake negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines. Different proposals have been made on the subject. The European Communities proposed an international registration of geographical indications under which registered indications would be automatically protected in the participating Member countries, subject to a procedure for dealing with opposition from any Member which considers that a geographical indication is not eligible for protection in its territory. On the other hand, the United States and Japan envisage the development of an international database of geographical indications to which Members would be expected to refer in the operation of their national systems. Both approaches have support from other Members (Otten, 1999, p. 7). In addition, several countries have proposed (in the framework of the preparations for the WTO Ministerial Conference and of the built-in agenda for the TRIPS Agreement) that the enhanced protection now available for wines and spirits be extended to other products, such as agricultural products and handicrafts.

Egypt proposed in the WTO that the additional protection conferred on geographical indications for wines and spirits (Article 23.1 of the TRIPS Agreement) be extended to other products, particularly those of interest to developing countries (WT/GC/W/136). The Indian delegation argued that:

"It is an anomaly that the higher level of protection is available only for wines and spirits. It is proposed that such higher level of protection should be available for goods other than wines and spirits also. This would be helpful for products of export interest like basmati rice, Darjeeling tea, alphonso mangoes, Kohlapuri slippers in the case of India. It is India's belief that there are other Members of the WTO who would be interested in higher level of protection to products of export interest to them like Bulgarian yoghurt, Czech Pilsen beer, many agricultural products of the European Union, Hungarian Szatmar plums and so on. There is a need to expedite work already initiated in the TRIPS Council in this regard, under Article 24, so that benefits arising out of the TRIPS Agreement in this area are spread out wider" (WT/GC/W/147).

Proposals relating to an increase in the number of products covered by additional protection have been supported by developing countries such as Cuba, the Dominican

⁶⁵ As of September 2001.

⁶⁶ See also page 43.



Republic, Honduras, Indonesia, Nicaragua and Pakistan (WT/GC/W/208), by the African Group (WT/GC/W/302) and by Venezuela (WT/GC/W/282).⁶⁷

Non-violation

Article 64. 1 of the TRIPS Agreement provides for a non-violation nullification or impairment (non-violation) remedy under the Agreement. Article 64.2 stipulates that the non-violation remedy "shall not apply to the settlement of disputes under this Agreement for a period of five years from the date of entry into force of the WTO Agreement". The purpose of this moratorium was to enable the Council for TRIPS to examine the scope and modalities for non-violation complaints in the context of TRIPS and make recommendations to the Ministerial Conference (Article 64.3). A decision was to be taken -- by consensus -- by the end of 1999 on whether to extend this period or to determine the disciplines to be applied.

Some countries have indicated the need for an extension of this transitional period. In the opinion of Venezuela, for instance, the moratorium should be extended since the Council for TRIPS has not yet been able to define either the scope of or the modalities for non-violation complaints, as required by Article 64.3. Moreover,

"The history of the GATT and the WTO has produced very few precedents relating to proceedings of this type which would enable them to be conducted safely in terms of law. At the same time, we consider that there is a total lack of experience concerning how inter-State non-violation complaints could be applied to intellectual property rights, which are essentially private in nature" (WT/GC/W/282).

The African Group has suggested an "indefinite" moratorium for the application of Article 64 (WT/GC/W/302). Canada has proposed⁶⁸ that the moratorium be extended until the work by the Council for TRIPS, as mandated under Article 64.3, has been completed. It has argued that:

"There has been no substantive discussion on scope and modalities by the Council for TRIPS as required under paragraph 3 of Article 64. The non-violation remedy was developed in a context wholly different from TRIPS as a means of ensuring market access. In Canada's view, transplanting this remedy into the TRIPS environment is not suitable in the context of IP and will introduce uncertainty into the Agreement, constraining Members'

⁶⁷ See also the Communication from Turkey to the WTO General Council WT/GC/W/249 (Agreement on TRIPS, Extension of the Additional Protection for Geographical Indications to Other Products), 13 July, 1999; and the Communication from Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey to the Council of TRIPS (IP/C/W/201/Rev.1, 2 October 2000).

⁶⁸ See also the submission by the countries of the Central European Free Trade Area (CEFTA) and Latvia (WT/GC/W/275).



abilities to introduce new and perhaps vital measures such as those related to social, economic development, health and environmental objectives" (WT/GC/W/256).

Biological inventions

Article 27.3 b is the only provision in the TRIPS Agreement subject to an early review (in 1999). So far, there has been no agreement in the Council for TRIPS on the meaning of "review". Developed countries have held that it is a "review of implementation" which is called for, while for developing countries a "review" should open the possibility of revising the provision itself.

The aim of some developed countries, if a revision takes place, would be to eliminate the exception for plants and animals, and to establish that plant varieties should be protected in accordance with the UPOV Convention as revised in 1991. For some developing countries, in contrast, it would be important to maintain the exception for plants and animals, as well as the flexibility to develop *sui generis* regimes on plant varieties which are suited to the seed supply systems of the countries concerned. Thus, Egypt has stated that:

"Patentable subject matter was one of the most difficult issues in the negotiations of intellectual property rights issues during the Uruguay Round negotiations. One of the main difficulties was that intellectual property protection in this area of living matter is still in its early years of development. The TRIPs Agreement calls for a review of this matter four years after the date of entry into force of the WTO Agreement (Article 27.3-b). We believe that this matter remains a sensitive and controversial issue. While it may be useful to consider the new developments in this area, the status quo should not be altered at this stage."

The African Group has made an elaborate proposal on this matter. It considers that the "review" mandated by Article 27.3 b relates to the substance, and not merely the "implementation", of the provision. Also, it holds that the implementation deadline should be extended to until five years after the completion of the substantive review of Article 27.3 b, in order to allow developing countries to set up the necessary infrastructure required by the implementation. The African Group held that:

"There is lack of clarity on the criteria/rationale used to decide what can and cannot be excluded from patentability in Article 27.3(b). This relates to the artificial distinction made between plants and animals (which may be excluded) and micro-organisms (which may not be excluded); and also between "essentially biological" processes for making plants and animals (which may be excluded) and microbiological processes. By stipulating compulsory patenting of micro-organisms (which are natural living things)



and microbiological processes (which are natural processes), the provisions of Article 27.3 contravene the basic tenets on which patent laws are based: that substances and processes that exist in nature are a discovery and not an invention and thus are not patentable. Moreover, by giving Members the option whether or not to exclude the patentability of plants and animals, Article 27.3(b) allows for life forms to be patented" (WT/GC/W/302).

On the basis of these and other considerations the African Group proposed that the review process make clear that plants and animals as well as microorganisms and all other living organisms and their parts cannot be patented, and that natural processes that produce plants, animals and other living organisms should also not be patentable. Also, suggested the insertion, after the sentence on plant variety protection in Article 27.3 b, of a footnote stating that any *sui generis* law for plant variety protection can provide for:

- "(i) the protection of the innovations of indigenous and local farming communities in developing countries, consistent with the Convention on Biological Diversity and the International Undertaking on Plant Genetic Resources;
- (ii) the continuation of the traditional farming practices including the right to save, exchange and save seeds, and sell their harvest;
- (iii) preventing anti-competitive rights or practices which will threaten food sovereignty of people in developing countries, as is permitted by Article 31 of the TRIPS Agreement" (WT/GC/W/302).

As indicated by the African Group and by the submissions of other developing countries, a possible review of Article 27.3. b is regarded as linked to the harmonization of the TRIPS Agreement with the Convention on Biological Diversity and the International Undertaking on Plant Genetic Resources.

4. Submissions to the TRIPS Council:

As indicated above, several countries have made submissions to the Council for TRIPS or other WTO bodies in relation to TRIPS issues. Different kinds of submissions may be considered, but all of them require careful preparation and wording in order to avoid misinterpreting national laws or providing interpretations of the Agreement's provisions that may be eventually used (in an hypothetical dispute) against the originating country.

Such submissions may include documents providing information, discussion on position papers, or proposals for review.



Information

In many instances, submissions are made to the Council for TRIPS as part of the process of review of national legislation. Any WTO Member may request clarifications from other Members with regard to certain aspects of IPRs protection, those which Members should provide accordingly.⁶⁹ Also, the WTO secretariat has circulated questionnaires, request of the Council, in order to obtain data about implementation issues relating to the Agreement.⁷⁰ In some cases, Members voluntarily provide information on developments or experiences at the national level.⁷¹

Discussion or position papers

In some cases, Members submit papers for the discussion of specific issues, in which they state their interpretation or position with regard to the TRIPS Agreement or other legal instruments.⁷²

Proposals for review

Several submissions have been made regarding the review of implementation of the Agreement in general⁷³ or in respect of particular provisions.⁷⁴ A number of proposals for amendment of the Agreement have also been made, particularly in relation to geographical indications.⁷⁵

⁶⁹ See, for example, the submission by Bolivia (IP/N/6/BOL/1) relating to national enforcement measures.

⁷⁰ See, for example, a compilation of the replies to the questionnaire circulated by the WTO secretariat in IP/C/W/122 and 126.

⁷¹ See the submission by Peru to the Committee on Trade and the Environment on a proposal for the Protection Regime for the Collective Knowledge of Indigenous Peoples (WT/CTE/W/176). See also India's submission on the "Protection of biodiversity and traditional knowledge: The Indian experience" (IP/C/W/198).

⁷² See, for example, the submissions by the EU and its Member States on "The relationship between the provisions of the TRIPS Agreement and access to medicines" (IP/C/W/280), and the paper submitted on the same issue by the African Group and a number of other developing countries (IP/C/W/296).

⁷³ See, for example, the communication from Australia on the review of the implementation of the Agreement under Article 71.1 (IP/C/W/210).

⁷⁴ See, for example, the United States communication to the Council of TRIPS in relation to the review of article 27.3 (b) (IP/C/W/209).

⁷⁵ See, for example, the following submissions:

- IP/C/W/247, Proposal from Bulgaria, Cuba, the Czech Republic, Egypt, Iceland, India, Liechtenstein, Mauritius, Nigeria, Sri Lanka, Switzerland, Turkey and Venezuela, 29 March.
- IP/C/W/166, Proposal on Protection of the Intellectual Property Rights of the Traditional Knowledge of Local and Indigenous Communities, 5 November, 1999, Communication from Cuba, Honduras, Paraguay and Venezuela.
- IP/C/W/165, Proposal on Protection of the Intellectual Property Rights Relating to the Traditional Knowledge of Local and Indigenous Communities, 3 November, 1999, Communication from Bolivia, Colombia, Ecuador, Nicaragua and Peru.
- IP/C/W/133, Proposal for a Multilateral System for Notification and Registration of Geographical Indications for Wines and Spirits Based on Article 23.4 of the TRIPS Agreement, 11 March, 1999, Communication from Japan and the United States.



UNCTAD
Commercial Diplomacy Programme

-
- IP/C/W/141, Non-Violation Nullification or Impairment under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), 29 April, 1999, Proposal from Cuba, the Dominican Republic, Egypt, Indonesia, Malaysia and Pakistan.
 - IP/C/W/163, Review of the Provisions of Article 27.3(b), 29 April, 1999, Communication from Kenya on behalf of the African Group.
 - WT/GC/W/302, Preparations for the 1999 Ministerial Conference, The TRIPS Agreement, 6 August, 1999, Communication from Kenya on behalf of the African Group.
 - WT/GC/W/282, Preparations for the 1999 Ministerial Conference, Proposals regarding the TRIPS Agreement (paragraph 9(a)(ii) of the Geneva Ministerial Declaration), 6 August, 1999, Communication from Venezuela.
 - WT/GC/W/249, Agreement on TRIPS, Extension of the Additional Protection for Geographical Indications to Other Products, 13 July, 1999, Communication from Turkey.
 - WT/GC/W/242, Proposal on Trade-Related Aspects of Intellectual Property, 6 July, 1999, Communication from Japan.
 - WT/GC/W/225, Proposals regarding the TRIPS Agreement in terms of paragraph 9(a)(i) of the Geneva Ministerial Declaration, 2 July, 1999, Communication from India.



IMPORTANT ISSUES FOR NATIONAL RESEARCHERS

Experts can make an important contribution to the development of a national IPRs system that is consistent with international obligations and is as appropriate as possible to local conditions and needs. Studies may be undertaken to support Parliament, negotiators and the private sector in assessing and implementing new IPRs standards.

Such studies may include the issues listed below.

1. Impact of IPRs on foreign direct investment:

Foreign direct investment inflows in different sectors

- Origin and composition;
- Modes of investment (new plants, acquisition of existing facilities, etc.);
- Purpose of the investment;
- Impact on the supply structure and local market;
- Effects on trade balance.

Changes in the behaviour of foreign subsidiaries

- De-investment;
- Product lines;
- Pricing policy;
- R&D.

2. Impact of IPRs on innovation and access to technology:

Licensing of foreign technology

- Sources of technology;
- Products/processes involved;
- Supply of active ingredients;
- Capacity-building;
- Royalty payments;
- Impact on exports.

Research and development

- Main areas of R&D;
- Participation of local and foreign firms;



- Relationship with local R&D institutes;
- Patenting activity.

3. Effects of IPRs on competition: Abuses and anti-competitive practices.

4. Developing IPRs suited to local conditions:

- Characteristics of the national innovation system;
- Application of utility models to protect minor innovations ;
- Developing *sui generis* options for plant varieties;
- Modes of protection for traditional knowledge;
- Identification and protection of geographical indications.



IMPORTANT ISSUES FOR THE MEDIA

The TRIPS Agreement, adopted in 1994, requires all WTO Member countries to adopt in their laws minimum standards of protection for patents, trademarks, copyrights and other intellectual property rights. It has substantially limited the freedom that countries previously enjoyed to design and implement their own intellectual property systems.

The Agreement established a common set of standards for all countries, without differentiating on the basis of socioeconomic and technological development. Developing countries, however, were allowed a transition period in which they could delay implementation of the new standards for specified amounts of time. Countries that accede to the WTO must also comply with the adopted standards of protection.

The obligations that the Agreement set forth to protect inventions include recognizing patents for pharmaceuticals without distinction between imported and locally produced products; granting patent protection for at least 20 years from the date of application; limiting the scope of exemptions from patent rights; and effectively enforcing patent rights through administrative and judicial mechanisms. In the area of copyright, the protection of computer programs became mandatory. The Agreement also required WTO Members to protect secret know-how, trademarks, geographical indications, industrial designs and integrated circuits.

Complying with the TRIPS Agreement in these respects has posed a special challenge for developing countries and raised considerable concerns from different perspectives, notably with regard to access to technologies needed for development and access to drugs. National laws should, in implementing the Agreement, aim at balancing the rights and obligations of the users and producers of technology.

IPRs-holders can exclude direct competition, and charge higher prices for their protected technologies and products. Hence, States need to enact or adequately enforce competition policies.

Since most developing countries may be excluded from the benefits of protection for inventions because they lack the scientific infrastructure and the capital needed for R&D, they need to devise IPRs systems appropriate to their local conditions, to the extent allowed by their international obligations. This may be done by adopting protection for incremental innovations and by *sui generis* regimes for traditional knowledge, including plant varieties developed by farmers in the fields.

These considerations do not mean that patents cannot help to stimulate local R&D. They do suggest, however, that strengthened IPRs will affect developing countries differently from technologically advanced ones. In the latter IPRs may lead to more innovation, whereas in the former they may lead in many cases only to higher prices.



The Agreement does not impose uniform legal requirements upon the WTO member countries. Countries have to meet the minimum standards it calls for, but are left with considerable leeway within which to develop their own patent laws according to the characteristics of their legal systems, public health situations and development needs. In implementing the TRIPS provisions, they can adopt measures aimed at promoting social and economic welfare (Article 7) and preventing the abuse of intellectual property rights (Articles 8.1 and 8.2).

Developing countries can also adopt measures that mitigate the impact of exclusive rights and promote competition. This is the case, for instance, with the principle of "international exhaustion", under which "parallel imports" can be allowed. These may apply, for example, to the import of products from the countries in which they are cheapest. This is not a means of denying the patentee's right to remuneration (which is received with the first sale of the product), but rather of ensuring that patents work to the mutual advantage of the producers and the users of technological knowledge.

Another important measure to promote competition may be the "Bolar" exception. This makes it possible to use an invention to conduct tests on a drug and obtain marketing approval for it *before* the expiration date of the patent, so that a generic version of the drug can be marketed as soon as the patent expires. Argentina, Australia, Canada, Israel, the United States and other countries have legalized this exception.

In addition, Article 31 of the TRIPS Agreement allows Governments to issue compulsory licences to address emergencies, counteract anti-competitive practices, for governmental use, and for other cases determined by national law, subject to the conditions (particularly with regard to compensation of the patent-holder) set out in the Agreement.

The Uruguay Round left open a number of issues (protection of biotechnological inventions, protection of geographical indications, disputes in cases of "non-violation") on which further negotiations were called for as part of the "built-in agenda" of the WTO. Little progress has been made on these issues, despite the interest of developing countries in clarifying, in particular, the relationship between the TRIPS Agreement and the Convention on Biological Diversity. Several proposals have been tabled to enhance protection of geographical indications of agricultural products, with the support of some (but not all) developed and developing countries.

In sum, the ways in which the Agreement is implemented in national laws can have a significant impact on development and the attainment of public policy objectives, including in the area of health and food. Developing countries have some flexibility under the Agreement which they can use to design national laws that respond to public policy objectives. Other WTO Members must respect this flexibility, and not use unilateral threats in order to obtain "TRIPS-plus" levels of protection.



REFERENCES

- Abbott, F. (1998). "First report (final) to the Committee on International Trade Law of the International Law Association on the subject of parallel importation", *Journal of International Economic Law*, Vol. 1, No. 4.
- Cohen Jehoram, H. (1989). "Critical reflections on the economic importance of copyright", *International Review of Industrial Property and Copyright Law*, Weinheim.
- Correa, C. (1994). "TRIPs Agreement: copyright and related rights", *International Review of Industrial Property and Copyright Law*, No. 4. Weinheim.
- Correa, C. (1995). "Intellectual property rights and foreign direct investment", *International Journal of Technology Management*, Vol. 10, No. 2/3.
- Correa, C. (1995). "Intellectual property rights and the use of compulsory licenses: options for developing countries", South Centre, *Trade Working Paper 5*.
- Correa, C. (2000). "Technology transfer in the WTO Agreements", *A positive agenda for developing countries: issues for future trade negotiations*, UNCTAD/ITCD/TSB/10, New York and Geneva.
- Correa, C. (2000a). "Intellectual Property Rights, the WTO and Developing Countries: The TRIPs Agreement and Policy Options", *ZED-TWN*, London.
- Correa, C. (2000b). *Integrating Public Health Concerns into Patent Legislation in Developing Countries*, South Centre, Geneva.
- Correa, C. (2000c). "Economic importance of authors rights", *Copyright Bulletin*, UNESCO, Vol. XXXIV, No. 2.
- Crucible II Group (2000). *Seeding solutions*, Vol.1, IDRC-IPGRI, Rome.
- Crucible II Group (2000). *Seeding solutions*, Vol.2, IDRC-IPGRI, Rome.
- Group of Latin American and Caribbean States (GRULAC) (2000). *Traditional knowledge and the need to give it adequate intellectual property protection*, WO/GA/26/9, 14 September.
- IPGRI (1999). *Key questions for decision-makers: protection of plant varieties under the WTO Agreement on Trade-related Aspects of Intellectual Property Rights*, Rome.



Higgins, D.M. and James, T.J. (1996). *The Economic Importance of Trade Marks in the UK (1973-1992): A Preliminary Investigation*, Intellectual Property Institute, Sheffield.

International Intellectual Property Institute (IIPI) (2000). *Patent Protection and Access to HIV/AIDS Pharmaceuticals in Sub-Saharan Africa*, Washington DC.

Lundvall, B.A., ed. (1992). *National Systems of Innovation: Towards a Theory of Innovations and Interactive Learning*, Pinter, London.

Maskus, K. (2000). *Intellectual Property Rights in the Global TM Economy*, Institute for International Economics, Washington, DC.

Mengozi, P. (1999). "The World Trade Organization Law: An analysis of its First Practice", in Mengozzi, P., ed., *International Trade Law on the 50th Anniversary of the Multilateral Trade System*, Giuffrè Ed., Milan.

Otten, A. (1999). "Implementing and enforcing TRIPS obligations", *World Trade Forum*, Berne, 28-29 August.

Raymond, C. (1996). *The economic importance of patents*, Intellectual Property Institute, London.

Roffe, P. (1985), "Transfer of technology: Unctad's draft international code of conduct", *International Lawyer*, Vol. 19, No. 2

Silberston, A. (1987). *The economic importance of patents*, WIPO, University of London, London.

Smith, G. and Parr, R. (1994). *Valuation of Intellectual Property and Intangible Assets*, 2nd ed., John Wiley & Sons, Inc., New York.

South Centre (1997). *The TRIPS Agreement. A Guide for the South*, Geneva.

Srivastava, J. and Jaffee, S. (1993). "Best practices for moving seed technology: New approaches to doing business", *World Bank Technical Paper Number 213*, World Bank, Washington, DC.

UNCTAD (1993). *Fostering technological dynamism: Evolution of thought on technology capacity building and competitiveness. Summary of the review and analysis of the literature (draft)*. Report by the UNCTAD secretariat, TD/B/WG.5/7, Geneva.

UNCTAD (1996). *The Trips Agreement and Developing Countries*, UNCTAD/ITE/1, New York and Geneva.



UNCTAD (2000). *Systems and national experiences for protecting traditional knowledge, innovations and practices*, TD/B/COM.1/EM.13/2, 22 August, Geneva.

United Nations Development Programme (UNDP) (1999), *Human Development Report 1999*, Oxford University Press, New York.

Velásquez, G. Hanvoravongchai, P. and Boulet, P. (2001). "Globalization, Patents and Drugs. An Annotated Bibliography", *Health Economics and Drugs*, Series 10, EDM/PAR/2001.0, WHO, Geneva.

Vivas Eugui, D. (2000). *Negotiation on geographical indications in the TRIPs Council and their effect on the WTO agricultural negotiations*, mimeo UNCTAD, Geneva.

Vivas Eugui, D. (2001). *Manual explicativo para la Protección de los conocimientos tradicionales en la región Andina*, UNCTAD, Geneva.

WIPO (2001). *Intellectual Property Needs and Expectations of Traditional Knowledge Holders*, Geneva

World Bank (1998). *Knowledge for Development*, World Bank/Oxford University Press, Washington DC.

World Health Organization (WHO) (2000). *Strategy for Traditional Medicine 2000-2003*, Geneva.

World Health Organization (WHO) (2001). "Globalization, TRIPS and access to pharmaceuticals", *WHO Policies Perspectives on Medicines*, No. 3, Geneva.

World Intellectual Property Organization (WIPO) (1994). *Protection against Unfair Competition*, Geneva.



ANNEX 1
LIST OF PROPOSALS SUBMITTED BY WTO MEMBERS
FOR REVIEW OF THE TRIPS AGREEMENT
AND RELATED ISSUES ⁷⁶
(1999-2001)

WT/COMTD/17 WT/GC/16 G/C/2 S/C/7 IP/C/16	Work Programme on Electronic Commerce Submission by the United States	12/02/1999
IP/C/W/167	Council for Trade-Related Aspects of Intellectual Property Rights - Review of the Provisions of Article 27.3.(b) Communication from Norway	03/11/1999
IP/C/W/164	Council for Trade-Related Aspects of Intellectual Property Rights - Review of the Provisions of Article 27.3.(b) Communication from Brazil	29/10/1999
IP/C/W/142	Council for Trade-Related Aspects of Intellectual Property Rights Communication from the Delegation of Cuba	27/05/1999
IP/C/W/204/Rev.1	Council for Trade-Related Aspects of Intellectual Property Rights Communication from Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey - Revision	02/10/2000
IP/C/W/205	Council for Trade-Related Aspects of Intellectual Property Rights Communication from New Zealand	18/09/2000
IP/C/W/198 WT/CTE/W/156	Committee on Trade and Environment - Council for Trade-Related Aspects of Intellectual Property Rights- Protection of Biodiversity and Traditional Knowledge - The Indian Experience Submission by India	14/07/2000
IP/C/W/195	Council for Trade-Related Aspects of Intellectual Property Rights Communication from India	12/07/2000
IP/C/W/196	Council for Trade-Related Aspects of Intellectual Property Rights Communication from India	12/07/2000
IP/C/W/189	Council for Trade-Related Aspects of Intellectual Property Rights - New Zealand's System of Protection for Geographical Indications and the Multilateral Notification and Registration System for Geographical Communication from New Zealand	22/06/2000
IP/C/W/284	Council for Trade-Related Aspects of Intellectual Property Rights Communication from Switzerland	15/06/2001
IP/C/W/254	Council for Trade-Related Aspects of Intellectual Property Rights - Review of the Provisions of Article	13/06/2001

⁷⁶ This list contains the proposals submitted by WTO Members and distributed by WTO Secretariat as documents IP/C/W/.



UNCTAD
Commercial Diplomacy Programme

	27.3(b) of the TRIPS Agreement Communication from the European Communities and their Member States	
IP/C/W/280	Council for Trade-Related Aspects of Intellectual Property Rights Communication from the European Communities and their Member States	12/06/2001
IP/C/W/259	Council for Trade-Related Aspects of Intellectual Property Rights Communication from the European Communities and their Member States	31/05/2001
IP/C/W/260	Council for Trade-Related Aspects of Intellectual Property Rights Communication from the European Communities and their Member States	30/05/2001
IP/C/W/203/Add.4/Suppl.2	Council for Trade-Related Aspects of Intellectual Property Rights - Technical Cooperation Activities: Information from Developed Country Members - Portugal - Supplement	21/05/2001
IP/C/W/247/Rev.1	Council for Trade-Related Aspects of Intellectual Property Rights - Proposal from Bulgaria, Cuba, the Czech Republic, Egypt, Iceland, India, Jamaica, Kenya, Liechtenstein, Mauritius, Nigeria, Pakistan, Slovakia, Turkey and Venezuela - Revision	17/05/2001
IP/C/W/255	Council for Trade-Related Aspects of Intellectual Property Rights - Communication from Hungary	03/05/2001
IP/C/W/247	Council for Trade-Related Aspects of Intellectual Property Rights - Proposal from Bulgaria, Cuba, the Czech Republic, Egypt, Iceland, India, Liechtenstein, Mauritius, Nigeria, Sri Lanka, Switzerland, Turkey and Venezuela	29/03/2001
IP/C/W/249	Council for Trade-Related Aspects of Intellectual Property Rights - Further Consideration of Non-Violation Nullification or Impairment under the Agreement on Trade-Related Aspects of Intellectual Property Rights Communication from Canada	29/03/2001
IP/C/W/246	Council for Trade-Related Aspects of Intellectual Property Rights - Communication from Peru	14/03/2001
IP/C/W/312 WT/GC/W/450	Council for Trade-Related Aspects of Intellectual Property Rights - General Council - Proposal by the African Group, Bangladesh, Barbados, Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, Haiti, Honduras, Sri Lanka, Thailand and Venezuela	04/10/2001
IP/C/W/313	Council for Trade-Related Aspects of Intellectual Property Rights - Preambular Language for Ministerial Declaration - Contribution from Australia, Canada, Japan, Switzerland and the United States	04/10/2001
IP/C/W/308/Rev.1	Council for Trade-Related Aspects of Intellectual Property Rights - Communication from Bangladesh, Bulgaria, Cuba, the Czech Republic, Georgia, Hungary, Iceland, India, Jamaica, Kenya, the Kyrgyz Republic, Switzerland and Turkey - Revision	02/10/2001



UNCTAD
Commercial Diplomacy Programme

IP/C/W/299	Council for Trade-Related Aspects of Intellectual Property Rights Communication from Cuba	05/07/2001
IP/C/W/298	Council for Trade-Related Aspects of Intellectual Property Rights Communication from Zambia	02/07/2001
IP/C/W/289	Council for Trade-Related Aspects of Intellectual Property Rights Communication from Argentina, Australia, Canada, Chile, Guatemala, New Zealand, Paraguay and the United States	29/06/2001
IP/C/W/293	Council for Trade-Related Aspects of Intellectual Property Rights - Communication from Norway	29/06/2001
IP/C/W/296	Council for Trade-Related Aspects of Intellectual Property Rights Submission by the African Group, Barbados, Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, Honduras, India, Indonesia, Jamaica, Pakistan, Sri Lanka, Thailand and Venezuela	29/06/2001
IP/C/W/286	Council for Trade-Related Aspects of Intellectual Property Rights - Work Programme on Electronic Commerce Communication from Switzerland	22/06/2001



ANNEX 2

WORLD TRADE ORGANIZATION

WT/MIN(01)/DEC/W/2
14 November 2001

(01-5770)

MINISTERIAL CONFERENCE
Fourth Session
Doha, 9 - 14 November 2001

DECLARATION ON THE TRIPS AGREEMENT AND PUBLIC HEALTH

1. We recognize the gravity of the public health problems afflicting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.
2. We stress the need for the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) to be part of the wider national and international action to address these problems.
3. We recognize that intellectual property protection is important for the development of new medicines. We also recognize the concerns about its effects on prices.
4. We agree that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all.

In this connection, we reaffirm the right of WTO Members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose.

5. Accordingly and in the light of paragraph 4 above, while maintaining our commitments in the TRIPS Agreement, we recognize that these flexibilities include:
 - a. In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.
 - b. Each Member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted.



- c. Each Member has the right to determine what constitutes a national emergency or other circumstances of extreme urgency, it being understood that public health crises, including those relating to HIV/AIDS, tuberculosis, malaria and other epidemics, can represent a national emergency or other circumstances of extreme urgency.
- d. The effect of the provisions in the TRIPS Agreement that are relevant to the exhaustion of intellectual property rights is to leave each Member free to establish its own regime for such exhaustion without challenge, subject to the MFN and national treatment provisions of Articles 3 and 4.

6. We recognize that WTO Members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement. We instruct the Council for TRIPS to find an expeditious solution to this problem and to report to the General Council before the end of 2002.

7. We reaffirm the commitment of developed-country Members to provide incentives to their enterprises and institutions to promote and encourage technology transfer to least-developed country Members pursuant to Article 66.2. We also agree that the least-developed country Members will not be obliged, with respect to pharmaceutical products, to implement or apply Sections 5 and 7 of Part II of the TRIPS Agreement or to enforce rights provided for under these Sections until 1 January 2016, without prejudice to the right of least-developed country Members to seek other extensions of the transition periods as provided for in Article 66.1 of the TRIPS Agreement. We instruct the Council for TRIPS to take the necessary action to give effect to this pursuant to Article 66.1 of the TRIPS Agreement.



ANNEX 3
WORK PROGRAMME RELATED TO TRIPS
AGREED UPON AT THE FOURTH MINISTERIAL CONFERENCE
OF THE WTO IN NOVEMBER 2001 ⁷⁷.

Trade-Related Aspects of Intellectual Property Rights

“17. We stress the importance we attach to implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines and, in this connection, are adopting a separate Declaration.

18. With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, we agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of this Declaration.

19. We instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this Declaration, to examine, inter alia, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by Members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension.”

Trade and Environment

“32. We instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

- (i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;
- (ii) **the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights;** and
- (iii) labelling requirements for environmental purposes.

Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of

⁷⁷ Extracts from WTO, Ministerial Conference, Ministerial Declaration, WT/MIN(01)/DEC/W/1, Fourth Session, Doha, 14 November 2001.



UNCTAD
Commercial Diplomacy Programme

negotiations. The outcome of this work as well as the negotiations carried out under paragraph 31(i) and (ii) shall be compatible with the open and non-discriminatory nature of the multilateral trading system, shall not add to or diminish the rights and obligations of Members under existing WTO agreements, in particular the Agreement on the Application of Sanitary and Phytosanitary Measures, nor alter the balance of these rights and obligations, and will take into account the needs of developing and least-developed countries”.



ANNEX 4
DECISION ON IMPLEMENTATION-RELATED ISSUES AND
CONCERNS ADOPTED AT THE FOURTH MINISTERIAL
CONFERENCE OF THE WTO, NOVEMBER 2001⁷⁸:
ISSUES CONCERNING TRIPS

“11. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

11.1 The TRIPS Council is directed to continue its examination of the scope and modalities for complaints of the types provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 and make recommendations to the Fifth Session of the Ministerial Conference. It is agreed that, in the meantime, Members will not initiate such complaints under the TRIPS Agreement.

11.2 Reaffirming that the provisions of Article 66.2 of the TRIPS Agreement are mandatory, it is agreed that the TRIPS Council shall put in place a mechanism for ensuring the monitoring and full implementation of the obligations in question. To this end, developed-country Members shall submit prior to the end of 2002 detailed reports on the functioning in practice of the incentives provided to their enterprises for the transfer of technology in pursuance of their commitments under Article 66.2. These submissions shall be subject to a review in the TRIPS Council and information shall be updated by Members annually”.

⁷⁸ Extracts from WTO, Ministerial Conference, Decision, Implementation-Related Issues And Concerns, WT/MIN(01)/DEC/W/10, Fourth Session, Doha, 14 November 2001.



ANNEX 5
COMPILATION OF OUTSTANDING IMPLEMENTATION ISSUES
RAISED BY MEMBERS ⁷⁹

JOB(01)/152/Rev.1

27 October 2001

"This compilation is being circulated by the Secretariat with a view to assisting delegations in their consideration of the outstanding implementation issues. It should be read together with the draft Decision on Implementation-Related Issues and Concerns (Job(01)/139/Rev.1). It lists outstanding implementation issues raised in the draft Ministerial Text of 19 October 1999 (Job(99)/5868/Rev.1) and those subsequently raised by Members during consultations. For ease of reference, the text retains the numbering of the tirets used by the G7 countries in their paper on implementation.

(...)

10. Agreement on Trade-Related Aspects of Intellectual Property Rights

- Tired 87

In the light of provisions contained in Articles 23 and 24 of the TRIPS Agreement, additional protection for geographical indications shall be extended for products other than wines and spirits.

- Tired 88

A clear understanding in the interim that patents inconsistent with Article 15 of the CBD shall not be granted.

- Tired 91

The period given for implementation of the provisions of Article 27.3(b) shall be five years from the date the review is completed.

- Tired 93

The transitional period for developing countries provided for in Article 65.2 shall be extended.

Proposal by Least-Developed Countries, 22 October 2001

- The General Council agrees that the transition period for LDCs shall be extended so long as they retain the status of an LDC.

⁷⁹ Extracts from WTO, Compilation of Outstanding Implementation Issues Raised by Members, JOB(01)/152/Rev.1, 27 October 2001.



- Tired 94

Articles 7 and 8 of the TRIPS Agreement to be operationalized by providing for transfer of technology on fair and mutually advantageous terms.

- Tired 95

[Article 27.3(b) to be amended in light of the provisions of the Convention on Biological Diversity and the International Undertaking. Also, clarify artificial distinctions between biological and microbiological organisms and process; ensure the continuation of the traditional farming practices including the right to save, exchange and save seeds, and sell their harvest; and prevent anti-competitive practices which will threaten food sovereignty of people in developing countries, as permitted by Article 31 of the TRIPS Agreement.]

[Article 27.3(b) should be amended to take into account the Convention on Biological Diversity and the International Undertaking on Plant Genetic Resources. The amendments should clarify and satisfactorily resolve the analytical distinctions between biological and microbiological organisms and processed; that all living organisms and their parts cannot be patented; and those natural processes that produce living organisms should not be patentable. The amendments should ensure the protection of innovations of indigenous and local farming communities; the continuation of traditional farming processes including the right to use, exchange and save seeds, and promote food security.]

Proposal by Least-Developed Countries, 22 October 2001

- The General Council agrees that the review process should clarify that all living organisms, including plants, animals and parts of plants and animals, including gene sequences, and biological and other natural processes for the production of plants, animals and their parts, shall not be granted patents."

ANNEX 6



**United Nations
Conference
on Trade and
Development**

Distr. GENERAL

TD/B/COM.1/EM.13/2
22 August 2000

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and Commodities
Expert Meeting on Systems and National Experiences for Protecting
Traditional Knowledge, Innovations and Practices
Geneva, 30 October – 1 November 2000
Item 3 of the provisional agenda

SYSTEMS AND NATIONAL EXPERIENCES FOR PROTECTING TRADITIONAL KNOWLEDGE, INNOVATIONS AND PRACTICES

BACKGROUND NOTE BY THE UNCTAD SECRETARIAT

EXECUTIVE SUMMARY

The importance of protecting the knowledge, innovations and practices of indigenous and local communities (TK) is increasingly recognized in international forums. Developing countries seek to ensure that the benefits of cumulative innovation associated with TK accrue to its holders while enhancing their socio-economic development. They also aim at preventing the improper appropriation of TK, with little or no compensation for the custodians of TK and without their prior informed consent.

Building on work carried out in other intergovernmental organizations, this note briefly describes possible instruments for the protection of TK, including traditional/customary law, modern intellectual property rights instruments, *sui generis* systems, and documentation of TK and instruments directly linked to benefit-sharing. In addition to national systems, the protection of TK and equitable sharing of the benefits derived from the use of biodiversity resources and associated TK may also require measures by user countries or cooperation at the multilateral level.

Protection of TK is a necessary but not sufficient requirement for its preservation and further development. To harness TK for development and trade, developing countries need assistance to build national capacities in terms of raising awareness on the importance and potential of TK for development and trade; developing institutional and consultative mechanisms on TK protection and TK-based innovation; and facilitating the identification and marketing of TK-based products and services. There is also a need to promote an exchange of experience among developing countries on national strategies for TK development, *sui generis* systems for the protection of TK and the commercialization of TK-based products and services. Special attention should be given to building such capacities in LDCs.

This note provides some analysis and background information to aid experts in their work. The final chapter contains a list of questions proposed for discussion.



Contents

- I.** Introduction
 - II.** The characteristics of traditional knowledge and its role in the global economy
 - III.** International debate
 - IV.** Systems for the protection of traditional knowledge
 - A. Objectives
 - B. Strengthening customary law
 - C. Existing intellectual property rights instruments
 - D. *Sui generis* legislation
 - 1. Possible elements of *sui generis* systems
 - 2. Examples of *sui generis* systems
 - E. Access and benefit-sharing mechanisms
 - F. Documentation of traditional knowledge
 - V.** Harnessing traditional knowledge for development and trade
 - A. Promoting innovation and commercialization of TK
 - B. Capacity-building
 - VI.** Possible issues for discussion by experts
 - A. Systems for the protection of TK and benefit sharing
 - B. Harnessing traditional knowledge for development and trade
 - C. Capacity-building needs
- Notes
- References



ANNEX 7

BACKGROUND PAPER FOR TRAINING PURPOSES: THE TRIPS AGREEMENT AND THE BUILT-IN AGENDA

Background

The TRIPs Agreement has its own *built-in agenda* in the form of reviews of specific provisions. Discussions inside and outside the WTO Council for TRIPs are focusing on the provisions under negotiations. Additionally, the debate is tackling further topics, such as Intellectual Property Rights (IPRs) and public health, and transfer of technology. Despite the fact that LDCs are still enjoying the transitional period (until 31 December 2005), they are actively participating in the debate and it is in their interest to make sure that the TRIPs Agreement is implemented and interpreted in such a way as to fulfil the objectives spelled out in Article 7: "...the promotion of technological innovation and 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".

The discussion on patentable subject matter (Article 27) is particularly tense. Among the most sensitive topics under discussion are the economic, social, environmental and ethical issues related to the patentability of life forms⁸⁰. Life patenting raises concerns about biodiversity conservation, environmental protection, sustainability of agriculture, indigenous rights, and, ultimately, the economic development of many developing countries. Several developing countries are proposing to include in Article 27.3(b) the concepts of access to genetic resources on mutually agreed terms, as well as the requirements for prior informed consent and benefit sharing. These objectives could be achieved by clarifying Article 29 (Conditions on Patent Applicants) of the TRIPs Agreement and requiring a clear mention of the biological source material and associated traditional knowledge and the country of origin of these by patent applicants. An additional option is to develop a multilateral system for disclosing and sharing information about the geographical origin of biological material relied on in patent applications. Such a system could be developed outside the WTO and subsequently included in the TRIPs Agreement.

Developing countries want to preserve the flexibility allowed by Article 27.3(b) and retain the option to exclude plants and animals from the patent system and protect plant varieties through *sui generis* systems, being the UPOV system just one of the existing *sui generis* systems. They also want the recognition of the fact that a variety of international instruments exists (e.g. the CBD Convention, the FAO International Undertaking on Plant Genetic Resources, the OAU model law on the protection of rights of local communities and access to biological resources) which may be used complementarily to pursue the goals of development, and conservation and sustainable use of genetic resources.

⁸⁰ According to the Agreement, micro-organisms, microbiological processes and non-biological processes should be patented. Countries may exclude from patentability plants or animals, however they shall provide for the protection of plant varieties either by patents or by a *sui generis* system, or by any combination thereof.



Developing countries want the term microorganism to be better defined to ensure greater legal certainty in the application of the TRIPS Agreement (according to the Agreement, plants and animals may be excluded from patentability, however, micro organisms cannot). The debate about micro organisms is related to the issue of biopiracy and fair access to genetic resources, as well as the distinction between discovery and invention.

The adoption of the Convention on Biological Diversity has given impetus to the idea of protection of traditional knowledge (TK). The relationship between IPRs and TK is complex because international IPRs regimes recognize formal system of knowledge only. Many approaches and proposals have been developed to deal with communities' knowledge, ranging from the creation of new types of IPRs, to the option of legally excluding all forms of appropriation. While TK could be protected through contractual modalities, developing countries have taken the position that there is a need for exploring an international mechanism for protecting it. The suggestion has been made to develop an international model for the legal protection of traditional knowledge which could subsequently be included in the TRIPS Agreement.

On **geographical indications**, the position of most developing countries is that negotiations in the Council for TRIPs should include: a) the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits, as mandated by Article 23.4. However, such a system should not create any new burden or obligations for member countries; b) a review of the implementation of the provisions related to geographical indications, as mandated by Article 24.2; and c) the extension of the provisions on additional protection to products of interest to developing countries. Such additional protection is not available at present to goods other than wines and spirits. Only if these topics were negotiated at the same time, the whole issue of geographical indications would become of interest to developing countries.

Most Members - developed, developing and in transition - are in favour of continuing the debate about the suitability to make use of the provisions on **non-violation complaints** in the framework of IPRs.⁸¹ The United States is against this approach. The Agreement mandated the Council for TRIPS to examine scope and modalities for these complaints during the transitional period for developing countries (i.e. until 31 December 1999) and submit its recommendations to the Ministerial Conference. However, the Council has not been in a position to carry out this task and has not fulfilled its mandate. Those countries that are in favour of pursuing discussions on this topic, use the argument of the non-fulfilment of the mandate as a basis for their request. An additional argument is that the TRIPS Agreement is not a market access agreement, therefore, terms like benefits, remedies and reasonable expectations do not have a clear meaning in the IPRs framework.

It is worth noting that the possible application of non-violation complaints in the field of IPRs would have some relevant impacts. The exercise of normal government powers may result in change in the conditions of doing business. Such changes may involve the diminishment of the value of an intellectual property right. By applying the non-violation remedy in the IPRs sector, Members risk to find themselves constraint in their ability to introduce new and perhaps vital social, economic development, health, environmental, and cultural measures.

⁸¹ A "non violation nullification or impairment" measure is one which, while it does not conflict with the provisions of the Agreement, has the effect of nullifying or impairing a "benefit" ensured under a treaty. The rationale of such a provision is to protect the overall balance of concessions reasonably expected when the agreement was reached. This concept finds its roots in trade in goods.



By using Article 66.2 regarding **technology transfer** to LDCs, some LDCs (Haiti, Zambia) and other developing countries have launched the debate in the TRIPs Council about transfer of technology (ToT). They have underlined that the ultimate objective of implementing the ToT provisions of the TRIPs Agreement is to strengthen the supply capacity of the developing countries, including LDCs, by creating a sound technology base. What developing countries and LDCs are aiming at is not only technical assistance, but rather exploring mechanisms to implement the ToT provisions included in all WTO Agreements. Zambia has indicated that UNCTAD, in particular, should be involved in the achievement of the objectives set out in the TRIPs Agreement in this field.

The relationship between intellectual property rights, and effective public health systems is an emerging issue of great importance, particularly in developing countries. Recent success in the South African drug case, new Human Rights resolutions, growing public concern about the TRIPs Agreement's impact on public health, and the upcoming special segment in the TRIPs Council and the Doha Ministerial together may create a positive scenario for finding appropriate mechanisms to make the TRIPs Agreement more responsive to the legitimate interest of countries to pursue public policy goals, including effective public health.

In the context of the TRIPs Agreement, possible options for addressing concerns about intellectual property rights and health include⁸²:

Strengthening Article 8 language; ***Interpreting Article 27's non-discrimination requirement narrowly*** and not to undermine IPR-based measures that are tailored to specifically address public health concerns; ***Interpreting Article 30 as including a "humanitarian exception"***, permitting limited exceptions to the exclusive rights conferred by a patent in order to address the rights of third parties to access to essential medicines in the case of a public health emergency. ***Clarifying and extending the Article 31 compulsory licensing procedures***, in light of the Articles 7 and 8 objectives and principles of the TRIPs Agreement. ***Interpret Article 39.3 narrowly*** to ensure that rules on the protection of undisclosed information cannot be used to undermine development of generic products. ***Incorporating a new general public interest exception*** in the TRIPs Agreement, to parallel those in agreements on goods (e.g. Article XX GATT) and services (Article XIV), and to ensure that in the event of an irreconcilable conflict between measures to protect fundamental policy considerations (such as protecting human health), and the rules of the multilateral trading system, the former should prevail.

Encouraged by the growing public opinion that the TRIPs Agreement is jeopardizing the achievement of important policy and ethical objectives, several developing countries wish to reopen the TRIPs Agreement which they consider has proven to be unable to reach its main objectives and has put a disproportionate burden on developing countries without providing them with commensurate benefits. Moreover, developing countries believe that, through the dispute settlement, the main developed countries are trying to take out of the Agreement all the flexibility which it incorporates. Without that flexibility, it would be extremely difficult for developing countries to comply with the Agreement and to balance the protection of intellectual property rights with the fulfilment of broad national policy-objectives. A **revision** of the legal text of the Agreement could be accomplished through the general revision mandated under Article 71.1. In reviewing the Agreement, some questions, such as the following, should be addressed: the extent to

⁸² M. Stilwell, Strategy Notes on TRIPs and Health, CIEL Europe, May 2001



which transfer of technology has taken place, the costs of implementing the Agreement in developing countries and in LDCs, the implications for developing countries of the 20-year patent protection rule, whether increased protection of IPRs is jeopardizing developing countries' access to essential goods, whether IPRs have been abused by the right-holders etc. The review could broaden the discussion to topics that are not clearly included in the Agreement, such as the protection of traditional knowledge.

To achieve the above-mentioned goals, the WTO agreements establish a number of mechanisms that may be used by developing and LDCs Members, including:

- **Political statements** which could be made at the Ministerial Conference in Doha and lead to immediate results;⁸³
- **Formal interpretations** of TRIPS Agreement under Article IX.2 of the WTO Agreement. On the basis of a recommendation from the TRIPS Council, the Ministerial Conference or the General Council could adopt a formal, binding interpretation of the TRIPS Agreement;
- **Waivers** under Articles IX.3 and IX.4 of WTO Agreement allowing derogation from WTO obligation for a limited time. Waivers, however, are limited to exceptional situations, time bound, regularly reviewed, and apply only to the individual WTO Members claiming them;
- **Amendments** to the TRIPS Agreement under Article X of the WTO Agreement. The revision mandated by Article 71.1 of the TRIPS Agreement could also be used for this purpose. The ongoing review of the specific provisions under the *built-in agenda*, could also represent a potential opportunity for amending the text of the Agreement.

Whatever is the option that developing countries and LDCs will choose, it seems of crucial importance to start building a common negotiating position from now. If the legal text of the Agreement is reopened, developed countries will most likely mobilize a large number of experts to make sure that the revised text reflects their own interests: the risk of a “TRIPS plus” is not excluded

Operative section

- Before the expiry of the transitional period (31 December 2005) provided for in Article 66.1 of the TRIPS Agreement for the LDCs, the TRIPS Council should agree on a further extension of such period in light of an assessment of the difficulties faced by LDCs to implement all the obligations of the Agreement;
- The flexibility embodied in the TRIPS Agreement should be reaffirmed, as was recently recognized by several developing and developed countries;
- The language of Article 8 (Principles) should be strengthened to ensure that nothing in the Agreement will prevent countries from taking the necessary measures to achieve public policy objectives, including public health protection. In case of conflict between the achievement of these objectives and the compliance with specific provisions of the Agreement, the former should prevail. The strengthened language of Article 8 should be used to interpret the provisions on compulsory licensing procedures (Article 31);

⁸³ For example, at the Second WTO Ministerial Conference (Geneva, May 1998), Ministers adopted a Declaration on Global Electronic Commerce where they declared that Members would continue their current practice of not imposing customs duties on electronic transmissions and established a comprehensive work programme in the WTO on global electronic commerce.



- The concepts of access to genetic resources on mutually agreed terms, as well as the requirements for prior informed consent and benefit sharing should be included in the TRIPS Agreement. These objectives could be achieved by clarifying Article 29 (Conditions on Patent Applicants) of the Agreement.
- An international model for the legal protection of traditional knowledge should be developed and subsequently included in the TRIPS Agreement.
- The crucial needs of LDCs related to transfer of technology, as included in Article 66.2, should be recognized and mechanisms should be seriously explored in order to strengthen the technology basis of LDCs, being transfer of technology one crucial pre-condition for their development.



ANNEX 8

NEGOTIATIONS ON GEOGRAPHICAL INDICATIONS IN THE TRIPS COUNCIL AND THEIR EFFECT ON THE WTO AGRICULTURAL NEGOTIATIONS. IMPLICATIONS FOR DEVELOPING COUNTRIES AND THE CASE OF VENEZUELA

David Vivas-Eugui⁸⁴

I. Introduction. II. Terminology and background references. III. Mandates for negotiations and review of geographical indications in the TRIPS Agreement. VI. Continental vs. common law approach. V. Main proposals and positions presented in the Council for TRIPS. VI. Risks and benefits for developing countries in the GIs negotiations and reviews. VII. The quality food issue in the agricultural negotiations. VIII. Recommendations for developing countries. IX. Special analysis of the Venezuelan situation. X. Concluding remarks.

I. Introduction

The objective of this research project is to reinforce the negotiating capacity of developing countries, and more particularly of Venezuela, in specific areas of the built-in agenda of the World Trade Organization (WTO). In this particular case, the research will refer to the negotiations on geographical indications in the TRIPs Council and in the Council of Agriculture of the WTO. The specific tasks to be accomplished are to analyze present legal standards and mandates, to study possible risk and benefits for developing countries, to make negotiation proposals and to recommend ways of implementing those proposals.

Before 1994, the protection of geographical indications (GIs) in international fora was limited to three international instruments under the auspices of the World Intellectual Property Organization (WIPO). These instruments are the Paris Convention⁸⁵, the Madrid Agreement⁸⁶, and the Lisbon Agreement⁸⁷. Only the Paris Convention is a widely recognized international agreement -- the other two still have only a small membership. It was during the Uruguay Round that trade in intangibles was included for the first time in the multilateral trade negotiations, resulting in, among others, Annex C of the treaty that created the WTO, which is called the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS). The TRIPS Agreement includes a section on GIs and regulates the availability, scope and use of these intangible assets. The main differences between TRIPS and the above-mentioned agreements were the large number of members, and the possibility of acceding to the dispute resolution system of the WTO in case of any difference or conflict of interests.

There were many aspects in the Uruguay Round negotiations that could not be concluded. One of those areas was the negotiations within TRIPs concerning the establishment of a multilateral

⁸⁴ Paper prepared for UNCTAD, 2001.

⁸⁵ The Paris Convention on Industrial Property of 1883. Last reviewed in 1982. Treaty administrated by WIPO.

⁸⁶ The Madrid Agreement concerning the international registration of marks of 1891. Last reviewed in 1989. Treaty administrated by WIPO.

⁸⁷ The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of 1958. Last reviewed in 1979.



system of notification and registration of geographical indications for wines. These negotiations began in 1995 and up to now have not brought any real results. These negotiations were influenced by the report of the Council for TRIPS to the Singapore Ministerial Conference, where members called for work to be included in the multilateral register for wines and also for spirits. All this with the purpose of attracting more potential supporters to the negotiating process.

These negotiations have also been complicated by two other elements. The first is the mandated review of the chapter in TRIPS on geographical indications, where many developing countries and countries in transition want to expand the scope of the future register even further to include other products. The second element is the initiation of the negotiations on agriculture. As a consequence of the agricultural negotiations, links and relations between TRIPS and agricultural issues have begun to appear in various areas -- for example, in food quality, MGOs, biotechnology and plant varieties, etc.

II. Terminology and background references

There is not a unique terminology for GIs in the legal doctrine and in the above-mentioned international agreements. There is also some confusion about the scope that terms such as indication of source, appellation of origin or geographical indication might have. The first term we find is the indication of source which means any expression or sign used to indicate that a product or a service originates in a country, region or specific place (e.g., Swiss banks). The second term used is the appellation of origin, meaning the geographical name of a country, region, or specific place, which serves to identify a product originating therein and whose characteristics and qualities are due exclusively or essentially to the geographical environment including both natural and human factors (e.g., Champagne, Parmigiano Reggiano). The Term GI in the TRIPS agreement includes appellations of origin but does not cover the indications of source. The TRIPS Agreement defines GIs as follows:

“Geographical indications are, for the purposes of this Agreement, **identifications** which **identify a good** as originating in a territory of a Member, or a region or locality in that territory, **where a given quality, reputation, or other characteristic** of the good is **essentially attributable** to its geographical origin.”⁸⁸

As we can see, TRIPS includes several elements that should be taken into account:

- GIs identify goods; they do not apply to services;
- GIs do not protect ideas or procedures; they simply identify and differentiate products in the market;
- The good must be identified by a geographical name;
- The identification corresponds to a territory, region or locality. The geographical origin has to exist in reality or has to identify its origin;
- There must be a special link between the origin and the quality, reputation or special characteristics.

GIs play an important economic role. They serve to protect intangible assets constituted by market differentiation, reputation, and quality standards. They also permit to attach the production of an specific product to the territory from which its comes. GIs are not designed to be sold as

⁸⁸ See art. 22 of the TRIPS Agreement.



commodity goods or to have a hegemonic preponderance in the market; they are usually shown in the market as a luxury good. On the other hand, GIs give the consumer confidence in the origin, which is synonymous with quality and special characteristics. The fields of production in which we find a more common use of geographical indications, according to the register of the Lisbon Agreement, are wine 69 per cent, liqueurs 8 per cent, general agricultural products 13 per cent, others 10 per cent (including handicrafts, furniture, textiles, industrial and mining products, etc).

Culturally GIs first saw the light of day in Continental Europe where they have been used for centuries, especially in France, Italy, Spain. The inclusion of both environmental causes and human factors has given to the final product identified with a GI a special value added, thus allowing the perpetuation of traditional ways of production. GIs also give localities an opportunity to identify products that are collectively produced.

The TRIPS Agreement recognizes the importance of GIs and it has established a complete set of rules for their protection. The main principles are the following:

Main legal principles of GIs in the TRIPS Agreement

Dual regime of Protection. TRIPS establishes a level of absolute protection for wines and spirits and a level of common protection for other products. The absolute protection consists of the prohibition to include expressions such as “type, style, imitation, or like” in products that do not originate in the place indicated by the GI in question. This level of protection demands the *ex officio* denegation or invalidation of any trademark that includes a GI identifying wines and spirits⁸⁹. For other products, it applies the common rules of the section on GIs. This differentiation was a consequence of the interest of the European Union (EU) in protecting their exports of wine. The EU also intends to complement the dual system with the future multilateral register of wines mandated in art. 23.4 of the TRIPS Agreement.

Protection of consumers. Members are obliged to provide the legal means for preventing the designation or presentation of a good that suggests or indicates an origin different from the true place in such a way as to mislead the public with regard to the geographical indication of the good⁹⁰. This principle seeks to avoid deceptiveness of a particular name and prevents consumers from being misled about the origin and the quality.

Protection against unfair competition. Members of the WTO have to provide legal means against unfair competition according to the Paris Convention⁹¹. Unfair competition is defined in the Paris Convention as those acts of competition that are contrary to the honest practice in industrial or commercial matters⁹². The Paris Convention also presents a list of practices that should be prohibited⁹³.

Pre-eminence over trademarks. Members shall take action, *ex officio* or at the request of an interested party, to refuse or invalidate registration of a trademark which contains or consists of a GI with respect to

⁸⁹ See art. 23.1. of the TRIPS Agreement.

⁹⁰ See art. 22.2 (a) of the TRIPS Agreement.

⁹¹ See art. 22.2 (b) of the TRIPS Agreement.

⁹² See note 2, art. 10bis.

⁹³ *Idem.* Art. 10 bis enumerates the followings practices:

- All acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial and commercial activities of a competitor.
- Any false allegation in the course of trade of such a nature as to discredit the the establishment, the goods, or the industrial and commercial activities of a competitor.
- Any indications or allegations which are liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quality of their goods.



products not originating in the territory indicated and if such indication in the trade mark has been used in a way that would mislead the public as to the true place of the origin⁹⁴.

The grand-fathering clause. This principle exempts the obligation of protecting those GIs that are not registered in the country of origin⁹⁵. This clause must be clearly acknowledged by developing countries where many GIs exist that are used in the normal course of trade but which have not been registered. This requirement will be fundamental element in the functioning of any future multilateral register.

III. Mandates for negotiations on, and review of, geographical indications in the TRIPS Agreement.

In the TRIPS Agreement and in the Ministerial Decision of Singapore of 1996, there are several mandates for negotiation and review. These mandates started on different dates from 1994 onwards and they have been carried out without clear results. They could by their nature be specific to GIs or general to the whole TRIPS Agreement. The mandates are:

A. *The specific mandate for a multilateral register of wines*

Art. 23.4 of TRIPS establishes that, in order to facilitate the GIs protection of wines, negotiations shall be undertaken to establish a multilateral system of notification and registration of the GIs for wines eligible for protection in those member countries participating in such a system. As can be observed, this mandate is particularly restricted in its scope and was a consequence of “trade-offs” between the European Union and the United States during the negotiation of the Dunkel Draft in the Uruguay Round. This mandate came into force on 1 January 1996 and since then, many proposals have been presented by members on how the mandate should be fulfilled.

Comments on the mandate for a multilateral register on wines

The mandate on a multilateral register of wines has some aspects that have to be underlined:

- The mandate for negotiation is established to facilitate protection. It does not call for an improvement in the present standards of protection.
- The mandate calls for the establishment of multilateral register -- not for a plurilateral register. There is some discussion about the possible legal effects of the register. Some countries think that the effects are *erga omnes* (they affect third parties). Others tend to see the effects as mere exercise of transparency. The word “notification” might have a content related to transparency, whereas this is not the case with the word “register”⁹⁶ which has a binding connotation.
- The mandate is restricted to wines. To accomplish the inclusion of other products, consensus and political will would be essential.
- The participation in, and use of, the system is voluntary. There is no contradiction between *erga omnes* effects and a voluntary system. The *erga omnes* effect implies recognition of the elements of the register by third parties. However, anyone could choose to participate or not in the system.

⁹⁴ See art. 22.3 of the TRIPS Agreement.

⁹⁵ See art. 24.9 of the TRIPS Agreement.

⁹⁶ Register: an official recorder or keeper of records. Merriam-Webster Collegiate Dictionary 1993.



This mandate for wines has not proved very popular with the majority of members because, even if wine is an important product for many countries, to initiate trade-related negotiations for just one single tariff-line product would be burdensome. Wine production is mostly concentrated in certain European and East European countries, United States, Chili, South Africa, Australia and Argentina, etc. There is not much incentive for non-wine producers to agree to or to join in such a system.

B. *The specific mandate for spirits of the Singapore Ministerial Conference*

The Ministerial Conference Decision of Singapore annexed, as a part of its legal body, the report of the Council for TRIPS of 1996. This report establishes that members will initiate preliminary work with the objective of including spirits in the multilateral wine register as contained in art. 23.4. The main characteristic of this mandate is that it does not have the same legal hierarchy as the mandate for the multilateral wine register, as it is not part of the TRIPS text. Nevertheless, it constitutes a political mandate that exerts a great deal of influence in the negotiations that are being held. Also the text does not imply the immediate launching into negotiations. It only requires that preliminary work be commenced. The main defenders of this mandate are Mexico and the United States on account of their tequila and bourbon production.

C. *International negotiations in accordance with art. 24.1*

This article requires members to enter into negotiations aimed at increased protection for individual GIs under art. 23. Arts. 24.1 and 23.4 have been interpreted as the legal basis for raising the level of protection and extending the absolute protection of wines and spirits to other products without changing the TRIPS Agreement. As we know, the protection for wines and spirits is already “absolute” in the sense that these products enjoy the highest level of existing protection under the GIs section. There would therefore not be much sense initiating international negotiations under art. 23 to improve standards of GIs that are already at the highest level of protection. Therefore the term “individual GIs” should be interpreted in a broader way so as to include other products.

D. *The mandate for review of the application of the whole section on geographical indications contained in art. 24.2 of TRIPS*

This mandate demands that the Council for TRIPS keep under review the application of all the dispositions on geographic indications. According to art. 24.2, the first of these reviews shall take place two years after entry into force of TRIPS and every two years thereafter. The first of these reviews was undertaken when examining the notifications of the legislations of developed countries and the second was prepared by way of questionnaires and proposals from specific members. The second review has not yet been completed and the process continues. During the latter review many countries have presented proposals for the improvement of protection and the extension to other products of the negotiations of the multilateral register on wines and spirits. We find in this group several developed and developing countries.



Comments on the mandate for the review of the section on GIs

Each review of the TRIPS rules may have a different nature. The title of art. 24 makes reference to “*International negotiations: exceptions*”. In that sense, the contents of art. 24.2 must be seen as part of the rules relating to all international negotiations, including of course the multilateral negotiations on wines. It should also be take into account the reference to exceptions, which might be also form part of any review.

The review of art. 24.2 is oriented to the application of the entire section on GIs. Application usually means “to put into use”⁹⁷. However, many developing and developed countries are of the understanding that this particular review is not only established for the purposes of monitoring the fulfillment of the Agreement, but also to analyze the effects and possible improvement of the rules and the compromises made by the parties. This approach has been complemented by the content of art. 24.1. whichs develops the main principles that must be used in any negotiations that could be initiated under the section on GIs.

There are two main positions as concerns the interpretation of art.24.1. The first considers that any review (art. 24.2) or negotiation (art. 23.4) must fall under the principles of increasing protection and not refusal of present or future negotiations. This opinion is shared by those who want a higher level and wider scope. The second opinion does not see any link with the review or the negotiations on a multilateral register on wines. Countries that do not want changes or modifications to the Agreement tend to defend this option.

E. The general mandate for the review of art. 71.1 of TRIPS.

This mandate consists of the review of the implementation of the whole Agreement after the expiration of the transitional period of four years for developing countries. It has not been used by any member to discuss or to present issues related to GIs. However it could be useful should the review of art. 24.2 not be successful.

IV. Continental vs. common law approach

Members of the WTO have the right to implement their obligations through the methods they consider most appropriate according to their own legal systems and practices. This has led to two different ways of implementing the GI section of TRIPS based on different philosophies -- the first, through the Continental-based system of GIs, which has a public approach, and the second, through the common law system of certification trademarks with a purely private approach.

Differences between the GIs system and the certification trademark system

Geographical indications (GIs)	Certification trademark (CTM)
<ul style="list-style-type: none"> - This is a public right. The identification belongs to the State and the administration corresponds to the regulating council. - Mainly designed to protect real identification of the origin and its link with quality and reputation. 	<ul style="list-style-type: none"> - This is a private right. The property and the administration belongs to an association of manufacturers or producers. - They are designed to certify quality, characteristics, origin, materials, etc. - They have to be renewed after a certain

⁹⁷ Application: act of applying, act of putting into to use. Merriam-Webster Collegiate Dictionary 1993.



<ul style="list-style-type: none"> - Must be protected as from date of registration up until the conditions that create them persist. - Protection for GIs is based on <i>ex officio</i> and private actions. - They have regulation for homonymous GI. - There is no automatic collateral protection. 	<p>period of time. Fees have to be paid for each renewal.</p> <ul style="list-style-type: none"> - The protection of CTM is based on private actions. - The issue of homonymous CTMs does not exist. There must be just one right holder. - They have collateral protection. Protection against use in other products such as T-shirts, mugs, etc.⁹⁸
--	--

These differences are very evident in the present fulfillment of obligations. Many countries have chosen to protect GIs using the certification trademark system. In this sense, if one specific country wants to register a GI in a common law country, it would have to protect the GI through the registration of a CTM in the national office. In the Andean Community Regime Decision 486,⁹⁹ there is legal protection for both GIs and CTMs. This type of dual system permits the protection of foreign GIs as GIs and foreign CTMs as CTMs. Cross protection is not allowed, because it is considered to be two different legal objects.

In the negotiations of the Council for TRIPS, each party wants to impose their own legal system and incur the minimum legislative adjustment costs in the implementation of their obligations. In the specific case of the United States, it is very unlikely that this country would include any legal structures that do not have internal recognition or that have a strong state influence. The United States does not consider itself a beneficiary of a GIs system nor does it share the public rationale of the GIs. It will always feel more comfortable with systems based on private ownership and will avoid the establishment of any intellectual property rights of a public or mixed nature. For these reasons, the above-mentioned differences have important consequences for the current negotiations and in the cultural perception by members of the benefits and risks.

V. Evolution of negotiations and main proposals and positions presented in the Council for TRIPS

The negotiations on GIs have not been handled separately as theoretically they could have been according to the above-mentioned mandates. The reality has corresponded more to negotiations with a homogenous tendency where the different negotiation mandates are mixed as these have been entering into force. The first mandate for GIs that entered into force was relative to the negotiations for a multilateral register of geographic wine indications. Here the discussions have advanced very slowly, because many countries consider that initiating negotiations on a single product of the tariff line requires too much effort and would not give sufficient incentive to reach a satisfactory outcome (only the European Union and Chile are interested in an exclusive multilateral system for wines). Later on, and promoted mainly by two countries (the United States and Mexico), a mandate for the report of the Council for TRIPS, annexed to the Ministerial Declaration of Singapore, was added. This new mandate urged members to initiate preliminary work with the objective of including spirits in the negotiations on the multilateral wine register. This preliminary work has been carried out with the presentation of proposals to include spirits as part of a multilateral register and notification system.

⁹⁸ The Protection of Geographical Indications in the US. Lynne Beresford. WIPO Seminar on The International Protection on Geographical Indications. WIPO Publications, 1999. Pag 39.

⁹⁹ Andean Decision 486 on Industrial Property. 14 September 2000.



After the Singapore Ministerial Conference, the discussions continued to evolve. Two specific proposals can be identified with respect to a multilateral register system for wines and spirits as well as a flow of opinion leaning towards the expansion of the multilateral system to include other products (*see annex I with comparative proposals*).

The EU presented the first proposal, which is characterized by a comprehensive procedure for a multilateral register on wines and spirits. This proposal implies the application, registration and opposition procedures. It has also an *erga omnes* effect as a consequence of registration. The strength of the EU proposal is that it follows the specific mandates of art. 23.4 and the spirits mandate of the Singapore Ministerial. Its main weakness is the lack of political support from other members.

The second proposal was presented by the United States, Australia, New Zealand, Japan and Chile. These countries wish to have a register on CTMs and GIs of wines and spirits based on transparency and without the *erga omnes* effect. The strategy behind the first proposal is to avoid the creation of an international register of GIs and, should one be established, it would have to be limited and restricted to a simple exercise in transparency. The strength of this proposal is that it does not involve any implementation costs. Its weakness is that art. 23.4 mandates the establishment of a multilateral system for registering and notification of wines. The word “register” implies much more than simple transparency. Usually registers are created to give legal significance vis-à-vis third parties, as opposed to databases which are normally created for transparency reasons and for record-keeping. Another weakness is that CTMs are not regulated or included in the TRIPS text. They are only a way of implementing nationally the TRIPS obligations by means of the common law system.

There is a number of developing countries that are indirectly supporting the perspective of a multilateral system based on transparency. These countries, including MERCOSUR members, South Africa and Mexico, are exporters of agricultural commodities. They consider that without a real advances in the liberalization of agricultural markets, no concession should be made to increase the opportunities for European agricultural exports. They have even stated that, in the idyllic situation of an open agricultural market, traditional holders of GIs would not stand any chance of competing.

The third group is composed of the African Group, Cuba, India, Switzerland, the Eastern European countries and certain Andean Community countries. This group wishes to raise and extend the level of protection and the scope of the multilateral register of geographic indications to other products besides wines and spirits such as tea, beer, rice, fruits, cacao, cheese, crafts, industrial products and services. The reason for defending GIs as an intangible asset is driven here by a distinctly commercial interest in increasing exports in those areas where developing countries feel that they have a competitive advantage.

The main legal negotiating argument of this group is the content of art. 24.1, which is applicable to all negotiations under art. 23 of TRIPS, and the review process of art. 24.2. These countries state that, in accordance with art. 24.1, members aim to increase the level of protection of individual GIs. Thus, they interpret individual GIs as including GIs applied to all type of products. On the other hand, the review process will complement this interpretation, giving enough space to add any reform to the TRIPS text in order to consolidate the raising of standards and the extension of the scope. The main limitation of this proposal is the possible need for an amendment of the GIs section of the TRIPS Agreement.



Extension of the multilateral system to other products

The extension to other products seems to be essential for many developing countries. They want to make use of the excellent reputation of many of their exotic products in order to consolidate markets and avoid misleading identification of products produced in other countries. Also, increased protection would permit *ex officio* action by all WTO members against false indications of origin, thus reducing the cost of protection in developed-country markets. Typical examples of products that have been wrongly identified or identified without any guarantee of origin in many developed-country markets are: Persian carpets, Basmati rice, Colombian coffee, tequila, etc. Moreover, there has been misappropriation of geographical names for use as trademarks, such as *Brazil* for coffee or *Barlovento* and *Chua* (regions of Venezuelan cocoa production) for chocolates.

GIs can be applied to all sorts of products. Many examples can be found in the register of the Lisbon Agreement. In this context, annex II contains all GIs registered by differentiated products. This annex gives a good picture of the type of products that have been protected by GIs in international fora. Also, there are several products that could potentially enjoy such protection, for example, Basmati rice¹⁰⁰ (India), Curuba fruit (Colombia), Long Jin tea (China), Sumatran and Guatemalan coffee, handicrafts from Talavera (Mexico), marble from Turkey, Nuoc Mam Fu Quoc sauce (Vietnam), etc.

In the preparatory negotiations of the 1999 Ministerial Conference in Seattle, the issue of GIs was discussed from two different approaches. The first, taken by developing countries, was through the so called “implementation” process and the other comprised the compilation of proposals aimed at establishing specific mandates for negotiations in the Ministerial Declaration.

The implementation process was the result of the constant and continuous declarations by many developing countries, in which they stated that they could not fulfil their commitments to the OMC because of structural problems, and the imbalance between rights and obligations originating in the agreements of the Uruguay Round. In this context, several developing countries presented to the General Council and to the Ministerial Conference of Seattle a consolidated text where they put forward a group of proposals for finding the required equilibrium. Among these proposals there were many making reference to the extension of the scope of protection of the GIs to other products, including agricultural products and handicrafts. This process has not yet been completed. However, there is little possibility of achieving concrete results in the TRIPS context except for extensions of deadlines for fulfilling obligations.

During the discussions that preceded the Seattle Ministerial, several delegations presented papers with the objective of modifying the status of prevailing immobility. These proposals were the following:

1. *Extension of scope of the multilateral register to products in different categories*, presented by the African Group,¹⁰¹ Cuba, Honduras, India, Indonesia, Nicaragua, Pakistan, and Dominican Republic, Sri Lanka, Czech Republic,¹⁰² Turkey,¹⁰³ Uganda,¹⁰⁴ Venezuela.

¹⁰⁰ Basmati rice is a plant variety. However, for India the name Basmati identifies the region of Punjab. This case is similar to the Reblochon cheese in France. There is not in the Savoie region a village called Reblochon. Nevertheless, Reblochon identifies a cheese originated in a particular region in the French Alps.

¹⁰¹ See WTO Document WT/GC/W/302.

¹⁰² See WTO Document WT/GC/206.

¹⁰³ See WTO Document WT/GC/249.



2. *Initiation of work in collaboration with the WIPO for the creation of a multilateral register, presented by Hungary.*¹⁰⁵
3. *Pursuit and fulfilment of the programme and mandates of the incorporated agenda of TRIPS, specifically of art. 23.4, presented by the European Union.*¹⁰⁶

At the 3rd Ministerial Meeting in Seattle, there were two Meetings of the “Green Room”¹⁰⁷ dealing with TRIPs issues. In these meetings, proposals for possible solutions were discussed. They were went in the direction of including a paragraph in the Ministerial Declaration requesting members to finalize work in the area of geographic indications and to establish an order of preference among the existing mandates. The text would have to express in general terms the following elements:

1. Finalization of the negotiations on the multilateral wine register, in accordance with art. 23.4.
2. Initiation of work for the inclusion of spirits in the multilateral register of wines in accordance with the Singapore Ministerial Decision.
3. Initiation of work on raising the level of protection and expanding the scope of the multilateral register to include other products, in accordance with art. 24.2.

Comments on the informal solution presented at the Third WTO Ministerial Conference

The informal proposal presented during the negotiations at the Ministerial Meeting seeks to establish a division of the negotiations according to the legal level of the mandates. It places at the first level the mandate for the multilateral register and notification system on wines as coming directly from the TRIPS Agreement. Then, at the second level, it includes the mandate on spirits as deriving directly from a Ministerial Decision and at the third level it puts the initiation of work for an extension accordance with the review process of art. 24.2.

The reasoning of the proposal is based on the legal hierarchy of the different sources of negotiation and reviews. It takes neither the political considerations nor the link between arts. 24.1 and art. 23.4 into account. Furthermore, it puts the issue of extension at the last level of the discussion and avoids mentioning the question of increasing the level of protection for other products. A proposal of this nature will adversely affect the interest of countries seeking an increase in the level of protection and the extension to other products. If the EU succeeds in having a register of wines and the United States a register of spirits, these countries will be very satisfied and there will not be any incentive to reach agreement or advance on the third issue. The main asset of the countries seeking to raise the level of protection and extend the scope is a political one. If they allow other countries to establish in a Ministerial Decision an order such as the one presented, it would be difficult to get real results in the medium term and they would lose much of their strength in the negotiation process.

At the end of the Seattle Meeting, there was no political will for a Ministerial Declaration text, which is why the major problems of the negotiations on GIs have still not been solved.

¹⁰⁴ See WTO Document WT/GC/W/208.

¹⁰⁵ See WTO Document WT/CG/W/294.

¹⁰⁶ See WTO Document WT/CG/W/193.

¹⁰⁷ Green Room is the meeting room of the Director General (DG) of WTO whose walls are painted on green. This term is used to indicate the high level meetings called by the DG for resolving sensitive situations during negotiations.



At the meetings of the Council for TRIPS in 2000, the President initiated efforts to divide the agenda of discussion into two parts, corresponding, on the one hand, to the analysis of art. 23.4 and, on the other, to the analysis of art. 24.2, with a view to avoiding confusion and to give impetus to the progress of negotiations. As a reaction to this proposal Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey presented a document¹⁰⁸ in which they confirmed the legal arguments in favour of an extension to other products and proposed a “basket approach”. This approach would take into consideration the issue of extension as a full component of the built-in agenda and as the only way to get a satisfactory result for all the members. This last reaction illustrates to what extent the discussion has become political.

Recently, and as a consequence of the beginning of the agricultural negotiations under art. XX of the Agreement on Agriculture, several countries have started to link negotiations between GIs and the issue of food quality and traditionally manufactured products. This link has not for the moment had a fundamental effect on the negotiations of the Council for TRIPS and of the Council of Agriculture; nevertheless, it could become a more important issue in the coming Ministerial or in the framework of a new round of negotiations.

VI. Risks and benefits for developing countries in the GIs negotiations and reviews

Raising the standards of protection and the establishment of a multilateral GI system for all types of products could, on the one hand, bring certain *benefits*, including:

- Identification of the real origin of products or services;
- Establishment of high levels of quality control;
- Linking of production to a specific territory limiting the movement of production factors;
- Promotion of manufacture of local products;
- Facilitating and reducing cost of advertising;
- Collective and regional marketing of protected products;
- Helping to establish market differentiation and access to a very specific group of consumers;
- Promoting tourism and touristic routes;
- Informally identifying exotic products coming mainly from developing countries;
- Protection of traditionally made products of all sorts -- the GIs include both environmental and human factors.

On the other hand, certain *risks* and problems should be taken into account:

- The use of the review of the GIs section as a legal argument could start up discussion on the review for improving protection in other areas of TRIPS in accordance with art. 71.1.
- Developing countries do not appear to be clear as to what kind of procedure they would like to follow in a multilateral system. At least, for the moment, they have not presented any proposals on what type of procedure they favour. If they do not present coherent

¹⁰⁸ See WTO document. IP/C/W/204/Rev.1



proposals, they would have to support the European or the United States or another proposal structure.

- Many developing country exports are potential, not real. They will not only need to have GIs protection, but also comply with the tariff and non-tariff standards. For example, in Africa there is a small production of cheese made from camel milk, which is a potential product for GIs protection. However, this product has not been able to comply with the sanitary criteria of developed countries. GIs do not guarantee immediate market access.
- Most GIs given as examples by developing countries exist as geographical terms. They have not been registered nor are they subject to quality control. The lack of registration is a very common problem for almost all intellectual property rights in developing countries. This is the case for many inventions and copyrights.
- An opposition system could be expensive for many developing countries. An opposition procedure can put developing countries in a weak position where homonymous GIs are concerned. For example, the case of Rioja wine between Argentina and Spain.
- Most of the protected GIs are in the hands of developed countries. According to the registers of the Lisbon Agreement, developed countries hold 70.4 per cent, the countries in transition 23.3 per cent and the developing countries 6.3 per cent of the total GIs demanded for registration in the Lisbon Agreement (*see annex III of the Lisbon Agreement registers by country*).

VII. The specificity food issue in the agricultural negotiations

The EU sees the issue of market access in the agricultural negotiations of WTO linked to the issue of food specificity or food quality. This member considers¹⁰⁹ that the differentiation of products based on quality and traditional processes could increase benefits from trade and expand consumer choice. Food specificity is believed to be a factor of importance in consumer choice concerning agricultural products. From the EU perspective, there is an important demand for products incorporating specific and identifiable characteristics, including traditional know-how and geographical origin. The way to include this issue in the negotiations is to pursue avenues for promoting fair competition, consumer protection and proper protection of denominations linked to food quality or food specificity. Accordingly they have proposed:

- establishing effective protection against usurping of names in the food and beverages sector;
- making market access effective by ensuring that products which have the right to use a certain denomination are not prevented from using such a name on the market.
- ensuring consumer protection and fair competition through regulation of labelling.

These proposals have not been very welcome in the agricultural negotiations, especially by the agricultural exporters who consider the EU as one of the most protectionist markets in the world. Several countries, including Australia, Canada, New Zealand and MERCOSUR members recognize the need to protect consumers and producers against being respectively misled or deceitful. Also, equitable ways of controlling the safety of products should be sought. However, according to these countries, the WTO already have mechanisms to guarantee these objectives in the Agreement on Technical Barriers to Trade (TBT) and in the TRIPs. In that sense, any approach

¹⁰⁹ See WTO document G/AG/NG/W/18.



based on over-restrictive regulations, impediments to legitimate trade and restrictions on competition should not be permitted. Finally, these countries advocate that consumer options, generic terminology and liberalization of markets should constitute the main topics of the negotiations.

Developing countries' perspectives on the specificity food issue.

Developing countries should approach this discussion in a prudent manner. This issue can be analyzed from three angles:

Market access: The GIs are a system to protect the identification of a product which evokes quality, special characteristics and traditional methods of production. GIs do not guarantee market access nor compliance with safety and consumer standards. For example, to have a GI for bananas would not help Ecuador to gain improved market access in the EU.

Many developing countries recognize the benefits of GIs and the need for product differentiation. However, quality regulations and the simple denomination of products can be used in a protectionist way and set limitations on developing countries' exports. An example of this situation was the case between the EU and Peru concerning scallops. Scallops coming from seas other than the Atlantic coast of Europe are not considered to be "Coquilles Saint-Jacques". Here there were no GIs on Coquilles Saint-Jacques. The differentiation was mainly based on arbitrary food classification schemes and not on real consumer perception of the origin.

Many developing countries are also exporters of agricultural products, among which, Chile, Colombia, some Central American countries, Kenya, MERCOSUR countries, South Africa, Thailand, etc. These countries have big problems accessing the EU market due to high tariffs and strict technical regulations. At the same time, they are not big users of the GIs system. For them, any discussion on food specificity must first pass through a process of increased liberalization in the agricultural sector.

Traditional methods of production: In this particular case, the mention of traditional methods is restricted to agricultural products. Developing countries own a great richness and variety of food products based on traditional know-how. They stand to benefit from increased access opportunities, especially to lucrative niche markets in developed countries. The opening of markets reducing tariff lines to traditionally made products or those manufactured by indigenous and local communities might help processes of economic integration and revalorization of bio-products. Action in this direction plus adequate technical cooperation for the compliance with technical regulations could increase the opportunities of economic elements left aside by the globalization process.

The EU has at present a regulation on specific characteristics¹¹⁰. This regulation certifies distinctive foodstuff products made with traditional raw materials or produced under traditional procedures. This regulation might serve as a good example to illustrate how certification can be used for this type of product.

Labelling and eco-labelling regulations: Labelling and eco-labelling usually serve as a means of informing the consumer of certain characteristics of products and to avoid misleading the consumer. They can be voluntary or compulsory depending on the organization or authority that issues them and the objective of the regulation. It can be said that, in many ways, they are linked to the certification trademark or they can use it as a method of identification. The labelling and eco-labelling regulations are of deep concern for many developing countries. They consider that this type of regulation may adversely affect export competitiveness

¹¹⁰ See EU regulation 2082 of certification of specific products of the 14th July 1992.



and act as a barrier to trade.¹¹¹ The main complaints of developing countries about the systems of labelling and eco-labelling are the following:

- They are difficult for small enterprises and least developed countries to apply;
- The regulations do not take into account the type of materials or procedures used by developing countries;
- There is a lack of consultation or negotiation schemes on the content of those regulations;
- Important difficulties in accessing environmentally friendly technologies;
- Lack of transparency in issuing regulations;
- Absence of flexibility and procedures of “equivalence”¹¹² for developing countries.

These types of problem could be partially resolved by a process of simplification in the creation of technical regulations, increased transparency and adequate technical cooperation.

VIII. Recommendations for developing countries.

As has already been stated, the GIs system has the EU as its main protagonist. However, many developing countries could have a very good potential to benefit from such a system. To consolidate the benefits, action will be needed at two levels:

At the national level: It will be necessary to:

- a. gather information and prepare national inventories of products which could be protected by GIs;
- b. initiate educational processes with private industry and traditional producers on the legal structure, benefits and registration procedures of GIs;
- c. initiate processes of *ex officio* registrations in areas where the producers are very dispersed or not well-organized;
- d. initiate educational processes with producers on the functioning and self-management of regulatory councils;
- e. prepare, set up and implement technical norms that would guarantee the quality of specific products;
- f. analyze the international market possibilities of national products protected by GIs, study tariff lines, sanitary and phytosanitary measures, technical standards, etc.;
- g. use the advantages of information technology in the promotion of products protected by GIs. Many web-sites can be found related to wines,¹¹³ tequila,¹¹⁴ cheese¹¹⁵ and handicrafts;¹¹⁶
- h. coordinate the actions of the agricultural and the intellectual property authorities in order to promote the national registration of foodstuff GIs.

¹¹¹ Eco-labelling and Trade. Edited by Simonnetta Zarilli, Veena Jha, and Rene Vossenaar in association with UNCTAD. 1997.

¹¹² Procedures for the recognition of technical regulations or certifications made by other countries or by other countries companies.

¹¹³ See www.riojanet.com (Spain) and www.export.cl (Chile).

¹¹⁴ See www.crt.org and www.icapalza.com (Mexico)

¹¹⁵ See Chesefromspain.com (Spain) and www.Italianmade.com (Italy)

¹¹⁶ See Superartesania.com Site for the sale of Venezuelan handicraft.



At the international level: It would be advisable to:

- a. keep a comprehensive approach or a basket approach to the results of GIs negotiations in the WTO. Partial results in wines or in spirits will undermine the possibility of short or medium-term results for other products;
- b. prepare a list of those GIs which are currently protected in developing countries. Examples may show the existence of real interest. Also, presentation of cases of misappropriation in the Council for TRIPS might help to visualize the problems;
- c. describe national experience with other products in the Council for TRIPS;
- d. avoid links with agricultural negotiations in the WTO, unless it means better opportunities for market access and transparency in technical regulations;
- e. analyse the possibilities of joining the Lisbon Agreement in WIPO to enlarge the base of international protection. Negotiations in the WTO might take years. It is necessary to initiate international recognition of the GIs already registered nationally.
- f. prepare draft texts of possible paragraphs to be included in the next Ministerial. This could facilitate the work in high-level negotiations;
- g. request technical cooperation from those developed countries interested in the establishment of a multilateral register.

IX. Special analysis of the Venezuelan situation

The Venezuelan legal framework on GIs is contained in the Andean Decision 486¹¹⁷ on Industrial Property. This Decision contains a chapter on GIs and also regulates indications of source and certification trademarks. Decision 486 is applicable in all the Andean Community member countries¹¹⁸ and permits the mutual recognition of all nationally registered GIs. The protection described in Decision 486 is based on the content of the Lisbon and TRIPS Agreements and it contains several specific aspects that should be underlined:

1. The definition of GI includes human and natural factors;
2. It permits *ex officio* registration and considers, among others, regional and local authorities as interested parties;
3. It is applicable to all types of products and it gives absolute protection for wines and spirits as well as other products. The authorization of use is applicable to all producers or extractors that are located in the geographical area and who fulfil the technical criteria of the GIs. The GIs belong to the State and not to the producers;
4. It permits the protection of GIs of third parties based on reciprocity;
5. It permits representation of producers organized in regulating councils. These councils are authorized to initiate legal actions to protect the GIs reputation, against illegal use, misappropriation and unfair competition, etc.;
6. It contains basic guidelines for labelling and label use.

As can be seen, the new Andean regime has been designed to respond to the needs of developing countries. The rules are planned to encourage the use and filing of GIs in the sub-region. In addition, from a legal perspective, the existence of a multilateral register would not be a problem for Venezuelan legislation, which already recognizes a sub-regional registration of GIs.

¹¹⁷ Comunidad Andina de Naciones. Andean Decision 486 of 14 September 2000. All the Andean Community Documents can be found on the website comunidadandina.org.

¹¹⁸ Bolivia, Colombia, Ecuador, Peru and Venezuela.



GIs have been used informally in Venezuela since colonial times. There were several products which used the indication of a region or a locality as a symbol of quality and special characteristics. The most important ones were the “rapé” or chopped tobacco of Barinas, cacao of Chuao (which is still produced), “añil” of Lara (which is a plant extract used to colour textiles), etc. Venezuela has little practical experience in the administration of GIs. Almost no denominations are registered or protected. There are at present only two registered and protected GIs. The first is foreign and corresponds to the Pisco from Peru and the other is national, corresponding to cacao from Chuao. To have a better idea of legal practice in Venezuela, we list below some of the most important cases relating to GIs:

Venezuelan cases related to GIs

Denomination of origin: Cacao from Chuao. As has been mentioned, this is the only national registered GI in Venezuela. It was the result of a joint project of several governmental, regional and local institutions.¹¹⁹ The particularities of plants, climate of the region and the fermentation procedure used by the community of Chuao have been the elements that characterize this cacao. It is currently exported to high quality chocolate manufacturers, especially in France, Switzerland and the U.K.

Duraznos from the Colonia Tovar. These are small peaches produced in a temperate area in the middle of the tropics, grown and produced by German descendants. The fruit is in the process of registration and recognition by the national authority. The majority of the production is consumed nationally and a small part is exported to the Caribbean.

Chocolate Carenero Superior. Apparently a Venezuelan company called Chocolates el Rey has been using the denomination Carenero Superior for successful chocolate sales on the East Coast of the United States.¹²⁰ The problem arises because, according to the SAPI,¹²¹ no denomination of origin with that name has been registered in Venezuela. Perhaps, what has happened is that Caranero Superior has been registered as a trademark or as a certification trademark in the United States. This latest information has not yet been confirmed.

Chocolate Barlovento Noir®. In the year 2000, Nestlé France (subsidiary of Nestlé, Switzerland) introduced on to the market of that country a chocolate whose registered trademark is “Noir Barlovento®”. The packaging of this chocolate included, apart from the trademark, an explanation of the origin of the cacao, identifying Venezuela, and a map showing exactly where Barlovento is situated. The introduction of this product on to the French market has both positive and negative repercussions for Venezuela. On the positive side, it identifies the cacao originating in Venezuela as a high-quality product which is distributed on a large scale to supermarkets in France. A negative effect is that a trademark registered in France has taken, without authorization, an indication of source of a region of Venezuela. The registration of this trademark could prevent the future use by Venezuelans of the same identification for chocolate. In this case, there exists a situation of real confusion between the end-product chocolate and the original cacao .

Wines from Viña Altagracia: This case occurred as a result of the sale of a presumed Venezuelan wine in Switzerland. This wine was identified on the label as “Rotwein aus Venezuela, Altagracia, State Lara, Warehouses POMAR, Caracas, Venezuela”. According to Bodegas POMAR S.A. of Venezuela, they have never exported wine to Switzerland. The Venezuelan expert and journalist, Miros Popi, states that this wine probably consists of Bulgarian or Chilean over-production which is using the reputation of another country’s product. This is a common misdemeanour involving the passing of a limited amount of production through a unique and fast violation of intellectual property rights in order to exhaust that excess. As can be observed,

¹¹⁹ This group is conformed by the MPC, MCT, VCM, UEDA Aragua, FUNDACITE, COCET, y FONCREA.

¹²⁰ See *Magazine Venezuela at a Glance*. Volume I. July 1999. Ministry of Foreign Affairs of Venezuela.

¹²¹ Venezuelan Autonomous Service of Intellectual Property Rights.



there are two distinct problems, one relative to the indication of the origin (because the origin of the product is false) and another related to a trademark used without authorization from the true right holder. Bodegas Pomar S.A. is at present considering taking legal action in Switzerland.

Apart from these cases, many products can be found that would be suitable for GIs protection in Venezuela, such as rum (Carupano, San Mateo and Valles del Tuy.), cheeses (Guayanés and Palmizulia.), cattle (Carora), cookies (panelas de San Joaquín), coffee (Táchira and Trujillo), rice (Acarigua), palms (Amazonian Chiri-Chiri palm), handicrafts (de los Andes, Quibor, Tintoreto and Amazonas), various fruit and fish products.

As was mentioned earlier, the WTO member most interested in a multilateral wine register is the European Union. A single register applicable to wines would not be of interest to Venezuela because it is not a large-scale producer of this type of product. With regard to the extension of protection to spirits, Venezuela has a potential interest in the case of rum, which is currently being exported to Colombia, the Caribbean, Spain and the United States. As concerns raising the level of protection of wines and spirits and the extension of the multilateral register to other products, Venezuela has an ambivalent internal situation, because there are important potential beneficiaries in respect of the cacao, coffee, fruit and crafts on one hand, and, on the other, there are several Venezuelan companies that produce cheeses under Italian and Spanish GIs names. Therefore, the sales of these countries could be affected in their sales. In addition, if the protection were to be extended to other products, Venezuela would not be allowed to use the denominations of those cheeses or even use the mention of type, style or imitation. In this particular case, it would be necessary for Venezuela to analyze what is more important: the specific cheese sector or interest in producing and exporting a wide range of products.

Apparently, there is sufficient evidence to confirm that Venezuela would be in favour of extending the protection and the possible multilateral register to other products on account of the abundant opportunities and competitive advantages of several products other than wine and spirits. Furthermore, giving supporting to the European Union and other countries in the establishment of a register system could prove useful in requesting in exchange support in other areas of the negotiations on issues such as genetic resources, biodiversity and traditional knowledge; issues to which the Andean Community and Venezuela attach great importance.

X. Concluding remarks

Interest in extending the multilateral system on wines to additional products is not a North/South issue. The positions in the Council for TRIP have been set by commercial, cultural and legal perceptions. Currently, many developing countries acknowledge the benefits of the use of their own GIs as appropriate tools for gaining access to certain market niches and improving their marketing strategies. Nevertheless, aside from the EU and certain members of the Lisbon Agreement, the benefits of a multilateral system on GIs are mostly potential. Those benefits will not come automatically. They will have to be constructed and stimulated, especially in developing countries. In the field of GIs, as well as in other areas of intellectual property, the lack of registration and planned policies is still a prevalent in many developing countries. Usually, developing countries tend to transfer obligations derived from intellectual property rights agreements without having policies to complement and obtain the greatest national benefit from such legal standards.



To achieve the purpose of the extension, it will be necessary to bear in mind the link between arts. 24.1 and 23. This is the only suitable legal argument for getting an extension without changing the agreement. If countries bide by art. 24.2 alone, it could be argued that a review is not a negotiation but a simple analysis of the implementation. Also, the review will need an amendment of the Agreement to include the extension. For these reasons, countries interested in the extension must keep political pressure on the “basket” approach and use the arena of the next Ministerial Conference of the WTO in Qatar to gain more favourable legal ground. It is essential that Ministers expressly recognize the needs and new conditions in the world marketplace for the GIs protection for all types of products.

As far as the link with agricultural negotiations is concerned, it seems that a link with the TRIPS issues is not to be recommended. The discussions on agriculture include many issues of a sensitive nature for developing countries, such as technical standards, sanitary measures and labelling. These issues must be studied indepth internally by developing countries before making any commitment that could affect their positions in the negotiations on agriculture. Moreover, for agricultural exporters to introduce the specificity and quality food issue without more liberalization would not make much sense.

Finally, Venezuela is a country that has had considerable experience in exporting agricultural products of quality over the last century. Many of these products have survived the oil age and have even maintained their historical quality levels. There are many national expectations as regards exports of rum, cocoa and coffee. Venezuela tends not to export many agricultural or agro-industrial products for mass consumption because their prices are not competitive on the international market. Nevertheless, Venezuelan products do very well in specific high-quality and high-price markets. It is just in this sector of the international market where geographic indications have their trade value and the consumer recognizes the geographic indication as a quality symbol. In addition, promoting at national level legal mechanisms like the denominations of origin, the collective marks of certification trademarks can have a favourable impact on access to international markets where the expense of entering into the distribution chain and the costs of advertising are very high.

Venezuela has to follow closely these negotiations in order to formulate clearly its position with respect to the extension. It will also be necessary for Venezuela to establish national guidelines for the development of institutional mechanisms to take advantage of the possible results of the negotiations. The work of Venezuela should be focused more on the domestic scene where much needs to be done to establish an efficient national system of geographic indications that would foster the promotion and development of its products.

Geneva, January 2000



UNCTAD
Commercial Diplomacy Programme

Annex I

The main proposals and opinions in the negotiations on geographical indications in the TRIPs Council

	Proposal form E.U. ¹²²	Proposal form Canada, Chile, Japan, and the U.S. ¹²³	Countries in favor of an extension ¹²⁴ .
Legal base	Art. 23.4 of the TRIPs.	Art. 23.4 and text of the TRIPs Report of 1996.	Art. 23.4 together with art.24.1 and 24.2.
Scope of the register	Main interest: wines. No opposition to the extension to other foodstuff products.	Main interest: wines spirits. No opposition products covered by the TRIPs.	Main interest: Other products. Including foodstuff, handicraft industrial products, and services.
Nature of the system	Voluntary. No creation of new obligations.	Voluntary. No creation of new obligations.	Voluntary. Elevation of protection for other products to the wine and spirits standards.
Procedure of registration/notification	Procedure of registration before the WTO Secretariat. The application must include list of national registered GIs that fulfill the definition of art. 22.1 and elements of proof.	Procedure of notification for GIs protected according with their national legislation before the WTO Secretariat. Creation of a database with all the information about the characteristics of national protected GIs.	Not mentioned.
Opposition procedure and conflicts	Procedure of examination and negotiations for the presented GIs. In case of conflicts the parts involved can use the dispute settlement system of WTO.	Not necessary. Use of Dispute settlement system in case of a conflict.	Not mentioned
Legal effects	<i>Erga Omnes</i> effect. Legal effects to all members.	Only transparency. No existence of international effects. Only national registered GIs will be protected.	<i>Erga Omnes</i> effect. Legal effects to all members.
Future work	There is not any call for future work.	Review after two years.	Action for modification of the TRIPs text to improve level of protection.
Links with the agricultural negotiations	They want recognition of the link between GIs and the food quality issue.	Members of the Cairns Group do not recognize any relation with agriculture.	They want recognition of the link between GIs and the food quality issue.

¹²² All members of the European Union (document IP/C/W/107.rev.1). This proposal have been opposed not only by Anglo Saxon Countries but also by agricultural producers as Argentina and Brazil.

¹²³ See document IP/C/W/133/Rev.1

¹²⁴ Bulgaria, Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Slovenia, Sri Lanka, Switzerland and Turkey presented a paper on the issue of extension in the TRIPs Council (document IP/C/W/204.rev.1). In the other hand Some ASEAN countries, Egypt, Iceland, Morocco, Peru, Sri Lanka, Tunisia, Venezuela, and several African countries have also favoured and support this position but they have not recognize until the moment the links with agricultural issues.



Annex II
The Lisbon agreement register: demanded GI registration by product

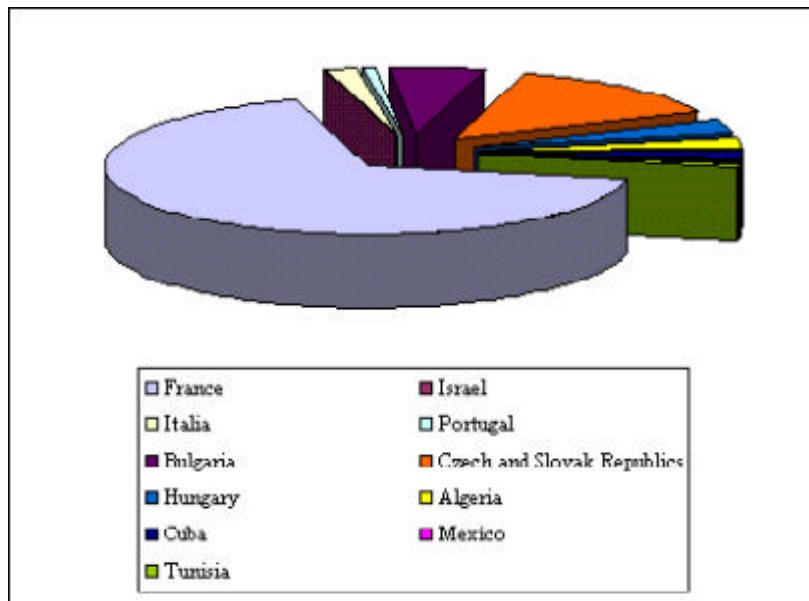
Wines and wine products	538	64.7%
Spirits	72	8.7%
Cheeses and milk derivatives	56	6.7%
Vegetables, legumes, fruits and cereals	26	3.1%
Mineral waters	16	1.9%
Beers	11	1.3%
Meat products	7	0.8%
Pastry and cookies	4	0.5%
Spices	4	0.5%
Honey	4	0.5%
Vegetables oils	2	0.2%
Odorant plants and extracts	2	0.2%
SUB-TOTAL AGRICULTURAL PRODUCTS	742	89.3%
Tobacco and cigarettes	33	4.0%
Ceramic and ceramics products	10	1.2%
Clothes and textiles	7	0.8%
Cristal and glass products	4	0.5%
Jewelry	4	0.5%
Products for domestic use and furniture	2	0.2%
Handicraft	2	0.2%
Musical instruments	1	0.1%
Arms	1	0.1%
SUBTOTAL INDUSTRIAL AND ARTISAN PRODUCTS	64	7.7%
Marbles, stones and mineral products	17	2.0%
Kaolin and clay	4	0.5%
Salts	4	0.5%
SUB-TOTAL MINERAL PRODUCTS	25	3.0%
TOTAL	831	100.0%



UNCTAD
Commercial Diplomacy Programme

Annex III
Demanded GIs registration under the Lisbon agreement by country

France	560	67.4%
Israel	1	0.1%
Italia	17	2.0%
Portugal	7	0.8%
Subtotal for developed countries	585	70.4%
Bulgaria	47	5.7%
Czech and Slovak Republics	120	14.4%
Hungary	27	3.2%
Subtotal for economies in transition	194	23.3%
Algeria	22	2.6%
Cuba	18	2.2%
Mexico	4	0.5%
Tunisia	8	1.0%
Subtotal for developing countries	52	6.3%
TOTAL	831	100.0%





ANNEX 9

TRAINING PRESENTATIONS

are available in MS Powerpoint format

1 - [TRIPS](#)

2 - [GEOGRAPHICAL INDICATIONS](#)

3 - [TECHNOLOGY AND INVESTMENT](#)